

**BIG BEAR CITY COMMUNITY SERVICES  
DISTRICT  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
For the Fiscal Year Ended  
June 30, 2019**



**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*For the Fiscal Year Ended June 30, 2019*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
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 Big Bear City Community Services District as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Big Bear City Community Services District, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 9, budgetary comparison information on page 46, schedule of proportionate share of the net pension liability on page 47, schedule of pension contributions on page 48, and schedule of changes in the net OPEB liability and related ratios on page 49 be 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 a separate report dated March 31, 2020, 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.



Murrieta, California  
March 31, 2020

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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Management's Discussion and Analysis (MD&A) offers readers of Big Bear City Community Services District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2019. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's net position, before the special item, increased 15.93%, or \$1,859,876 from the prior year's net position of \$11,674,923 to \$13,534,799, as a result of this year's operations. Also, the District recognized a one-time special item gain of \$4,801,434 for the transfer of the public safety and ambulance operations and liabilities to the Big Bear Fire Authority (BBFA), which then increased the ending net position of the District to \$18,336,233.
- Total revenues from all sources decreased by 31.15%, or \$6,604,817 from \$21,200,832 to \$14,596,015, from the prior year, primarily due to the transfer of operations to the BBFA. Ambulance service revenue is the primary factor for the \$6 million decline in revenue.
- Total expenses for the District's operations decreased by 38.75% or \$8,056,687 from \$20,792,826 to \$12,736,139, from the prior year, primarily due to the transfer of operations to the BBFA. Public safety and ambulance service salaries and benefits expense is the primary factor for the \$8 million decline in expense.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.

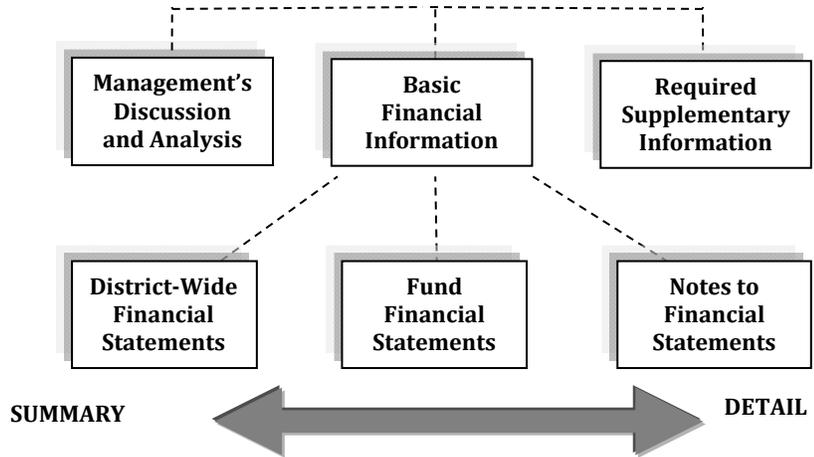
**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Figure A-1. Organization of Big Bear City Community Services District's Annual Financial Report**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Fund</b>	<b>Proprietary Funds</b>
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services	Activities of the District that operate like a business, such as self-insurance funds
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, &amp; Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as weed abatement, landscape maintenance, and administration. State and local programs finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has two kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers compensation claims, health and welfare benefits, and property and liability claims.

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION**

**Analysis of Net Position**

**Table A-1: Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>ASSETS:</b>						
Current assets	\$ 1,960,715	\$ 2,305,989	\$ 14,130,899	\$ 13,209,428	\$ 16,091,614	\$ 15,515,417
Non-current assets	-	-	506,271	-	506,271	-
Capital assets, net	1,231,667	1,435,394	17,806,993	18,781,304	19,038,660	20,216,698
<b>Total assets</b>	<b>3,192,382</b>	<b>3,741,383</b>	<b>32,444,163</b>	<b>31,990,732</b>	<b>35,636,545</b>	<b>35,732,115</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>2,083,031</b>	<b>2,268,727</b>	<b>2,582,887</b>	<b>2,268,727</b>	<b>4,665,918</b>
<b>LIABILITIES:</b>						
Current liabilities	1,901,050	80,346	516,967	647,790	2,418,017	728,136
Non-current liabilities	35,266	10,528,367	16,272,265	16,463,375	16,307,531	26,991,742
<b>Total liabilities</b>	<b>1,936,316</b>	<b>10,608,713</b>	<b>16,789,232</b>	<b>17,111,165</b>	<b>18,725,548</b>	<b>27,719,878</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>366,325</b>	<b>843,491</b>	<b>636,907</b>	<b>843,491</b>	<b>1,003,232</b>
<b>NET POSITION</b>						
Net investment in capital assets	1,231,667	1,435,394	17,694,788	18,453,774	18,926,455	19,889,168
Unrestricted (Deficit)	24,399	(6,586,018)	(614,621)	(1,628,227)	(590,222)	(8,214,245)
<b>Total net position</b>	<b>\$ 1,256,066</b>	<b>\$ (5,150,624)</b>	<b>\$ 17,080,167</b>	<b>\$ 16,825,547</b>	<b>\$ 18,336,233</b>	<b>\$ 11,674,923</b>

At the end of fiscal year 2019, the District shows a deficit balance in its unrestricted net position of \$590,222.

**Analysis of Revenues and Expenses**

**Table A-2: Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>REVENUES:</b>						
Program revenues	\$ 189,937	\$ 6,903,317	\$ 9,561,456	\$ 9,387,766	\$ 9,751,393	\$ 16,291,083
General revenues and transfers	6,223,631	4,790,277	(1,379,009)	119,472	4,844,622	4,909,749
<b>Total revenues</b>	<b>6,413,568</b>	<b>11,693,594</b>	<b>8,182,447</b>	<b>9,507,238</b>	<b>14,596,015</b>	<b>21,200,832</b>
<b>EXPENSES:</b>						
Operations	4,520,836	12,107,350	6,415,980	7,233,716	10,936,816	19,341,066
Depreciation expense	287,476	216,989	1,505,873	1,216,261	1,793,349	1,433,250
Interest expense	-	-	5,974	18,510	5,974	18,510
<b>Total expenses</b>	<b>4,808,312</b>	<b>12,324,339</b>	<b>7,927,827</b>	<b>8,468,487</b>	<b>12,736,139</b>	<b>20,792,826</b>
<b>Change in operations before special item</b>	<b>1,605,256</b>	<b>(630,745)</b>	<b>254,620</b>	<b>1,038,751</b>	<b>1,859,876</b>	<b>408,006</b>
<b>SPECIAL ITEM</b>	<b>4,801,434</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,801,434</b>	<b>-</b>
<b>Change in net position</b>	<b>6,406,690</b>	<b>(630,745)</b>	<b>254,620</b>	<b>1,038,751</b>	<b>6,661,310</b>	<b>408,006</b>
<b>NET POSITION:</b>						
Beginning of year	(5,150,624)	(4,519,879)	16,825,547	15,786,796	11,674,923	11,266,917
End of year	\$ 1,256,066	\$ (5,150,624)	\$ 17,080,167	\$ 16,825,547	\$ 18,336,233	\$ 11,674,923

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)**

**Analysis of Revenues and Expenses (continued)**

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District, before the special item, increased 15.93%, or \$1,859,876 from the prior year's net position of \$11,674,923 to \$13,534,799, as a result of this year's operations. Also, the District recognized a one-time special item gain of \$4,801,434 for the transfer of the public safety and ambulance operations and liabilities to the Big Bear Fire Authority (BBFA), which then increased the ending net position of the District to \$18,336,233.

Total revenues from all sources decreased by 31.15%, or \$6,604,817 from \$21,200,832 to \$14,596,015, from the prior year, primarily due to the transfer of operations to the BBFA. Ambulance service revenue is the primary factor for the \$6 million decline in revenue.

Total expenses for the District's operations decreased by 38.75% or \$8,056,687 from \$20,792,826 to \$12,736,139, from the prior year, primarily due to the transfer of operations to the BBFA. Public safety and ambulance service salaries and benefits expense is the primary factor for the \$8 million decline in expense.

**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, 2019, the District reported a total fund balance of \$94,930. An amount of \$59,665 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budgeted expenditures for the District's general fund at year-end were \$134,074 more than actual. The variance is minimal overall. Actual revenues were greater than the anticipated budget by \$230,696.

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2019*

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**CAPITAL ASSET ADMINISTRATION**

**Table A-3: Capital Assets at Year End, Net of Depreciation**

	<u>Balance</u> <u>June 30, 2019</u>	<u>Balance</u> <u>June 30, 2018</u>
Non-depreciable capital assets	\$ 1,706,682	\$ 2,103,394
Depreciable capital assets	<u>50,008,655</u>	<u>49,592,613</u>
Total capital assets	51,715,337	51,696,007
Accumulated depreciation	<u>(32,651,676)</u>	<u>(31,479,309)</u>
Total capital assets, net	<u>\$ 19,063,661</u>	<u>\$ 20,216,698</u>

At the end of fiscal year 2019, the District's investment in capital assets amounted to \$19,038,661 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include various ongoing structural improvements of \$405,104 and equipment totaling \$210,208.

See Note 5 for further information on the District's capital assets.

**DEBT ADMINISTRATION**

**Table A-4: Capital Lease**

	<u>Balance</u> <u>June 30, 2019</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital lease payable	<u>\$ 112,205</u>	<u>\$ 327,530</u>

At the end of fiscal year 2019, the District paid-down its capital lease by \$215,325. See Note 7 for further information on the District's outstanding debt.

**FACTORS AFFECTING CURRENT FINANCIAL POSITION**

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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.

# BIG BEAR CITY COMMUNITY SERVICES DISTRICT

## Statement of Net Position

June 30, 2019

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and investments (Note 2)	\$ 1,853,576	\$ 13,225,116	\$ 15,078,692
Accrued interest receivable	13,596	76,704	90,300
Accounts receivable – services	-	575,533	575,533
Accounts receivable – other	30,523	141,353	171,876
Property taxes receivable	63,020	-	63,020
Special assessments receivable (Note 3)	-	10,727	10,727
Due from other governments (Note 4)	-	101,466	101,466
<b>Total current assets</b>	<b>1,960,715</b>	<b>14,130,899</b>	<b>16,091,614</b>
<b>Non-current assets:</b>			
Due from other governments (Note 4)	-	506,271	506,271
Capital assets – not being depreciated (Note 5)	292,794	1,413,888	1,706,682
Capital assets – being depreciated, net (Note 5)	938,873	16,393,105	17,331,978
<b>Total non-current assets</b>	<b>1,231,667</b>	<b>18,313,264</b>	<b>19,544,931</b>
<b>Total assets</b>	<b>3,192,382</b>	<b>32,444,163</b>	<b>35,636,545</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
OPEB related deferred outflows of resources (Note 8)	-	7,043	7,043
Pension related deferred outflows of resources (Note 9)	-	2,261,684	2,261,684
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>2,268,727</b>	<b>2,268,727</b>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	26,407	301,731	328,138
Due to other governments	1,839,378	3,670	1,843,048
Customer deposits and unearned revenue	-	48,346	48,346
Compensated absences (Note 6)	35,265	51,015	86,280
Capital lease payable (Note 7)	-	112,205	112,205
<b>Total current liabilities</b>	<b>1,901,050</b>	<b>516,967</b>	<b>2,418,017</b>
<b>Non-current liabilities:</b>			
Compensated absences (Note 6)	35,266	51,015	86,281
Net OPEB obligation (Note 8)	-	7,282,092	7,282,092
Net pension liability (Note 9)	-	8,939,158	8,939,158
<b>Total non-current liabilities</b>	<b>35,266</b>	<b>16,272,265</b>	<b>16,307,531</b>
<b>Total liabilities</b>	<b>1,936,316</b>	<b>16,789,232</b>	<b>18,725,548</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
OPEB related deferred inflows of resources (Note 8)	-	8,597	8,597
Pension related deferred inflows of resources (Note 9)	-	834,894	834,894
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>843,491</b>	<b>843,491</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets (Note 10)	1,231,667	17,694,788	18,926,455
Unrestricted (Deficit) (Note 11)	24,399	(614,621)	(590,222)
<b>Total net position</b>	<b>\$ 1,256,066</b>	<b>\$ 17,080,167</b>	<b>\$ 18,336,233</b>

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT***Statement of Activities**For the Fiscal Year Ended June 30, 2019*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Capital and Operating Grants</b>
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ 4,539,645	\$ 189,937	\$ -
Public safety – fire services	146,704	-	-
Ambulance services	121,963	-	-
<b>Total governmental activities</b>	<b>4,808,312</b>	<b>189,937</b>	<b>-</b>
<b>Business-type activities:</b>			
Water	3,148,807	4,017,507	57,186
Sewer	2,460,220	2,280,061	46,900
Solid waste	2,318,800	3,159,802	-
<b>Total business-type activities</b>	<b>7,927,827</b>	<b>9,457,370</b>	<b>104,086</b>
<b>Total primary government</b>	<b>\$ 12,736,139</b>	<b>\$ 9,647,307</b>	<b>\$ 104,086</b>

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT***Statement of Activities (continued)**For the Fiscal Year Ended June 30, 2019*

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (4,349,708)	\$ -	\$ (4,349,708)
Public safety – fire services	(146,704)	-	(146,704)
Ambulance services	(121,963)	-	(121,963)
<b>Total governmental activities</b>	<b>(4,618,375)</b>	<b>-</b>	<b>(4,618,375)</b>
<b>Business-type activities:</b>			
Water	-	925,886	925,886
Sewer	-	(133,259)	(133,259)
Solid waste	-	841,002	841,002
<b>Total business-type activities</b>	<b>-</b>	<b>1,633,629</b>	<b>1,633,629</b>
<b>Total primary government</b>	<b>(4,618,375)</b>	<b>1,633,629</b>	<b>(2,984,746)</b>
<b>General revenues and transfers:</b>			
Property taxes	2,450,772	-	2,450,772
Voter approved taxes	2,027,164	-	2,027,164
Investment earnings	42,523	324,163	366,686
Transfer – operating cash in/(out) (Note 13)	813,000	(813,000)	-
Transfer – net liabilities to enterprise funds (Note 13)	890,172	(890,172)	-
<b>Total general revenues and transfers</b>	<b>6,223,631</b>	<b>(1,379,009)</b>	<b>4,844,622</b>
<b>Change in operations before special item</b>	<b>1,605,256</b>	<b>254,620</b>	<b>1,859,876</b>
<b>Special item (Note 14)</b>	<b>4,801,434</b>	<b>-</b>	<b>4,801,434</b>
<b>Change in net position</b>	<b>6,406,690</b>	<b>254,620</b>	<b>6,661,310</b>
<b>Net position:</b>			
Beginning of year	(5,150,624)	16,825,547	11,674,923
End of year	\$ 1,256,066	\$ 17,080,167	\$ 18,336,233

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT***Balance Sheet – Governmental Funds**June 30, 2019*

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<u>Assets</u>	<u>General Government</u>	<u>Public Safety Fire Services</u>	<u>Ambulance Services</u>	<u>Street Lighting</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and investments	\$ 1,853,576	\$ -	\$ -	\$ -	\$ 1,853,576
Accrued interest receivable	13,596	-	-	-	13,596
Accounts receivable – other	30,523	-	-	-	30,523
Property taxes receivable	63,020	-	-	-	63,020
<b>Total assets</b>	<u>\$ 1,960,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,960,715</u>
<b><u>Liabilities and Fund Balance</u></b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 26,407	\$ -	\$ -	\$ -	\$ 26,407
Due to other governments	1,839,378	-	-	-	1,839,378
<b>Total liabilities</b>	<u>1,865,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,865,785</u>
<b>Fund balance: (Note 12)</b>					
Committed	35,265	-	-	-	35,265
Unassigned	59,665	-	-	-	59,665
<b>Total fund balance</b>	<u>94,930</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,930</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,960,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,960,715</u>

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2019*

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<b>Total Fund Balances - Total Governmental Funds</b>	<u>\$ 94,930</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	1,231,667
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	<u>(70,531)</u>
Total adjustments	<u>1,161,136</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 1,256,066</u></u>

## BIG BEAR CITY COMMUNITY SERVICES DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2019

	General Government	Public Safety Fire Services	Ambulance Services	Street Lighting	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 2,450,772	\$ -	\$ -	\$ 35,710	\$ 2,486,482
Voter approved taxes	2,027,164	-	-	-	2,027,164
Charges for services	189,937	-	-	-	189,937
Investment earnings	42,523	-	-	-	42,523
<b>Total revenues</b>	<b>4,710,396</b>	<b>-</b>	<b>-</b>	<b>35,710</b>	<b>4,746,106</b>
<b>Expenditures:</b>					
Current:					
Contract services – Big Bear Fire Authority	4,476,376	-	-	-	4,476,376
Park maintenance and other expenses	1,560	-	-	-	1,560
Materials and services	20,479	-	-	35,710	56,189
Capital outlay	83,759	-	-	-	83,759
<b>Total expenditures</b>	<b>4,582,174</b>	<b>-</b>	<b>-</b>	<b>35,710</b>	<b>4,617,884</b>
<b>Revenues over(under) expenditures</b>	<b>128,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128,222</b>
<b>Other financing sources(uses):</b>					
Transfers in(out) (Note 13)	813,000	-	-	-	813,000
<b>Total other financing sources(uses)</b>	<b>813,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>813,000</b>
<b>Net change in fund balance before special item</b>	<b>941,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>941,222</b>
<b>Special item (Note 14)</b>	<b>(1,683,536)</b>	<b>(2,128,996)</b>	<b>723,758</b>	<b>-</b>	<b>(3,088,774)</b>
<b>Net change in fund balance</b>	<b>(742,314)</b>	<b>(2,128,996)</b>	<b>723,758</b>	<b>-</b>	<b>(2,147,552)</b>
<b>Fund balance:</b>					
Beginning of year	837,244	2,128,996	(723,758)	-	2,242,482
End of year	<b>\$ 94,930</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 94,930</b>

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes  
in Fund Balances to the Statement of Activities*

*For the Fiscal Year Ended June 30, 2019*

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<b>Net Changes in Fund Balance – Total Governmental Funds</b>	<u>\$ (2,147,552)</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	(22,421)
Transfer – net liabilities to enterprise funds	890,172
Special items:	
Transfer of operations to the Big Bear Fire Authority – government-wide basis	4,801,434
Transfer of operations to the Big Bear Fire Authority – fund balance basis	3,088,774
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	83,759
Depreciation expense	<u>(287,476)</u>
<b>Total adjustments</b>	<u>8,554,242</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 6,406,690</u></u>

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**  
*Statement of Net Position – Proprietary Fund*  
*June 30, 2019*

<b>ASSETS</b>	<b>Water Operations</b>	<b>Sewer Operations</b>	<b>Solid Waste Operations</b>	<b>Total</b>
<b>Current assets:</b>				
Cash and investments	\$ 6,113,179	\$ 4,312,223	\$ 2,799,714	\$ 13,225,116
Accrued interest receivable	18,416	36,325	21,963	76,704
Accounts receivable – services, net	556,818	-	18,715	575,533
Accounts receivable – other	4,486	86,869	49,998	141,353
Special assessments receivable	-	10,727	-	10,727
Due from other governments	-	101,466	-	101,466
<b>Total current assets</b>	<b>6,692,899</b>	<b>4,547,610</b>	<b>2,890,390</b>	<b>14,130,899</b>
<b>Non-current assets:</b>				
Due from other governments	-	506,271	-	506,271
Capital assets – not being depreciated	1,045,347	215,740	127,800	1,388,887
Capital assets – being depreciated, net	9,994,044	5,350,454	1,073,608	16,418,106
<b>Total non-current assets</b>	<b>11,039,391</b>	<b>6,072,465</b>	<b>1,201,408</b>	<b>18,313,264</b>
<b>Total assets</b>	<b>17,732,290</b>	<b>10,620,075</b>	<b>4,091,798</b>	<b>32,444,163</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB related deferred outflows of resources	1,972	1,972	3,099	7,043
Pension related deferred outflows of resources	678,505	655,888	927,291	2,261,684
<b>Total deferred outflows of resources</b>	<b>680,477</b>	<b>657,860</b>	<b>930,390</b>	<b>2,268,727</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 18,412,767</b>	<b>\$ 11,277,935</b>	<b>\$ 5,022,188</b>	<b>\$ 34,712,890</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 165,282	\$ 112,321	\$ 24,128	\$ 301,731
Due to other governments	-	3,670	-	3,670
Customer deposits and unearned revenue	48,346	-	-	48,346
Compensated absences	15,187	14,510	21,318	51,015
Capital lease payable	-	-	112,205	112,205
<b>Total current liabilities</b>	<b>228,815</b>	<b>130,501</b>	<b>157,651</b>	<b>516,967</b>
<b>Non-current liabilities:</b>				
Compensated absences	15,187	14,511	21,317	51,015
Net OPEB obligation	2,038,986	2,038,986	3,204,120	7,282,092
Net pension liability	2,681,747	2,592,356	3,665,055	8,939,158
<b>Total non-current liabilities</b>	<b>4,735,920</b>	<b>4,645,853</b>	<b>6,890,492</b>	<b>16,272,265</b>
<b>Total liabilities</b>	<b>4,964,735</b>	<b>4,776,354</b>	<b>7,048,143</b>	<b>16,789,232</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB related deferred inflows of resources	2,407	2,407	3,783	8,597
Pension related deferred inflows of resources	250,468	242,119	342,307	834,894
<b>Total deferred inflows of resources</b>	<b>252,875</b>	<b>244,526</b>	<b>346,090</b>	<b>843,491</b>
<b>NET POSITION</b>				
Net investment in capital assets	11,039,391	5,566,194	1,089,203	17,694,788
Unrestricted (Deficit) (Note 11)	2,155,766	690,861	(3,461,248)	(614,621)
<b>Total net position</b>	<b>13,195,157</b>	<b>6,257,055</b>	<b>(2,372,045)</b>	<b>17,080,167</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 18,412,767</b>	<b>\$ 11,277,935</b>	<b>\$ 5,022,188</b>	<b>\$ 34,712,890</b>

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2019*

	<u>Water Operations</u>	<u>Sewer Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
<b>Operating revenues:</b>				
Water consumption sales	\$ 3,711,237	\$ -	\$ -	\$ 3,711,237
Water standby charges	237,362	-	-	237,362
Sewer service charges	-	2,226,660	-	2,226,660
Solid waste collection charges	-	-	3,157,448	3,157,448
Other charges for services	68,908	53,401	2,354	124,663
<b>Total operating revenues</b>	<u>4,017,507</u>	<u>2,280,061</u>	<u>3,159,802</u>	<u>9,457,370</u>
<b>Operating expenses:</b>				
Operations	2,431,676	1,863,680	2,120,624	6,415,980
<b>Total operating expenses</b>	<u>2,431,676</u>	<u>1,863,680</u>	<u>2,120,624</u>	<u>6,415,980</u>
Operating income before depreciation	1,585,831	416,381	1,039,178	3,041,390
Depreciation expense	(717,131)	(596,540)	(192,202)	(1,505,873)
<b>Operating income(loss)</b>	<u>868,700</u>	<u>(180,159)</u>	<u>846,976</u>	<u>1,535,517</u>
<b>Non-operating revenue(expense) and transfers:</b>				
Investment earnings	99,006	157,784	67,373	324,163
Interest expense	-	-	(5,974)	(5,974)
Transfer – operating cash in/(out)	(271,000)	(271,000)	(271,000)	(813,000)
Transfer – net liabilities to enterprise funds	(249,248)	(249,248)	(391,676)	(890,172)
<b>Total non-operating, net and transfers</b>	<u>(421,242)</u>	<u>(362,464)</u>	<u>(601,277)</u>	<u>(1,384,983)</u>
<b>Capital contributions:</b>				
Connection fees	57,186	46,900	-	104,086
<b>Total capital contributions</b>	<u>57,186</u>	<u>46,900</u>	<u>-</u>	<u>104,086</u>
<b>Change in net position</b>	<u>504,644</u>	<u>(495,723)</u>	<u>245,699</u>	<u>254,620</u>
<b>Net position:</b>				
Beginning of year	12,690,513	6,752,778	(2,617,744)	16,825,547
End of year	<u>\$ 13,195,157</u>	<u>\$ 6,257,055</u>	<u>\$ (2,372,045)</u>	<u>\$ 17,080,167</u>

## BIG BEAR CITY COMMUNITY SERVICES DISTRICT

### Statement of Cash Flows – Proprietary Fund For the Fiscal Year Ended June 30, 2019

	Water Operations	Sewer Operations	Solid Waste Operations	Total
<b>Cash flows from operating activities:</b>				
Cash receipts from customers and others	\$ 4,003,135	\$ 2,311,722	\$ 3,148,616	\$ 9,463,473
Cash paid to employees for salaries and wages	(1,213,831)	(1,084,491)	(1,194,280)	(3,492,602)
Cash paid to vendors and suppliers	(1,080,526)	(648,621)	(777,411)	(2,506,558)
<b>Net cash provided by operating activities</b>	<b>1,708,778</b>	<b>578,610</b>	<b>1,176,925</b>	<b>3,464,313</b>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(474,089)	(31,942)	(25,530)	(531,561)
Proceeds from capital contributions	57,186	46,900	-	104,086
Transfer (to)/from other funds	(271,000)	(271,000)	(271,000)	(813,000)
Transfer – net liabilities to enterprise funds	(249,248)	(249,248)	(391,676)	(890,172)
Principal payments on capital lease payable	-	-	(215,325)	(215,325)
Interest payments on capital lease payable	-	-	(5,974)	(5,974)
<b>Net cash (used in) capital/financing activities</b>	<b>(937,151)</b>	<b>(505,290)</b>	<b>(909,505)</b>	<b>(2,351,946)</b>
<b>Cash flows from investing activities:</b>				
Due from other governments	-	97,766	-	97,766
Investment earnings	97,078	138,661	57,828	293,567
<b>Net cash provided by investing activities</b>	<b>97,078</b>	<b>236,427</b>	<b>57,828</b>	<b>391,333</b>
<b>Net increase in cash</b>	<b>868,705</b>	<b>309,747</b>	<b>325,248</b>	<b>1,503,700</b>
<b>Cash and cash equivalents:</b>				
Beginning of year	5,244,474	4,002,476	2,474,466	11,721,416
End of year	<u>\$ 6,113,179</u>	<u>\$ 4,312,223</u>	<u>\$ 2,799,714</u>	<u>\$ 13,225,116</u>
<b>Reconciliation of operating income(loss) to net cash provided by operating activities:</b>				
<b>Operating income(loss)</b>	<b>\$ 868,700</b>	<b>\$ (180,159)</b>	<b>\$ 846,976</b>	<b>\$ 1,535,517</b>
<b>Adjustments to reconcile operating income(loss) to net cash provided by operating activities:</b>				
Depreciation expense	717,131	596,540	192,202	1,505,873
<b>Changes in account balances:</b>				
(Increase)decrease in assets:				
Accounts receivable – services, net	(17,613)	-	(9,042)	(26,655)
Accounts receivable – other	5,925	4,633	(2,144)	8,414
Special assessments receivable	-	27,028	-	27,028
(Increase)decrease in deferred outflows of res.	94,390	91,176	128,594	314,160
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	39,388	33,445	(121,057)	(48,224)
Due to other governments	-	3,670	-	3,670
Customer deposits and unearned revenue	(2,684)	-	-	(2,684)
Compensated absences	2,234	1,598	(3,909)	(77)
Net OPEB obligation	(16,760)	(16,759)	120,551	87,032
Net pension liability	(43,898)	(42,434)	(59,993)	(146,325)
Increase(decrease) in deferred inflows of res.	61,965	59,872	84,747	206,584
<b>Total adjustments</b>	<b>840,078</b>	<b>758,769</b>	<b>329,949</b>	<b>1,928,796</b>
<b>Net cash provided by operating activities</b>	<b>\$ 1,708,778</b>	<b>\$ 578,610</b>	<b>\$ 1,176,925</b>	<b>\$ 3,464,313</b>

# **BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

## *Notes to Financial Statements*

*June 30, 2019*

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### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Description of Organization**

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 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. The District has no component units as of year-end.

#### **B. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

#### **C. Basis of Presentation, Basis of Accounting**

##### **1. Basis of Presentation**

##### **Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

# **BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

## *Notes to Financial Statements*

*June 30, 2019*

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### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **C. Basis of Presentation, Basis of Accounting (continued)**

##### **1. Basis of Presentation (continued)**

###### **Government-Wide Financial Statements (continued)**

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

###### **Fund Financial Statements**

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

Governmental fund financial statements 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 are generally 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 interest 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.

Proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place.

###### **Major Governmental Funds**

The District maintains the following major governmental funds:

**General Fund:** This fund is used to account for all financial resources of the District, except those required to be accounted for in another fund when necessary.

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

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

# **BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

## *Notes to Financial Statements*

*June 30, 2019*

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### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **C. Basis of Presentation, Basis of Accounting (continued)**

##### **1. Basis of Presentation (continued)**

###### **Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

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

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

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

##### **2. Measurement Focus, Basis of Accounting**

###### **Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

###### **Governmental Fund Financial Statements**

Governmental funds 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

##### **3. Revenues - Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

# **BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

## *Notes to Financial Statements*

*June 30, 2019*

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### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

##### **1. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

##### **2. Investments**

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

##### **3. Receivables – Services**

The District extends credit to customers in the normal course of operations. Management views all accounts receivable as collectible; however, certain accounts are delinquent and an allowance for doubtful accounts has not been recorded.

##### **4. Prepaid Items**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

*June 30, 2019*

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**NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

**5. Capital Assets**

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District’s policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District’s classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20-30 years
Buildings	40 years
Vehicles and equipment	3-10 years
Software	5 years
Transmission and distribution systems	10-40 years
Collection systems	10-50 years

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

**7. Compensated Absences**

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**8. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan. Program and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

## **BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

### *Notes to Financial Statements*

*June 30, 2019*

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#### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

###### **9. Pensions**

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

###### **10. Net Position**

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

###### **11. Fund Balances**

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

## **BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

### *Notes to Financial Statements*

*June 30, 2019*

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#### **NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)**

###### **11. Fund Balances (continued)**

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

##### **E. Minimum 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.

##### **F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

##### **G. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The San Bernardino County Assessor's Office assesses all real and personal property within the County each year.

Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The San Bernardino County Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

# BIG BEAR CITY COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2019, consist of the following:

Description	Balance
Cash on hand	\$ 750
Demand deposits held with financial institutions	241,870
Local Agency Investment Fund (LAIF)	14,334,023
Investments	502,049
Total	<u>\$ 15,078,692</u>

#### Demand Deposits

At June 30, 2019, the carrying amount of the District's demand deposits was \$241,870 and the financial institution balance was \$551,235. The \$309,365 net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

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

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

#### Custodial Credit Risk

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

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

As of June 30, 2019, none of the District's bank balance was exposed to custodial credit risk.

# BIG BEAR CITY COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 2 – CASH AND INVESTMENTS (continued)

#### Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2019 the District held \$14,334,023 in LAIF.

#### Investments

Investments as of June 30, 2019 consisted of the following:

Type of Investments	Measurement Input	Credit Rating	Fair Value	Maturity		
				12 Months or Less	13 to 24 Months	25 to 60 Months
Non-negotiable certificates-of-deposit	Level 2	N/A	\$ 502,049	\$ -	\$ 248,536	\$ 253,513
<b>Total investments</b>			<u>\$ 502,049</u>	<u>\$ -</u>	<u>\$ 248,536</u>	<u>\$ 253,513</u>

#### Authorized Investments and Investment Policy

The District is legally empowered by statute and resolution to invest in non-negotiable certificates-of-deposit. The District's investment policy identifies other investment types that are authorized for the District to invest in under the California Government Code.

#### Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

#### 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.

# BIG BEAR CITY COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 2 – CASH AND INVESTMENTS (continued)

#### Interest Rate Risk

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

#### Concentration of Credit Risk

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

### NOTE 3 – SPECIAL ASSESSMENTS RECEIVABLE

The special assessment receivable balance consists of the following balances as of June 30, 2019:

<u>Description</u>	<u>Amount</u>
East Shay road assessment	<u>\$ 10,727</u>

### NOTE 4 – DUE FROM OTHER GOVERNMENTS

The District transferred the operations and liabilities of the public safety and ambulance services funds to the Big Bear Fire Authority (BBFA). The transfer included the prior interfund-payable from the public safety fund to the sewer fund for the payoff of the CalPERS Safety Employees side-fund liability. The BBFA has assumed the payable with the following repayment terms per year as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 101,466	\$ 21,848	\$ 123,314
2021	105,306	18,008	123,314
2022	109,291	14,023	123,314
2023	113,429	9,885	123,314
2024	117,723	5,591	123,314
2025	60,522	1,135	61,657
Total	607,737	<u>\$ 70,490</u>	<u>\$ 678,227</u>
Less: Current	<u>(101,466)</u>		
Long-term	<u>\$ 506,271</u>		

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT***Notes to Financial Statements**June 30, 2019***NOTE 5 - CAPITAL ASSETS**

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
Non-depreciable assets:				
Land	\$ 183,653	\$ -	\$ -	\$ 183,653
Construction-in-progress	44,301	64,840	-	109,141
Total non-depreciable assets	<u>227,954</u>	<u>64,840</u>	<u>-</u>	<u>292,794</u>
Depreciable assets:				
Land improvements	19,323	-	-	19,323
Buildings	1,550,946	18,909	-	1,569,855
Equipment	2,842,495	-	(531,524)	2,310,971
Total depreciable assets	<u>4,412,764</u>	<u>18,909</u>	<u>(531,524)</u>	<u>3,900,149</u>
Accumulated depreciation:				
Land improvements	(19,323)	-	-	(19,323)
Buildings	(1,002,319)	(42,956)	-	(1,045,275)
Equipment	(2,183,682)	(244,520)	531,524	(1,896,678)
Total accumulated depreciation	<u>(3,205,324)</u>	<u>(287,476)</u>	<u>531,524</u>	<u>(2,961,276)</u>
Total depreciable assets, net	<u>1,207,440</u>	<u>(268,567)</u>	<u>-</u>	<u>938,873</u>
Total capital assets, net	<u>\$ 1,435,394</u>	<u>\$ (203,727)</u>	<u>\$ -</u>	<u>\$ 1,231,667</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 18,809
Public safety	146,704
Ambulance services	<u>121,963</u>
Total	<u>\$ 287,476</u>

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

June 30, 2019

**NOTE 5 – CAPITAL ASSETS (continued)**

At June 30, 2019, fund balances of the District’s enterprise funds were classified as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2019</u>
Non-depreciable assets:				
Land	\$ 1,159,605	\$ -	\$ 195,000	\$ 1,354,605
Water rights	25,000	-	-	25,000
Construction-in-progress	690,834	34,283	(690,834)	34,283
Total non-depreciable assets	<u>1,875,439</u>	<u>34,283</u>	<u>(495,834)</u>	<u>1,413,888</u>
Depreciable assets:				
Water transmission and distribution	18,206,123	749,521	715,978	19,671,622
Sewer system	14,323,758	33,385	-	14,357,143
Solid waste collection	31,000	-	-	31,000
Buildings	2,554,377	-	(1)	2,554,376
Vehicles and equipment	10,064,591	210,208	(805,435)	9,469,364
Total depreciable assets	<u>45,179,849</u>	<u>993,114</u>	<u>(89,458)</u>	<u>46,083,505</u>
Accumulated depreciation:				
Water transmission and distribution	(13,218,372)	(717,131)	89,457	(13,846,046)
Sewer system	(13,093,814)	(596,540)	-	(13,690,354)
Solid waste collection	(1,961,798)	(192,202)	-	(2,154,000)
Total accumulated depreciation	<u>(28,273,984)</u>	<u>(1,505,873)</u>	<u>89,457</u>	<u>(29,690,400)</u>
Total depreciable assets, net	<u>16,905,865</u>	<u>(512,759)</u>	<u>(1)</u>	<u>16,393,105</u>
Total capital assets, net	<u>\$ 18,781,304</u>	<u>\$ (478,476)</u>	<u>\$ (495,835)</u>	<u>\$ 17,806,993</u>

**NOTE 6 – 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, 2019 were as follows:

<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 150,217	\$ 343,918	\$ (321,574)	\$ 172,561	\$ 86,280	\$ 86,281

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

June 30, 2019

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**NOTE 7 – CAPITAL LEASE PAYABLE**

Changes in capital lease payables amounts for the fiscal year ended June 30, 2019 were as follows:

<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>
\$ 327,530	\$ -	\$ (215,325)	\$ 112,205	\$ 112,205

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 21<sup>st</sup> day of the months of July, October, January, and April. This obligation was paid-off in fiscal year 2019.

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 18<sup>th</sup> day of the months of September, December, March, and June. Final payment of \$112,205 will be made in fiscal year 2020.

**NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

**Summary**

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2019</u>
OPEB related deferred outflows	\$ 7,043
Net other post-employment benefits obligation	7,282,092
OPEB related deferred inflows	8,597

**Plan Description - Eligibility**

The District administers its post-employment benefits plan, a single-employer defined benefit plan (the Plan). The following requirements must be satisfied in order to be eligible for post-employment medical benefits: (1) Attainment of age 50, and 10 years for full-time service, and (2) retirement from the District (the District must be the last employer prior to retirement).

**Plan Description - Benefits**

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Retirees may enroll in any plan available through the CalPERS medical program. The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The following is a description of the current retiree benefit plan:

## BIG BEAR CITY COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

<u>Description</u>	<u>Participants</u>
Benefit types provided	Medical only
Duration of benefits	Lifetime
Required service	CalPERS Retirement and 10 years service
Minimum age	50 years and CalPERS Retirement from District
Dependent coverage	Surviving spouse may participate subject to PEMHCA
District contribution	50% at 10-years of service, plus 5% for each additional year to 100% at 20 or more years of service
District cap on coverage	Highest single-rate

#### Employees covered by benefit terms

At June 30, 2019, the following employees were covered by the benefit terms:

	<u>2019</u>
Inactive plan members or beneficiaries currently receiving benefit payments	33
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	38
Total	<u>71</u>

#### A. Total Net OPEB Liability

The District's total net OPEB liability of \$7,282,092 as of June 30, 2019 was measured as of June 30, 2019 (Measurement Date), and was determined by an actuarial valuation as of June 30, 2018.

#### Actuarial assumptions and other inputs

The total net OPEB liability in the June 30, 2018 (Measurement Date) actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2018
Measurement Dated	June 30, 2019
Experience Study	N/A
Inflation	2.75%
Salary increases	2.75%
Investment rate of return	6.75%
Healthcare cost trend rates	6.00%

#### Mortality, Retirement & Turnover Assumptions

The mortality assumptions are based on the 2014 Active Mortality for Miscellaneous Employees table created by CalPERS.

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

June 30, 2019

**NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)**

**B. Changes in the Total OPEB Liability**

The following table is based on the roll-forward of the June 30, 2019 (Measurement Date) actuarial valuation:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>Balance at July 1, 2018 (Measurement date July 1, 2018)</b>	\$ 8,851,600	\$ 1,553,936	\$ 7,297,664
<b>Changes for the year:</b>			
Service cost	137,332	-	137,332
Interest	589,990	-	589,990
Employer contributions	-	649,218	(649,218)
Actual investment income	-	96,038	(96,038)
Administrative expense	-	(2,362)	2,362
Benefit payments	(496,676)	(496,676)	-
Net changes	230,646	246,218	(15,572)
<b>Balance at June 30, 2019 (Measurement date June 30, 2019)</b>	<u>\$ 9,082,246</u>	<u>\$ 1,800,154</u>	<u>\$ 7,282,092</u>

**Sensitivity of the total OPEB liability to changes in the discount rate**

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

	<b>1% Decrease 5.75%</b>	<b>Discount Rate 6.75%</b>	<b>1% Increase 7.75%</b>
District Plan	<u>\$ 8,490,997</u>	<u>\$ 7,282,092</u>	<u>\$ 6,292,879</u>

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates**

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

	<b>1% Decrease 5.0%</b>	<b>Healthcare Cost Trend Rates 6.0%</b>	<b>1% Increase 7.0%</b>
District Plan	<u>\$ 6,161,967</u>	<u>\$ 7,282,092</u>	<u>\$ 8,667,188</u>

## BIG BEAR CITY COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

##### C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense/(credit) of \$623,737.

At June 30, 2019, the District reported (\$1,554) of deferred outflows/(inflows) of resources for related to the net OPEB obligation as follows:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on OPEB plan investments	\$ 7,043	\$ (8,597)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 7,043</b>	<b>\$ (8,597)</b>

Amortization of the (\$1,554) of remaining deferred outflows/(inflows) of resources related to the net OPEB obligation is as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	\$ (1,105)
2021	(1,105)
2022	(1,105)
2023	1,761
<b>Total</b>	<b>\$ (1,554)</b>

##### D. Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The table below reflects the 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. The geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
Global Equities	50.0%	7.800%
Global Debt Securities	24.0%	4.900%
Inflation Protected Securities	15.0%	3.580%
REITs	8.0%	3.650%
Commodities	3.0%	1.750%

# BIG BEAR CITY COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 9 – PENSION PLAN

#### Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

<u>Description</u>	<u>2019</u>
Pension related deferred outflows	\$ 2,261,684
Net pension liability	8,939,158
Pension related deferred inflows	834,894

The net pension liability balances have a Measurement Date of June 30, 2018 which is rolled-forward for the District's fiscal year ended June 30, 2019.

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

#### The Plan

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

	<u>Miscellaneous Plans</u>		
	<u>Classic Tier 1</u>	<u>Classic Tier 2</u>	<u>PEPRA Tier 3</u>
Hire date	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	8.000%	8.000%	6.500%
Required employer contribution rates	12.470%	10.848%	6.908%

#### A. General Information about the Pension Plan

##### Plan Description, Benefits Provided and Employees Covered

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The District contributes to the miscellaneous risk pool within the Plan. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2017 Annual Actuarial Valuation Report. This report is a publicly available valuation report that can be obtained at CalPERS website under Forms and Publications.

# BIG BEAR CITY COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 9 – PENSION PLAN (continued)

#### A. General Information about the Pension Plan (continued)

##### Plan Description, Benefits Provided and Employees Covered (continued)

The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement benefits are applied, and places compensation limits on members. As a result of these changes since PEPRA's adoption in January 2013, the District now has two unique CalPERS plans to which it makes contributions within the miscellaneous risk pool: the "classic" plan, which includes covered employees who have established membership in a CalPERS plan prior to January 2013, as well as the "PEPRA/new" plan, which includes covered employees who have established membership in a CalPERS plan after January 2013. Each plan or membership contains unique benefits levels, which are enumerated in the June 30, 2018 Annual Actuarial Valuation Reports.

At June 30, 2019, 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	20	6	10	36
Transferred and terminated members	12	1	3	16
Retired members and beneficiaries	51	1	-	52
<b>Total plan members</b>	<b>83</b>	<b>8</b>	<b>13</b>	<b>104</b>

##### Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, 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 employees.

Contributions for the year ended June 30, 2019, (Measurement Date June 30, 2018) were as follows:

Contribution Type	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Contributions – employer	\$ 198,996	\$ 78,856	\$ 78,856	\$ 356,708
Contributions – members	710,225	42,242	41,061	793,528
<b>Total contributions</b>	<b>\$ 909,221</b>	<b>\$ 121,098</b>	<b>\$ 119,917</b>	<b>\$ 1,150,236</b>

Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

June 30, 2019

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**NOTE 9 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

***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:

Changes in the net pension liability for the year ended June 30, 2019, were 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>
<b>CalPERS – Miscellaneous Plan:</b>			
Balance as of June 30, 2017 (Measurement Date)	\$ 32,037,900	\$ 22,952,417	\$ 9,085,483
Balance as of June 30, 2018 (Measurement Date)	\$ 33,189,427	\$ 24,250,269	\$ 8,939,158
<b>Change in Plan Net Pension Liability</b>	<u>\$ 1,151,527</u>	<u>\$ 1,297,852</u>	<u>\$ (146,325)</u>

For the year ended June 30, 2019 pension expense was \$1,177,693.

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 dates (June 30, 2017 and 2016). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2018). 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, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY 2017-2018).
- (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 Financial Statements*

June 30, 2019

**NOTE 9 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

***Proportionate Share of Net Pension Liability and Pension Expense (continued)***

As of June 30, 2019, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$8,939,158.

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability for the June 30, 2019, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Measurement Date			
Percentage of Risk Pool Net Pension Liability	0.237194%	0.230476%	0.006718%
Percentage of Plan (PERF C) Net Pension Liability	0.092766%	0.091613%	0.001153%

The total amount of \$793,528 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. At June 30, 2019, 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	\$ 793,528	\$ -
Difference between actual and proportionate share of employer contributions	-	(319,065)
Adjustment due to differences in proportions	61,892	(149,356)
Differences between expected and actual experience	342,980	(116,714)
Differences between projected and actual earnings on pension plan investments	44,193	-
Changes in assumptions	<u>1,019,091</u>	<u>(249,759)</u>
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<b><u>\$ 2,261,684</u></b>	<b><u>\$ (834,894)</u></b>

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*Notes to Financial Statements*

June 30, 2019

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**NOTE 9 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

***Proportionate Share of Net Pension Liability and Pension Expense (continued)***

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended June 30, 2019, will be amortized to pension expense in future periods as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2020	\$ 722,183
2021	345,173
2022	(353,692)
2023	(80,402)
<b>Total</b>	<u>\$ 633,262</u>

***Actuarial Methods and Assumptions Used to Determine Total Pension Liability***

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2019 total pension liability was 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	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

***Discount Rate***

The discount rate used to measure the total pension liability for PERF B was 7.15%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

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 Financial Statements*

June 30, 2019

**NOTE 9 – PENSION PLAN (continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

***Discount Rate (continued)***

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 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	0.90%
	100.0%		

<sup>1</sup> An expected inflation rate-of-return of 2.5% is used for years 1-10.

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

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

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

Changes in the discount rate for the year ended June 30, 2019, was as follows:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
CalPERS – Miscellaneous Plan	\$ 13,428,731	\$ 8,939,158	\$ 5,233,089

***Pension Plan Fiduciary Net Position***

Detailed information about the pension 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.

**C. Payable to the Pension Plans**

At June 30, 2019, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2019.

# BIG BEAR CITY COMMUNITY SERVICES DISTRICT

## Notes to Financial Statements

June 30, 2019

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### NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets consisted of the following as of June 30:

<u>Description</u>	<u>Amount</u>
<b>Net investment in capital assets:</b>	
Capital assets – not being depreciated	\$ 1,706,682
Capital assets – being depreciated, net	17,331,978
Capital lease payable – current portion	<u>(112,205)</u>
<b>Total net investment in capital assets</b>	<b><u><u>\$ 18,926,455</u></u></b>

### NOTE 11 – UNRESTRICTED NET POSITION (DEFECIT)

The District's business-type activities unrestricted net position (deficit) is related to the District's deficit net position in its solid waste fund. The net OPEB obligation and net pension liability and related deferred resources in this fund are the cause of the deficit balance. The District will continue to make its annual pay-go contributions to pay down these liabilities in future years.

### NOTE 12 – FUND BALANCE

A detailed schedule of fund balances and their funding composition at June 30, 2019 is as follows:

<u>Description</u>	<u>General Government</u>
<b>Committed:</b>	
Compensated absences	\$ 35,265
<b>Unassigned</b>	<u>59,665</u>
<b>Total fund balance</b>	<b><u><u>\$ 94,930</u></u></b>

### NOTE 13 – INTERFUND TRANSACTIONS

#### Transfers To/From Other Funds

Transfers to/from other funds for the year ended June 30, 2019, consisted of the following:

<u>Fund</u>	<u>Transfer In(Out)</u>
General	\$ 813,000
Water	(271,000)
Sewer	(271,000)
Solid Waste	<u>(271,000)</u>
<b>Total</b>	<b><u><u>\$ -</u></u></b>

## BIG BEAR CITY COMMUNITY SERVICES DISTRICT

### Notes to Financial Statements

June 30, 2019

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#### NOTE 13 – INTERFUND TRANSACTIONS (continued)

##### Transfers To/From Other Funds (continued)

The Water, Sewer, and Solid Waste Funds transferred to the General Fund to pay for ADA compliance expense \$21,000 per fund. Also, the Water, Sewer, and Solid Waste Funds transferred to the General Fund \$250,000 per fund to replenish the General Fund cash balance after the transfer of the public safety and ambulance services fund activity to the BBFA.

<u>Fund</u>	<u>Transfer In(Out)</u>
General	\$ 890,172
Water	(249,248)
Sewer	(249,248)
Solid Waste	(391,676)
<b>Total</b>	<u><u>\$ -</u></u>

The General Fund transferred its net OPEB obligation liability to the Water, Sewer, and Solid Waste Funds for re-assignment of this liability to the business-type activities.

#### NOTE 14 – SPECIAL ITEM

On July 1, 2018, the District transferred its operations, assets and liabilities of its public safety and ambulance services funds to the Big Bear Fire Authority as part of the ongoing merger process between the two entities. The special item reported in the governmental fund statements of (\$3,088,774) relates to the loss from the transfer of the operations from the District to the BBFA. The special item reported in the government-wide statement of activities consists of the following transfers reconciled below:

<u>Description</u>	<u>Amount</u>
<b>Transfer of operations to the Big Bear Fire Authority – government-wide basis</b>	<u>\$ 4,801,434</u>
<b>Transfer of the District's public safety and ambulance fund's:</b>	
Net OPEB obligation and deferred resources, net	(1,610,175)
Net pension liability and deferred resources, net	(4,596,497)
General fund obligations	(1,683,536)
<b>Total transfer of operations, net</b>	<u>(7,890,208)</u>
<b>Transfer of operations to the Big Bear Fire Authority – fund balance basis</b>	<u><u>\$ (3,088,774)</u></u>

#### NOTE 15 – DEFERRED COMPENSATION SAVINGS PLAN

For the benefit of its employees, the District participates in an IRS section 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.

## **BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

### *Notes to Financial Statements*

*June 30, 2019*

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#### **NOTE 15 – DEFERRED COMPENSATION SAVINGS PLAN (continued)**

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 on the statement of net position.

#### **NOTE 16 – RISK MANAGEMENT**

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

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

##### **B. Self-Insurance Programs of the Authority**

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

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

##### **C. Liability**

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

## **BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

### *Notes to Financial Statements*

*June 30, 2019*

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#### **NOTE 16 – RISK MANAGEMENT (continued)**

##### **C. Liability (continued)**

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

##### **D. Workers' Compensation**

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

##### **E. Property Insurance**

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

##### **F. Earthquake and Flood Insurance**

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

##### **G. 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 2019, 2018, and 2017. 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, 2019, 2018, and 2017. Complete financial statements may be obtained from the California Joint Powers Insurance Authority, 8081 Moody Street, La Palma, California 90623.

#### **NOTE 17 – COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS**

##### **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 will not materially affect its financial condition.

##### **Subsequent Event**

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

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***Required Supplementary Information***

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**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2019*

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Property taxes	\$ 2,392,900	\$ 2,450,772	\$ 57,872
Voter approved taxes	2,023,600	2,027,164	3,564
Charges for services	43,200	189,937	146,737
Interest earnings	20,000	42,523	22,523
<b>Total revenues</b>	<u>4,479,700</u>	<u>4,710,396</u>	<u>230,696</u>
<b>Expenditures:</b>			
Current:			
Contract services – Big Bear Fire Authority	4,416,500	4,476,376	(59,876)
Park maintenance and other expenses	1,800	1,560	240
Materials and services	21,000	20,479	521
Capital outlay	8,800	83,759	(74,959)
<b>Total expenditures</b>	<u>4,448,100</u>	<u>4,582,174</u>	<u>(134,074)</u>
<b>Revenues over(under) expenditures</b>	31,600	128,222	96,622
<b>Other financing sources(uses):</b>			
Transfers in(out)	-	813,000	813,000
<b>Total other financing sources(uses)</b>	-	<u>813,000</u>	<u>813,000</u>
<b>Net change in fund balance before special item</b>	31,600	941,222	909,622
<b>Special item</b>	-	<u>(1,683,536)</u>	-
<b>Net change in fund balance</b>	<u>\$ 31,600</u>	<u>(742,314)</u>	<u>\$ 909,622</u>
<b>FUND BALANCES:</b>			
Beginning of year		<u>837,244</u>	
End of year		<u>\$ 94,930</u>	

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2019*

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**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

<b>Measurement Date:</b>	<b><u>June 30, 2018<sup>1</sup></u></b>	<b><u>June 30, 2017<sup>1</sup></u></b>	<b><u>June 30, 2016<sup>1</sup></u></b>	<b><u>June 30, 2015<sup>1</sup></u></b>	<b><u>June 30, 2014<sup>1</sup></u></b>
District's Proportion of the Net Pension Liability	<u>0.092770%</u>	<u>0.155338%</u>	<u>0.154319%</u>	<u>0.151061%</u>	<u>0.148029%</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 8,939,158</u> <sup>2</sup>	<u>\$ 15,405,248</u>	<u>\$ 13,353,366</u>	<u>\$ 10,368,719</u>	<u>\$ 9,211,071</u>
District's Covered-Employee Payroll	<u>\$ 2,415,338</u>	<u>\$ 4,080,454</u>	<u>\$ 4,087,072</u>	<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>370.10%</u>	<u>377.54%</u>	<u>326.72%</u>	<u>245.32%</u>	<u>240.66%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>73.07%</u>	<u>73.31%</u>	<u>74.06%</u>	<u>78.76%</u>	<u>80.32%</u>

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 68 is applicable.

<sup>2</sup> The reduction in the District's Proportionate Share of the Net Pension Liability is due to the transfer of its Safety Employees to the Big Bear Fire Authority. The remaining District's Proportionate Share of the Net Pension Liability is for the Miscellaneous Employees.

**BIG BEAR CITY COMMUNITY SERVICES DISTRICT**

*Schedule of Pension Contributions*

*For the Fiscal Year Ended June 30, 2019*

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Miscellaneous Plan**

<b>Fiscal Year:</b>	<u>2018-19<sup>1</sup></u>	<u>2017-18<sup>1</sup></u>	<u>2016-17<sup>1</sup></u>	<u>2015-16<sup>1</sup></u>	<u>2014-15<sup>1</sup></u>	<u>2013-14<sup>1</sup></u>
Actuarially Determined Contribution <sup>2</sup>	\$ 793,528	\$ 697,343	\$ 1,136,719	\$ 1,098,148	\$ 980,473	\$ 903,344
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	<u>(793,528)</u>	<u>(697,343)</u>	<u>(1,136,719)</u>	<u>(1,098,148)</u>	<u>(2,000,918)</u>	<u>(903,344)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,020,445)</u>	<u>\$ -</u>
District's Covered-Employee Payroll <sup>3</sup>	<u>\$ 2,588,423</u>	<u>\$ 2,415,338</u>	<u>\$ 4,080,454</u>	<u>\$ 4,087,072</u>	<u>\$ 4,226,695</u>	<u>\$ 3,827,345</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>30.66%</u>	<u>28.87%</u>	<u>27.86%</u>	<u>26.87%</u>	<u>47.34%</u>	<u>23.60%</u>

<sup>1</sup> Historical information is required only for measurement periods for which GASB No. 68 is applicable.

<sup>2</sup> 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.

<sup>3</sup> 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**

*Schedule of Changes in the Net OPEB Liability and Related Ratios  
For the Fiscal Year Ended June 30, 2019*

Fiscal Year - Measurement Date	2019 <sup>1</sup>	2018 <sup>2</sup>
<b>Total OPEB liability</b>		
Service cost	\$ 137,332	\$ 207,780
Interest	589,990	895,534
Benefit payments	<u>(496,676)</u>	<u>(737,469)</u>
<b>Net change in total OPEB liability</b>	230,646	365,845
<b>Total OPEB liability - beginning</b>	13,793,984	13,428,139
<b>Removal of fire and ambulance safety employees</b>	<u>(4,942,384)</u>	-
<b>Total OPEB liability - ending</b>	<u><u>\$ 9,082,246</u></u>	<u><u>\$ 13,793,984</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 649,218	\$ 856,763
Net investment income	96,038	170,345
Benefit payments	(496,676)	(737,469)
Administrative expense	<u>(2,362)</u>	<u>(2,453)</u>
<b>Net change in plan fiduciary net position</b>	246,218	287,186
<b>Plan fiduciary net position - beginning - restated</b>	2,421,593	2,134,407
<b>Removal of fire and ambulance safety employees</b>	<u>(867,657)</u>	-
<b>Plan fiduciary net position - ending</b>	<u><u>\$ 1,800,154</u></u>	<u><u>\$ 2,421,593</u></u>
 <b>District's net OPEB liability</b>	<u><u>\$ 7,282,092</u></u>	<u><u>\$ 11,372,391</u></u>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>19.82%</u>	<u>17.56%</u>
 <b>Covered-employee payroll</b>	<u>\$ 2,415,338</u>	<u>\$ 3,902,690</u>
 <b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<u>301.49%</u>	<u>291.40%</u>

<sup>1</sup> Calculated for the District's CalPERS Miscellaneous employees

<sup>2</sup> Calculated for the District's CalPERS Miscellaneous and Safety employees

*This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

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***Other Independent Auditors' Report***

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**INDEPENDENT AUDITORS' 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**

Board of Directors  
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 Big Bear City Community Services District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Big Bear City Community Services District's basic financial statements, and have issued our report thereon dated March 31, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Big Bear City Community Services 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 Big Bear City Community Services District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Big Bear City Community Services 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 District'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 Big Bear City Community Services District's financial statements are free of 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*.

**Purpose of this Report**

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



Murrieta, California  
March 31, 2020