



Big Bear City Community Services District
Big Bear City, California

Annual Financial Report

For the Fiscal Year Ended June 30, 2014



Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

BIG BEAR CITY COMMUNITY SERVICES DISTRICT

List of Elected and Appointed Officials

As of June 30, 2014

Elected/Appointed Officials

BOARD OF DIRECTORS

President	Karyn Oxandaboure (2014)
Vice-President	Larry Walsh (2016)
Director	John Green (2014)
Director	Paul Terry (2016)
Director	Vacant
	Jeff Newsome - Resigned 6/16/2014

Appointed Official

Acting General Manager	Nathan Zamorano
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**Big Bear City Community Services District
139 East Big Bear Blvd.
Big Bear City, California 92314
(909) 585-2565 www.bbccsd.org**



Big Bear City Community Services District

Annual Financial Report

For the Fiscal Year Ended June 30, 2014

**Big Bear City Community Services District
Annual Financial Report
For the Fiscal Year Ended June 30, 2014**

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Financial Section



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Independent Auditor's 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, each major fund and the aggregate remaining fund information of the Big Bear City Community Services District (District) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2014, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the required supplementary information on pages 37 through 47 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 our report dated September 30, 2014, 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. This report can be found on pages 48 and 49.

Charles Z. Fedak & Company, CPAs – An Accountancy Corporation
Cypress, California
October 31, 2014

**Big Bear City Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Big Bear City Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

- Net position increased 5.35% or \$1,483,530 to \$29,187,470 as a result of this year's operations.
- Total revenues increased 11.20% or \$1,365,020 due primarily to an increase in charges for services of \$589,158 and capital contributions of \$671,357.
- Total expenses decreased by 8.34% or \$929,404 due primarily to an increase in public safety expenses of \$383,277, water expenses of \$358,726, wastewater expenses of \$254,889 and solid waste expenses of \$131,751 with a decrease in ambulance expenses of \$196,832.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

**Big Bear City Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Fund Financial Statements

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

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 36.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's defined benefit plan, other post employment benefits and major-fund and non-major fund budgetary information. Required supplementary information can be found on pages 37 through 47.

Government-wide Financial Analysis

Statement of Net Position

The following table is a summary of the statement of net position at June 30, 2014:

Condensed Statement of Net Position						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total District</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets:						
Current and other assets	\$ 2,846,926	2,539,751	10,361,925	9,531,214	13,208,851	12,070,965
Capital assets, net	1,719,787	1,950,095	17,466,990	16,205,725	19,186,777	18,155,820
Total assets	<u>4,566,713</u>	<u>4,489,846</u>	<u>27,828,915</u>	<u>25,736,939</u>	<u>32,395,628</u>	<u>30,226,785</u>
Liabilities:						
Current liabilities	519,298	1,402,646	1,062,698	977,865	1,581,996	2,380,511
Non-current liabilities	1,083,233	103,645	39,817	38,689	1,123,050	142,334
Total liabilities	<u>1,602,531</u>	<u>1,506,291</u>	<u>1,102,515</u>	<u>1,016,554</u>	<u>2,705,046</u>	<u>2,522,845</u>
Net position:						
Net investment in capital assets	1,719,787	1,950,095	16,966,990	16,205,725	18,686,777	18,155,820
Unrestricted	1,244,395	1,033,460	9,256,298	8,514,660	10,500,693	9,548,120
Total net position	<u>\$ 2,964,182</u>	<u>2,983,555</u>	<u>26,223,288</u>	<u>24,720,385</u>	<u>29,187,470</u>	<u>27,703,940</u>

**Big Bear City Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$29,187,470 as of June 30, 2014. Compared to prior year, net position of the District increased 5.35% or \$1,483,530 to \$29,187,470. The District's net position is made-up of two components: (1) net investment in capital assets and (2) unrestricted net position.

Statement of Activities

The following table is a summary of the statement of activities for the fiscal year ended June 30, 2014:

Condensed Statement of Activities							
		<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total District</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:							
Program revenues:							
Charges for services	\$	2,029,836	1,750,176	7,246,750	6,937,252	9,276,586	8,687,428
Operating grants		-	-	-	-	-	-
Capital grants		-	-	738,292	66,935	738,292	66,935
General revenues:							
Property taxes		1,862,640	1,781,207	-	-	1,862,640	1,781,207
Voter approved taxes		1,638,624	1,621,766	-	-	1,638,624	1,621,766
Interest earnings		2,242	2,431	31,333	24,930	33,575	27,361
Total revenues		<u>5,533,342</u>	<u>5,155,580</u>	<u>8,016,375</u>	<u>7,029,117</u>	<u>13,549,717</u>	<u>12,184,697</u>
Expenses:							
General government		10,390	12,981	-	-	10,390	12,981
Public safety		3,934,699	3,551,422	-	-	3,934,699	3,551,422
Ambulance services		1,595,579	1,792,411	-	-	1,595,579	1,792,411
Street lighting		35,345	35,161	-	-	35,345	35,161
Water		-	-	2,699,667	2,340,941	2,699,667	2,340,941
Wastewater		-	-	2,075,997	1,821,108	2,075,997	1,821,108
Solid waste		-	-	1,714,510	1,582,759	1,714,510	1,582,759
Total expenses		<u>5,576,013</u>	<u>5,391,975</u>	<u>6,490,174</u>	<u>5,744,808</u>	<u>12,066,187</u>	<u>11,136,783</u>
Transfers in(out):		<u>23,298</u>	<u>205,680</u>	<u>(23,298)</u>	<u>(205,680)</u>	<u>-</u>	<u>-</u>
Change in net position		(19,373)	(30,715)	1,502,903	1,078,629	1,483,530	1,047,914
Net position, beginning of year		<u>2,983,555</u>	<u>3,014,270</u>	<u>24,720,385</u>	<u>23,641,756</u>	<u>27,703,940</u>	<u>26,656,026</u>
Net position, end of year	\$	<u>2,964,182</u>	<u>2,983,555</u>	<u>26,223,288</u>	<u>24,720,385</u>	<u>29,187,470</u>	<u>27,703,940</u>

Government and business-type activities increased the District's net position by \$1,483,530 thereby accounting for the 5.35% increase in the net position of the District.

Total revenues increased 11.20% or \$1,365,020 due primarily to an increase in charges for services of \$589,158 and capital contributions of \$671,357.

Total expenses decreased by 8.34% or \$929,404 due primarily to an increase in public safety expenses of \$383,277, water expenses of \$358,726, wastewater expenses of \$254,889 and solid waste expenses of \$131,751 with a decrease in ambulance expenses of \$196,832.

Fund Financial Analysis

The District's governmental activities fund balance increased by \$39,105 for fiscal year 2014.

**Big Bear City Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Capital Asset Administration

	Capital Assets					
	Governmental Activities		Business-type Activities		Total District	
	2014	2013	2014	2013	2014	2013
Capital assets:						
Non-depreciable assets	\$ 183,653	183,653	1,447,298	1,064,907	1,630,951	1,248,560
Depreciable assets	4,929,696	4,862,947	40,213,748	38,387,200	45,143,444	43,250,147
Total capital assets	5,113,349	5,046,600	41,661,046	39,452,107	46,774,395	44,498,707
Accumulated depreciation	(3,393,562)	(3,096,505)	(24,194,056)	(23,246,382)	(27,587,618)	(26,342,887)
Total capital assets, net	\$ 1,719,787	1,950,095	17,466,990	16,205,725	19,186,777	18,155,820

At the end of fiscal year 2014, the District's investment in capital assets amounted to \$19,186,777 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, furnishings and equipment, collection and distribution systems, tanks, wells, water treatment facilities. Major capital asset additions in the governmental activities area included \$108,825 in equipment. Major capital asset additions in the business-type activities area amounted to \$2,343,102 for water, wastewater and solid waste items. The capital assets of the District are more fully analyzed in Note 5 to the basic financial statements.

Long-Term Debt Administration

	Long-term Debt					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Long-term debt:						
Capital lease payable	\$ -	-	500,000	-	500,000	-

Long-term debt increased \$500,000 due to the District entering into a new capital lease payable for two new solid waste curbside pickup trucks. The long-term debt position of the District is more fully analyzed in Note 8 to the basic financial statements.

Conditions Affecting Current Financial Position

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

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 139 East Big Bear Blvd., Big Bear City, California 92314 or (909) 585-2565.

Basic Financial Statements

Big Bear City Community Services District
Statement of Net Position
June 30, 2014

<i>Assets</i>	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 2)	\$ 2,210,337	9,468,511	11,678,848
Accrued interest receivable	724	6,567	7,291
Accounts receivable – services, net (note 3)	320,393	494,961	815,354
Accounts receivable – other	95,222	148,846	244,068
Property taxes receivable	80,214	-	80,214
Special assessments receivable (note 4)	-	127,382	127,382
Other post-employment benefits asset (note 14)	140,036	115,658	255,694
Capital assets – not being depreciated (note 5) ▲	183,653	1,447,298	1,630,951
Capital assets – being depreciated, net (note 5)	1,536,134	16,019,692	17,555,826
Total assets	4,566,713	27,828,915	32,395,628
<i>Liabilities and Net Position</i>			
Liabilities:			
Accounts payable and accrued expenses	345,581	225,051	570,632
Customer deposits and unearned revenue	6,122	93,230	99,352
BBARWA pass-through (note 6)	-	704,600	704,600
Accrued interest on long-term debt	-	3,112	3,112
Long-term liabilities – due within one year:			
Compensated absences (note 7)	98,135	39,817	137,952
Capital lease payable (note 8)	-	94,137	94,137
Pension-related debt (note 9)	69,460	-	69,460
Long-term liabilities – due in more than one year:			
Compensated absences (note 7)	98,134	39,817	137,951
Capital lease payable (note 8)	-	405,863	405,863
Pension-related debt (note 9)	985,099	-	985,099
Total liabilities	1,602,531	1,605,627	3,208,158
Net position			
Net investment in capital assets (note 10)	1,719,787	16,966,990	18,686,777
Unrestricted (note 11)	1,244,395	9,256,298	10,500,693
Total net position	\$ 2,964,182	26,223,288	29,187,470

See accompanying notes to the basic financial statements

Big Bear City Community Services District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 10,390	1,800	-	-	(8,590)	-	(8,590)
Public safety – fire services	3,934,699	517,607	-	-	(3,417,092)	-	(3,417,092)
Ambulance services	1,595,579	1,510,429	-	-	(85,150)	-	(85,150)
Street lighting	35,345	-	-	-	(35,345)	-	(35,345)
Total governmental	<u>5,576,013</u>	<u>2,029,836</u>	<u>-</u>	<u>-</u>	<u>(3,546,177)</u>	<u>-</u>	<u>(3,546,177)</u>
Business-type activities:							
Water	2,699,667	3,158,292	-	403,777	-	862,402	862,402
Wastewater	2,075,997	1,988,883	-	334,515	-	247,401	247,401
Solid waste	1,714,510	2,099,575	-	-	-	385,065	385,065
Total business-type	<u>6,490,174</u>	<u>7,246,750</u>	<u>-</u>	<u>738,292</u>	<u>-</u>	<u>1,494,868</u>	<u>1,494,868</u>
Total	<u>\$ 12,066,187</u>	<u>9,276,586</u>	<u>-</u>	<u>738,292</u>	<u>(3,546,177)</u>	<u>1,494,868</u>	<u>(2,051,309)</u>
General revenues:							
					\$ 1,862,640	-	1,862,640
					1,638,624	-	1,638,624
					2,242	31,333	33,575
					23,298	(23,298)	-
					<u>3,526,804</u>	<u>8,035</u>	<u>3,534,839</u>
					(19,373)	1,502,903	1,483,530
					<u>2,983,555</u>	<u>24,720,385</u>	<u>27,703,940</u>
					<u>\$ 2,964,182</u>	<u>26,223,288</u>	<u>29,187,470</u>

See accompanying notes to the basic financial statements

Big Bear City Community Services District
Balance Sheets – Governmental Funds
June 30, 2014

	<u>General</u>	<u>Public Safety</u>	<u>Ambulance Services</u>	<u>Street Lighting</u>	<u>Total Governmental Activities</u>
Assets:					
Cash and cash equivalents	\$ 614,973	1,540,966	54,398	-	2,210,337
Accrued interest receivable	193	265	266	-	724
Accounts receivable – services, net	-	-	320,393	-	320,393
Accounts receivable – other	47	95,175	-	-	95,222
Property taxes receivable	-	80,214	-	-	80,214
Total assets	<u>615,213</u>	<u>1,716,620</u>	<u>375,057</u>	<u>-</u>	<u>2,706,890</u>
Liabilities:					
Accounts payable and accrued expenses	48,198	279,387	17,996	-	345,581
Unearned revenue	-	-	6,122	-	6,122
Total liabilities	<u>48,198</u>	<u>279,387</u>	<u>24,118</u>	<u>-</u>	<u>351,703</u>
Fund balance:					
Assigned:					
Public safety	-	1,295,719	-	-	1,295,719
Ambulance services	-	-	349,771	-	349,771
Compensated absences	53,587	141,514	1,168	-	196,269
Unassigned:					
Operating reserve	513,428	-	-	-	513,428
Total fund balance	<u>567,015</u>	<u>1,437,233</u>	<u>350,939</u>	<u>-</u>	<u>2,355,187</u>
Total liabilities and fund balance	<u>\$ 615,213</u>	<u>1,716,620</u>	<u>375,057</u>	<u>-</u>	<u>2,706,890</u>

Big Bear City Community Services District
Reconciliation of the Balance Sheets of Governmental Funds to the Statement of Net Position
June 30, 2014

Reconciliation:

Fund balance of governmental funds	\$	2,355,187
Amounts reported for governmental activities in the statement of net position are different because:		
Certain assets are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets - other post-employment benefits asset among the assets of the District as a whole.		140,036
Capital 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 capital assets among the assets of the District as a whole.		1,719,787
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:		
Compensated absences		(196,269)
Pension-related debt		(1,054,559)
Net position of governmental activities	\$	2,964,182

See accompanying notes to the basic financial statements

Big Bear City Community Services District
Statements of Revenues, Expenditures and Changes in Fund Balances– Governmental Funds
For the Fiscal Year Ended June 30, 2014

	<u>General</u>	<u>Public Safety</u>	<u>Ambulance Services</u>	<u>Street Lighting</u>	<u>Total Governmental Activities</u>
Revenues:					
Property taxes	\$ -	1,862,640	-	-	1,862,640
Voter approved taxes	-	1,638,624	-	-	1,638,624
Charges for services	-	-	1,448,994	-	1,448,994
Interest earnings	39	997	1,206	-	2,242
Other	1,800	517,607	61,435	-	580,842
Total revenues	<u>1,839</u>	<u>4,019,868</u>	<u>1,511,635</u>	<u>-</u>	<u>5,533,342</u>
Expenditures:					
General government	16,042	-	-	-	16,042
Public safety	-	3,856,384	-	-	3,856,384
Ambulance services	-	-	1,500,939	-	1,500,939
Street lighting	-	-	-	35,345	35,345
Capital outlay	17,086	20,636	71,103	-	108,825
Total expenditures	<u>33,128</u>	<u>3,877,020</u>	<u>1,572,042</u>	<u>35,345</u>	<u>5,517,535</u>
Excess of revenues over expenditures	<u>(31,289)</u>	<u>142,848</u>	<u>(60,407)</u>	<u>(35,345)</u>	<u>15,807</u>
Other financing sources(uses):					
Transfers in(out)	1,500	(13,547)	-	35,345	23,298
Total other financing sources(uses)	<u>1,500</u>	<u>(13,547)</u>	<u>-</u>	<u>35,345</u>	<u>23,298</u>
Net change in fund balance	(29,789)	129,301	(60,407)	-	39,105
Fund balance, beginning of year	<u>596,804</u>	<u>1,307,932</u>	<u>411,346</u>	<u>-</u>	<u>2,316,082</u>
Fund balance, end of year	<u>\$ 567,015</u>	<u>1,437,233</u>	<u>350,939</u>	<u>-</u>	<u>2,355,187</u>

Big Bear City Community Services District
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Reconciliation:

Net changes in fund balance of total governmental funds	\$	39,105
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:</p>		
Capital outlay		108,825
Depreciation expense		(339,133)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:</p>		
Net change in other post-employment benefits for the current period		100,220
Net change in compensated absences for the current period		11,021
Pension-related debt		60,589
		60,589
Change in net position of governmental activities	\$	(19,373)

See accompanying notes to the basic financial statements

Big Bear City Community Services District
Statements of Net Position – Enterprise Funds
June 30, 2014

<i>Assets</i>	Water	Wastewater	Solid Waste	Total Business-type Activities
Assets:				
Cash and cash equivalents	\$ 3,012,138	4,295,097	1,662,470	8,969,705
Investments	498,806	-	-	498,806
Accrued interest receivable	2,452	2,827	1,288	6,567
Accounts receivable – services, net	475,377	1,000	18,584	494,961
Accounts receivable – other	7,439	99,117	42,290	148,846
Special assessments receivable	-	127,382	-	127,382
Other post-employment benefits asset	30,736	38,297	46,625	115,658
Capital assets – not being depreciated	843,786	218,321	385,191	1,447,298
Capital assets, net – being depreciated	9,453,489	5,973,661	592,542	16,019,692
Total assets	14,324,223	10,755,702	2,748,990	27,828,915
<i>Liabilities and Net Assets</i>				
Liabilities:				
Accounts payable and accrued expenses	103,215	69,016	52,820	225,051
Customer deposits and unearned revenue	93,230	-	-	93,230
BBARWA pass-through	-	704,600	-	704,600
Accrued interest on long-term debt	-	-	3,112	3,112
Long-term liabilities – due within one year:				
Compensated absences	8,394	11,608	19,815	39,817
Capital lease payable	-	-	94,137	94,137
Long-term liabilities – due in more than one year:				
Compensated absences	8,393	11,609	19,815	39,817
Capital lease payable	-	-	405,863	405,863
Total liabilities	213,232	796,833	595,562	1,605,627
Net position:				
Net investment in capital assets	10,297,275	6,191,982	477,733	17,466,990
Unrestricted	3,813,716	3,766,887	1,675,695	8,756,298
Total net assets	\$ 14,110,991	9,958,869	2,153,428	26,223,288

See accompanying notes to the basic financial statements

Big Bear City Community Services District
Statements of Revenues, Expenses and Changes in Fund Net Position – Enterprise Funds
For the Fiscal Year Ended June 30, 2014

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total Business-type Activities</u>
Operating revenues:				
Water consumption sales	\$ 2,843,868	-	-	2,843,868
Water standby charges	238,521	-	-	238,521
Wastewater service charges	-	1,957,468	-	1,957,468
Solid waste collection charges	-	-	2,071,092	2,071,092
Other charges for services	75,903	31,415	28,483	135,801
Total operating revenues	<u>3,158,292</u>	<u>1,988,883</u>	<u>2,099,575</u>	<u>7,246,750</u>
Operating expenses:				
Salaries and benefits	1,277,025	1,176,740	1,233,782	3,687,547
Operations	885,332	403,478	428,866	1,717,676
Total operating expenses	<u>2,162,357</u>	<u>1,580,218</u>	<u>1,662,648</u>	<u>5,405,223</u>
Operating income before depreciation	995,935	408,665	436,927	1,841,527
Depreciation expense	(537,310)	(495,779)	(48,750)	(1,081,839)
Operating income(loss)	<u>458,625</u>	<u>(87,114)</u>	<u>388,177</u>	<u>759,688</u>
Non-operating revenue(expense):				
Interest earnings	8,453	19,183	3,697	31,333
Interest expense	-	-	(3,112)	(3,112)
Transfers in(out)	(7,766)	(7,766)	(7,766)	(23,298)
Total non-operating, net	<u>687</u>	<u>11,417</u>	<u>(7,181)</u>	<u>4,923</u>
Capital contributions:				
Capital contributions	304,572	290,000	-	594,572
Connection fees	99,205	44,515	-	143,720
Total capital contributions	<u>403,777</u>	<u>334,515</u>	<u>-</u>	<u>738,292</u>
Change in net position	863,089	258,818	380,996	1,502,903
Net position, beginning of year	<u>13,247,902</u>	<u>9,700,051</u>	<u>1,772,432</u>	<u>24,720,385</u>
Net position, end of year	<u>\$ 14,110,991</u>	<u>9,958,869</u>	<u>2,153,428</u>	<u>26,223,288</u>

See accompanying notes to the basic financial statements

Big Bear City Community Services District
Statements of Cash Flows – Enterprise Funds
For the Fiscal Year Ended June 30, 2014

	<u>Water</u>	<u>Waste water</u>	<u>Solid Waste</u>	<u>Total Business-type Activities</u>
Cash flows from operating activities:				
Cash receipts from customers	\$ 2,999,155	2,192,645	2,090,919	7,282,719
Cash paid to employees for salaries and benefits	(1,276,527)	(1,173,958)	(1,234,805)	(3,685,290)
Cash paid to vendors and suppliers	(930,229)	(518,560)	(445,738)	(1,894,527)
Net cash provided by operating activities	<u>792,399</u>	<u>500,127</u>	<u>410,376</u>	<u>1,702,902</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,090,041)	(508,792)	(744,269)	(2,343,102)
Proceeds from capital contributions	403,777	334,515	-	738,292
Transfer (to)from other funds	(7,766)	(7,766)	(7,766)	(23,298)
Proceeds from capital lease	-	-	500,000	500,000
Principal payments on capital lease payable	-	-	-	-
Interest payments on capital lease payable	-	-	-	-
Net cash used in capital and financing activities	<u>(694,030)</u>	<u>(182,043)</u>	<u>(252,035)</u>	<u>(1,128,108)</u>
Cash flows from investing activities:				
Purchase of investments	(500,000)	-	-	(500,000)
Interest earnings	9,276	18,772	3,325	31,373
Net cash provided(used) by investing activities	<u>(490,724)</u>	<u>18,772</u>	<u>3,325</u>	<u>31,373</u>
Net increase(decrease) in cash	(392,355)	336,856	161,666	606,167
Cash and cash equivalents, beginning of year	<u>3,404,493</u>	<u>3,958,241</u>	<u>1,500,804</u>	<u>8,863,538</u>
Cash and cash equivalents, end of year	<u>\$ 3,012,138</u>	<u>4,295,097</u>	<u>1,662,470</u>	<u>9,469,705</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income(loss)	\$ 458,625	(87,114)	388,177	759,688
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	537,310	495,779	48,750	1,081,839
Changes in assets and liabilities:				
(Increase)decrease in assets:				
Accounts receivable – services, net	(147,811)	(737)	(1,403)	(149,951)
Accounts receivable – other	(621)	(10,906)	(7,253)	(18,780)
Property assessments receivable	-	27,826	-	27,826
Other post-employment benefits asset	(21,348)	(27,830)	(34,500)	(83,678)
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	(23,549)	(87,252)	17,628	(93,173)
Customer deposits and deferred revenue	(10,705)	-	-	(10,705)
BBARWA pass-through	-	187,579	-	187,579
Compensated absences	498	2,782	(1,023)	2,257
Total adjustments	<u>333,774</u>	<u>587,241</u>	<u>22,199</u>	<u>943,214</u>
Net cash provided by operating activities	<u>\$ 792,399</u>	<u>500,127</u>	<u>410,376</u>	<u>1,702,902</u>

See accompanying notes to the basic financial statements

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for both governmental and business-like activities. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the operating expenses of a given function are offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the District are charges for services directly related to the operations of the District. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes, operating grants and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide Financial Statements.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accrual basis of accounting is followed by the proprietary enterprise funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, such as, unbilled but utilized utility services are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues and expenses, such as water sales, wastewater service, solid waste collection and purchases of water, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories, such as interest income and interest expense, are reported as non-operating revenues and expenses.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operation fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) The entity has determined that a fund is important to the financial statement user.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

The funds of the financial reporting entity are described below:

Governmental Funds

General – This fund acts as the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. This fund also includes all activity and assets of the emergency and unemployment compensation funds.

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

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

Street Lighting – This fund is used to account for the street lighting operations of the District that are subsidized by operating transfers from the District’s various funds.

Enterprise Funds

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

Wastewater – This fund accounts for the wastewater service operations of the District.

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

C. Financial Statement Elements

1. Cash and Cash Equivalents

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

2. Accounts Receivable

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

3. Property Taxes and Assessments

The San Bernardino County Assessor’s Office assesses all real and personal property within the County each year. The San Bernardino County Tax Collector’s Office bills and collects the District’s share of property taxes and/or tax assessments. The San Bernardino County Treasurer’s Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

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

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

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Statement Elements, continued

4. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

5. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$500. Donated assets are recorded at estimated fair market value at the date of donation and/or historical cost. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Governmental Activities

- Buildings and improvements – 20 to 30 years
- Community center – 40 years
- Infrastructure, streets and roads – 20 to 40 years
- Vehicles and equipment – 3 to 10 years

Business-Type Activities

- Transmission and distribution systems – 10 to 40 years
- Collection systems – 10 to 50 years
- Vehicles and equipment – 3 to 10 years

6. Utility Sales

Utility sales are billed on a bi-monthly basis. Estimated unbilled utility revenue through June 30 has been accrued at year-end for the enterprise funds.

7. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies or real estate developers desiring services that require capital connection expenditures or capacity commitment.

8. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Statement Elements, continued

9. Fund Equity

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

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form; or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

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.

10. Use of Estimates

The preparation of the basic 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(2) Cash and Cash Equivalents

Cash and investments as of June 30, 2014, are classified by fund as follows:		<u>2014</u>
Governmental activity funds:		
General fund	\$	614,973
Public safety fund		1,540,966
Ambulance services fund		54,398
Street lighting fund		<u>-</u>
Total		<u>2,210,337</u>
Business-type activity funds:		
Water fund		3,510,944
Wastewater fund		4,295,097
Solid waste fund		<u>1,662,470</u>
Total		<u>9,468,511</u>
Total cash and cash equivalents	\$	<u><u>11,678,848</u></u>

Cash and cash equivalents as of June 30, 2014, consist of the following:		<u>2014</u>
Cash on hand	\$	2,150
Deposits held with financial institutions		598,223
Investments		<u>11,078,475</u>
Total	\$	<u><u>11,678,848</u></u>

As of June 30, 2014, the District's authorized investments had the following maturities:		<u>Maturity</u>
Deposits held with the California Local Agency Investment Fund	\$ 10,579,669	232 days
Certificate-of-deposit – Ally Bank @ 0.50%	124,810	04/11/2016
Certificate-of-deposit – Discover Bank @ 1.00%	124,704	04/10/2017
Certificate-of-deposit – Discover Bank @ 1.40%	124,632	04/09/2018
Certificate-of-deposit – Goldman Sachs @ 1.95%	<u>124,660</u>	04/09/2019
Total	\$	<u><u>11,078,475</u></u>

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(2) Cash and Cash Equivalents, continued

Authorized Deposits and Investments

The District's investment policy authorizes investments in the California Local Agency Investment Fund. The District's investment policy does contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Investment in State Investment Pool

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to \$250,000 is federally insured.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Interest Rate Risk

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

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; however, LAIF is not rated.

Concentration of Credit Risk

The District's investment policy does contain various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with governmental agencies, LAIF is 91% as of June 30, 2014, of the District's total depository and investment portfolio.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(3) Accounts Receivable – Services, net

The accounts receivable – services, net balance consists of the following balances as of June 30, 2014:

	<u>Ambulance Services</u>	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Accounts receivable – services	\$ 652,913	475,377	1,000	18,584	1,147,874
Allowance for uncollectible receivables	<u>(332,520)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(332,520)</u>
Accounts receivable – services, net	<u>\$ 320,393</u>	<u>475,377</u>	<u>1,000</u>	<u>18,584</u>	<u>815,354</u>

(4) Special Assessments Receivable

The special assessment receivable balance consists of the following balances as of June 30, 2014:

<u>Description</u>	<u>2014</u>
Dixie Lee lane assessment	\$ 66,203
East Shay road assessment	<u>61,179</u>
Total	<u>\$ 127,382</u>

Dixie Lee Lane Assessment

In fiscal year 2004, an assessment was approved by the District to finance the construction of certain sewer improvements (Dixie Lee Lane Sewer System). The collection of a special assessment from the property owners is for a period of 15 years at an interest rate of 5.7%. As of June 30, 2014, the outstanding balance for the assessment receivable was \$66,203.

East Shay Road Assessment

In fiscal year 2005, an assessment was approved by the District to finance the construction of certain sewer improvements (East Shay Road Sewer System). The collection of a special assessment from the property owners is for a period of 15 years at an interest rate of 5.7%. As of June 30, 2014, the outstanding balance for the assessment receivable was \$61,179.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(5) Capital Assets

Governmental Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable assets:				
Land	\$ 183,653	-	-	183,653
Total non-depreciable assets	<u>183,653</u>	<u>-</u>	<u>-</u>	<u>183,653</u>
Depreciable assets:				
Land improvements	19,323	-	-	19,323
Buildings	1,430,795	-	(7,100)	1,423,695
Equipment	3,378,796	108,825	(34,975)	3,452,646
Software	<u>34,032</u>	<u>-</u>	<u>-</u>	<u>34,032</u>
Total depreciable assets	<u>4,862,946</u>	<u>108,825</u>	<u>(42,075)</u>	<u>4,929,696</u>
Accumulated depreciation:				
Land improvements	(17,316)	(1,088)	-	(18,404)
Buildings	(858,225)	(37,040)	7,100	(888,165)
Equipment	(2,202,325)	(296,808)	34,975	(2,464,158)
Software	<u>(18,638)</u>	<u>(4,197)</u>	<u>-</u>	<u>(22,835)</u>
Total accumulated depreciation	<u>(3,096,504)</u>	<u>(339,133)</u>	<u>42,075</u>	<u>(3,393,562)</u>
Total depreciable assets, net	<u>1,766,442</u>	<u>(230,308)</u>	<u>-</u>	<u>1,536,134</u>
Total capital assets, net	<u>\$ 1,950,095</u>			<u>1,719,787</u>

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2014:

<u>Depreciation Expense per Fund</u>	
General government	\$ 10,390
Public safety	215,688
Ambulance services	<u>113,055</u>
Total	<u>\$ 339,133</u>

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(5) Capital Assets, continued

Business-Type Activities

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Non-depreciable assets:				
Land	\$ 1,039,907	125,000	-	1,164,907
Water rights	25,000	-	-	25,000
Construction-in-progress	-	257,391	-	257,391
Total non-depreciable assets	<u>1,064,907</u>	<u>382,391</u>	<u>-</u>	<u>1,447,298</u>
Depreciable assets:				
Water transmission and distribution	15,608,778	753,765	-	16,362,543
Wastewater collection	13,863,173	290,000	-	14,153,173
Solid waste collection	31,000	-	-	31,000
Buildings	2,487,727	-	-	2,487,727
Vehicles and equipment	6,396,522	916,948	(134,165)	7,179,305
Total depreciable assets	<u>38,387,200</u>	<u>1,960,713</u>	<u>(134,165)</u>	<u>40,213,748</u>
Accumulated depreciation:				
Water transmission and distribution	(10,211,810)	(537,310)	-	(10,749,120)
Wastewater collection	(11,356,359)	(495,779)	134,165	(11,717,973)
Solid waste collection	(1,678,213)	(48,750)	-	(1,726,963)
Total accumulated depreciation	<u>(23,246,382)</u>	<u>(1,081,839)</u>	<u>134,165</u>	<u>(24,194,056)</u>
Total depreciable assets, net	<u>15,140,818</u>	<u>878,874</u>	<u>-</u>	<u>16,019,692</u>
Total capital assets, net	<u>\$ 16,205,725</u>			<u>17,466,990</u>

(6) Big Bear Area Regional Wastewater Agency (BBARWA) Pass-Through

The BBARWA provides centralized wastewater conveyance, treatment and disposal services for its member agencies in the Big Bear Valley area. The District bills and collects from its customers the BBARWA's user charge for wastewater services on the District's water bills. The BBARWA will then bill the District for the annual services provided to the District's customers. In 2014, the District changed its accounting method for recording the collection of these user fees from a revenue based collection to a pass-through charge. Due to timing differences between the District's billing system and the BBARWA's billing to the District a liability to the BBARWA has been recorded in the amount of \$704,600 as of June 30, 2014.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(7) Compensated Absences

Compensated absences for vacation leave are accrued as follows:

Changes in compensated absences were as follows:

	Governmental	Business-type	Total
	Activities	Activities	Total
Compensated absences, beginning	\$ 207,290	77,377	284,667
Current year employee earnings	284,455	220,008	504,463
Employee vacation time taken	<u>(295,476)</u>	<u>(217,751)</u>	<u>(513,227)</u>
Compensated absences, ending	196,269	79,634	275,903
Less: current portion payable	<u>(98,135)</u>	<u>(39,817)</u>	<u>(137,952)</u>
Long-term portion payable	<u>\$ 98,134</u>	<u>39,817</u>	<u>137,951</u>

(8) Long-term Debt

Changes in long-term debt was as follows:

	Balance			Balance
	2013	Additions	Payments	2014
<i>Business-type activities:</i>				
Solid Waste fund:				
2014 Capital lease payable	\$ -	500,000	-	500,000
Total	-	<u>500,000</u>	<u>-</u>	500,000
Less: current portion due	<u>(110,063)</u>			<u>(94,137)</u>
Long-term portion due	<u>\$ (110,063)</u>			<u>405,863</u>

2014 Capital Lease Payable

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

Fiscal Year		Principle	Interest	Total
2015	\$	94,137	13,890	108,027
2016		96,981	11,046	108,027
2017		99,911	8,116	108,027
2018		102,931	5,096	108,027
2019		<u>106,040</u>	<u>1,987</u>	<u>108,027</u>
Totals	\$	500,000	<u>40,135</u>	<u>540,135</u>
Less: current		<u>(94,137)</u>		
Long-term	\$	<u>405,863</u>		

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(9) Pension-Related Debt – CalPERS Side-Fund

CalPERS Side-Fund – Safety Employees

As of June 30, 2003, CalPERS implemented risk-pooling for the District’s agent multiple-employer public employee defined benefit pension plan. As a result, the District’s defined benefit pension plan with CalPERS converted from an agent multiple-employer plan to a cost sharing multiple-employer plan. This change in the type of the plan created the CalPERS Side-Fund, which CalPERS financed at a 7.75% interest rate. CalPERS actuarially calculated the amount needed to bring the District into the cost sharing multiple-employer plan on an equal basis with other governmental agencies who had less than 100 active and retired employees combined. The reason that CalPERS switched these governmental agencies into the cost sharing multiple-employer plan was to smooth the annual costs related to the pension benefit over a longer period of time resulting in a lower cost of service to the governmental agencies.

A portion of the District’s annual required contributions to CalPERS are actuarially determined and shared by all governmental agencies within the cost sharing risk pool. Also, the District is required to make annual payments to pay-down the CalPERS Side-Fund, as well. The responsibility for paying-down the District’s CalPERS Side-Fund is specific to the District and is not shared by all governmental agencies within the cost sharing risk pool. Therefore, the Side Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27 and recorded as liability on the District’s financial statements.

Annual payments on the CalPERS Side-Fund represent principal and interest payments on the pension-related debt. Debt principal and interest expense is blended into the CalPERS pension benefit rate by individual class of District employee and repaid to CalPERS each payroll period throughout the fiscal year. The following is a pay-down schedule of the remaining payments of the District’s CalPERS Side-Fund at a 7.50% interest rate, which was reduced by CalPERS in fiscal year 2012 for fiscal years 2012 and beyond as follows:

<u>Year</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 69,460	78,114	147,574
2016	79,126	72,876	152,002
2017	89,650	66,912	156,562
2018	101,103	60,156	161,259
2019	113,555	52,541	166,096
2020-2023	<u>601,665</u>	<u>114,067</u>	<u>715,732</u>
Totals	\$ 1,054,559	<u>444,666</u>	<u>1,499,225</u>
Less: current	<u>(69,460)</u>		
Long-term	\$ <u>985,099</u>		

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(10) Net Investment in Capital Assets

The calculations of net investment in capital assets are as follows:

The balance consists of the following:	Governmental Activities	Business-type Activities	Total
Capital assets – not being depreciated	\$ 183,653	1,447,298	1,630,951
Capital assets – being depreciated, net	1,536,134	16,019,692	17,555,826
Capital lease payable – current portion	-	(94,137)	(94,137)
Capital lease payable – long-term portion	-	(405,863)	(405,863)
Total	<u>\$ 1,719,787</u>	<u>16,966,990</u>	<u>18,686,777</u>

(11) Unrestricted Net Position

The District's Board of Directors has designated the use of the District's June 30, 2014, unrestricted net position as follows:

Net position is designated as follows:	Governmental Activities	Business-type Activities	Total
General fund operating reserve	\$ 542,867	-	542,867
Public safety operating reserve	350,851	-	350,851
Ambulance services operating reserve	350,677	-	350,677
Water operations reserve	-	2,000,000	2,000,000
Water capital replacement reserve	-	1,813,716	1,813,716
Wastewater operations reserve	-	2,000,000	2,000,000
Wastewater capital replacement reserve	-	1,766,887	1,766,887
Solid waste operations reserve	-	1,000,000	1,000,000
Solid waste capital replacement reserve	-	675,695	675,695
Total	<u>\$ 1,244,395</u>	<u>9,256,298</u>	<u>10,500,693</u>

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(12) Deferred Compensation Savings Plan

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

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

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

(13) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA 95814.

Risk Pools

Effective with the June 30, 2003 valuation, risk pools were established for plans containing less than 100 active members as of the valuation date. In general, plans satisfying this criteria were lumped into pools based on their benefit formula and membership category (safety/miscellaneous). In total, ten risk pools, including the District's were established for the June 30, 2003, valuation.

Funding Policy

The contribution rate for plan members in the CalPERS 3.0% at 55 Risk Pool Retirement Plan for Safety Employees is 9% and CalPERS 2.5% at 55 Risk Pool Retirement Plan for Miscellaneous Employees is 8% of their annual covered salary. The participants are required to contribute these amounts. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2014, 2013, and 2012 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For Fiscal years 2014, 2013, and 2012, the Agency's annual contributions for the CalPERS plan were equal to the Agencies required and actual contributions for each fiscal year as follows:

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(13) Defined Benefit Pension Plan, continued

Safety Employees – Three Year Funding Information – Tier I

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2012	\$ 575,273	100%	-	31.953%
2013	561,220	100%	-	32.690%
2014	557,196	100%	-	34.370%

Miscellaneous Employees – Three Year Funding Information – Tier I

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2012	\$ 450,294	100%	-	22.520%
2013	263,406	100%	-	23.220%
2014	268,237	100%	-	16.707%

Tier II Plan

Pursuant to the Memorandums of Understanding for the period July 1, 2011 to June 30, 2012 between the District and CalPERS employees, all employees of the District hired after July 1, 2011 are enrolled in a new Second Tier Plan (Tier II) with a 2.5% at 55 year old Risk Pool Retirement Plan for Miscellaneous Employees and 3.0% at 55 years old Risk Pool Retirement Plan for Safety Employees. The contribution rate for plan members in the CalPERS 3.0% at 50 years old and the CalPERS 3.0 at 55 years old Risk Pool Retirement Plan for Safety Employees is 9.0% of their annual covered salary. The contribution rate for plan members in the CalPERS 2.7% and the CalPERS 2.5% at 55 years old Risk Pool Retirement Plan for Miscellaneous Employees is 8.0% of their annual covered salary. The District is required to contribute the following amounts for the participants:

Safety Employees – Three Year Funding Information – Tier II

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2012	\$ 12,235	100%	-	23.006%
2013	27,261	100%	-	22.740%
2014	7,338	100%	-	23.397%

Miscellaneous Employees – Three Year Funding Information – Tier II

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>APC Percentage of Payroll</u>
2012	\$ 8,838	100%	-	14.256%
2013	54,959	100%	-	14.820%
2014	53,548	100%	-	15.577%

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(13) Defined Benefit Pension Plan, continued

California Public Employees Pension Reform Act of 2013

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

Tier III Plan – Beginning January 1, 2013

PEPRA Safety Employees

The contribution rate for plan members in the CalPERS 2.7% at 57 Retirement Plan under PEPRA is 12.25% of their annual covered wages. District employees contribute 12.25% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer contribution rate (12.25%) and member contribution rate (12.25%) is a combined rate of 24.50% which will be in effect until June 30, 2015.

PEPRA Miscellaneous Employees

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.50% of their annual covered wages. District employees contribute 6.50% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer contribution rate (6.70%) and member contribution rate (6.50%) is a combined rate of 13.20% which will be in effect until June 30, 2015.

Safety Employees – Three Year Funding Information – Tier III

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	APC Percentage of Payroll
2012	\$ -	-	-	-
2013	444	100%	-	6.250%
2014	12,536	100%	-	6.250%

Miscellaneous Employees – Three Year Funding Information – Tier III

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	APC Percentage of Payroll
2012	\$ -	-	-	-
2013	849	100%	-	6.250%
2014	13,132	100%	-	6.250%

See Pages 37-39 for the Schedule of Funding Status.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(13) Defined Benefit Pension Plan, continued

Actuarial Methods and Assumptions

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

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll, closed
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

(14) Other Post-Employment Benefits Asset

During the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Plan Description – Eligibility

The District pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District.

Membership in the OPEB plan consisted of the following members as of June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Active plan members	62	62	62
Retirees and beneficiaries receiving benefits	32	32	32
Separated plan members entitled to but not yet receiving benefits	-	-	-
Total plan membership	<u>94</u>	<u>94</u>	<u>94</u>

Plan Description – Benefits

The District offers post employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District's CalPERS medical coverage, a cost-sharing multiple-employer medical coverage plan. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(14) Other Post-Employment Benefits Asset, continued

Funding Policy, continued

The District will pay a fixed contribution towards the cost of the post-employment benefit plan for those employees who meet the required service years for retirement from the District. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual Cost

For the year ended June 30, 2014, the District's ARC cost is \$455,212. The District's net OPEB asset amounted to \$255,694 for the year ended June 30, 2014. The District contributed \$183,857 towards the OPEB irrevocable trust and paid-out \$455,253 in retiree benefits for the year ended June 30, 2014. The District has contracted with CalPERS to participate in the California Employer's Retiree Benefit Trust (CERBT) program (an irrevocable trust program).

The balance at June 30, consists of the following:	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 639,110	630,102	560,188
Interest on net OPEB obligation	-	-	-
Interest earnings on irrevocable trust balance	(185,378)	(72,956)	(16,859)
Adjustment to annual required contribution	<u>1,480</u>	<u>1,160</u>	<u>543</u>
Total annual OPEB expense	<u>455,212</u>	<u>558,306</u>	<u>543,872</u>
Contributions (to)from trust:			
Contributions made to irrevocable trust	(183,857)	(208,181)	(173,855)
Retiree benefit payments paid outside of a trust	<u>(455,253)</u>	<u>(421,921)</u>	<u>(370,017)</u>
Total contributions made	<u>(639,110)</u>	<u>(630,102)</u>	<u>(543,872)</u>
Total change in net OPEB payable obligation	(183,898)	(71,796)	-
OPEB payable(asset) – beginning of year	<u>(71,796)</u>	-	-
OPEB payable(asset) – end of year	<u>\$ (255,694)</u>	<u>(71,796)</u>	<u>-</u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

<u>Three-Year History of Net OPEB Obligation</u>					
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation Payable(Asset)</u>	
2014	\$ 455,212	639,110	140.40%	\$ (255,694)	
2013	558,306	630,102	112.86%	\$ (71,796)	
2012	543,872	543,872	100.00%	# -	

The most recent valuation (dated June 30, 2013 includes an Actuarial Accrued Liability and an Unfunded Actuarial Accrued Liability of \$7,984,219 of \$7,049,131, respectively. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2013 was estimated at \$5,000,000. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 71%.

See Page 40 for the Schedule of Funding Status.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(14) Other Post-Employment Benefits Asset, continued

Actuarial Methods and Assumptions

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

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

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal cost method, closed
Amortization method	Level percent of payroll amortization
Remaining amortization period	25 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Discount rate	7.25%
Projected salary increase	2.75%
Inflation - discount rate	2.75%
Health care - trend rate	4.00%

(15) Risk Management

The District is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 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 coverages. The Authority's pool 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 9-member Executive Committee.

General Liability - Each member government 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 police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$5,000,000 to \$10,000,000 are paid under reinsurance policies and are subject to a \$2,500,000 annual aggregate deductible; (4b) costs of covered claims from \$10,000,000 to \$50,000,000 are covered through excess insurance policies; and (4c) costs of covered claims for subsidence losses are paid by excess insurance with a sub-limit of \$25,000,000 per occurrence per member. This \$25,000,000 subsistence sub-limit is comprised of \$10,000,000 of reinsurance and \$15,000,000 in excess insurance. The excess insurance layer has a \$15,000,000 annual aggregate. The costs associated with 4a, 4b, and 4c are estimated using actuarial models and pre-funded as part of the primary and retroactive deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence.

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(15) Risk Management, continued

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. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law. Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

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 currently has all-risk property insurance protection for \$14,064,625. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance, which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance - The District purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The District's property currently has earthquake protection for \$7,185,756. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance - The District purchases crime insurance coverage in the amount of \$3,000,000 with a \$25,000 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

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 2014, 2013 and 2012. 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, 2014, 2013 and 2012.

Complete financial statements may be obtained from the California Joint Powers Insurance Authority, 8081 Moody Street, La Palma, California, 90623.

(16) Shared Services Agreement

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

(17) Commitments and Contingencies

Litigation

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

Big Bear City Community Services District
Notes to the Basic Financial Statements
June 30, 2014

(18) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 71

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

(19) Subsequent Events

Events occurring after June 30, 2014, have been evaluated for possible adjustment to the financial statements or disclosure as of October 31, 2014, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

**Big Bear City Community Services District
Schedule of Funding Status
For the Fiscal Year Ended June 30, 2014**

(1) Defined Benefit Pension Plan – Tier I – Safety Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Safety 3.0% at 50 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ 15,727,223	16,748,777	18,095,457
2. Plan's side fund	(1,209,824)	(1,167,705)	(1,115,148)
3. Pool's accrued liability	10,951,745,049	11,724,021,480	12,307,135,447
4. Pool's side fund	(505,178,725)	(529,176,284)	(461,094,417)
5. Pool's actuarial value of assets (AVA) including receivables	9,135,654,246	9,854,787,710	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	12,819,592	13,715,970	N/A
7. Pool's market value of assets (MVA) including receivables	8,164,486,471	8,255,442,128	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	11,456,802	11,489,988	13,165,140

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Share of Pool's Market Value of Assets (MVA) (b)	Pool's Share of Pool's Unfunded Liability (a-b)	Funded Ratio AVA (b/a)	Annual Covered Payroll
June 30, 2011	\$ 15,727,223	11,456,802	4,270,421	72.85%	\$ 1,960,627
June 30, 2012	16,748,777	11,489,988	5,258,789	68.60%	1,681,808
June 30, 2013	18,095,457	13,165,140	4,930,317	72.75%	1,675,309

(2) Defined Benefit Pension Plan – Tier II – Safety Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Safety 3.0% at 55 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ N/A	692	17,476
2. Plan's side fund	N/A	-	-
3. Pool's accrued liability	N/A	2,183,549,942	2,330,820,131
4. Pool's side fund	N/A	(82,051,596)	(75,763,636)
5. Pool's actuarial value of assets (AVA) including receivables	N/A	1,896,139,291	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	N/A	624	N/A
7. Pool's market value of assets (MVA) including receivables	N/A	1,592,869,270	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	N/A	525	14,083

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Share of Pool's Market Value of Assets (MVA) (b)	Pool's Share of Pool's Unfunded Liability (a-b)	Funded Ratio AVA (b/a)	Annual Covered Payroll
June 30, 2011	*	-	-	0.00%	\$ -
June 30, 2012	\$ 692	525	167	75.87%	81,639
June 30, 2013	17,476	14,083	3,393	80.58%	28,258

* The District began this Plan in Fiscal Year 2012

Big Bear City Community Services District
Schedule of Funding Status
For the Fiscal Year Ended June 30, 2014

(3) Defined Benefit Pension Plan – Tier III – Safety Plan – PEPRA

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Safety 2.7% at 57 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ N/A	N/A	113
2. Plan's side fund	N/A	N/A	-
3. Pool's accrued liability	N/A	N/A	605,474
4. Pool's side fund	N/A	N/A	-
5. Pool's actuarial value of assets (AVA) including receivables	N/A	N/A	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	N/A	N/A	N/A
7. Pool's market value of assets (MVA) including receivables	N/A	N/A	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	N/A	N/A	166

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Share of Pool's Market Value of Assets (MVA) (b)	Pool's Share of Pool's Unfunded Liability (a-b)	Funded Ratio AVA (b/a)	Annual Covered Payroll
June 30, 2011	*	-	-	0.00%	\$ -
June 30, 2012	*	-	-	0.00%	-
June 30, 2013	\$	113	166	146.90%	32,309

* The CalPERS PEPRA Plan began on January 1, 2013.

(4) Defined Benefit Pension Plan – Tier I – Miscellaneous Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Miscellaneous 2.7% at 55 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ 22,144,602	23,469,503	24,611,771
2. Plan's side fund	(1,727,886)	-	-
3. Pool's accrued liability	2,486,708,579	2,680,181,441	2,858,732,321
4. Pool's side fund	(160,864,546)	(128,673,283)	(110,416,422)
5. Pool's actuarial value of assets (AVA) including receivables	1,981,073,089	2,178,799,790	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	17,390,249	20,041,225	N/A
7. Pool's market value of assets (MVA) including receivables	1,786,913,296	1,849,406,219	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	15,686,876	17,011,368	18,879,887

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Share of Pool's Market Value of Assets (MVA) (b)	Pool's Share of Pool's Unfunded Liability (a-b)	Funded Ratio AVA (b/a)	Annual Covered Payroll
June 30, 2011	\$	22,144,602	15,686,876	70.84%	\$ 2,095,274
June 30, 2012		23,469,503	17,011,368	72.48%	1,815,509
June 30, 2013		24,611,771	18,879,887	76.71%	1,673,634

**Big Bear City Community Services District
Schedule of Funding Status
For the Fiscal Year Ended June 30, 2014**

(5) Defined Benefit Pension Plan – Tier II – Miscellaneous Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Miscellaneous 2.5% at 55 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ N/A	23,208	99,932
2. Plan's side fund	N/A	-	-
3. Pool's accrued liability	N/A	2,254,622,362	2,389,797,201
4. Pool's side fund	N/A	(107,442,058)	(83,573,887)
5. Pool's actuarial value of assets (AVA) including receivables	N/A	1,837,489,422	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	N/A	19,861	N/A
7. Pool's market value of assets (MVA) including receivables	N/A	1,545,132,565	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	N/A	16,701	76,142

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Share of Pool's Market Value of Assets (MVA) (b)	Pool's Share of Pool's Unfunded Liability (a-b)	Funded Ratio AVA (b/a)	Annual Covered Payroll
June 30, 2011	*	-	-	0.00%	\$ -
June 30, 2012	\$ 23,208	16,701	6,507	71.96%	251,817
June 30, 2013	99,932	76,142	23,790	76.19%	338,667

* The District began this Plan in Fiscal Year 2012

(6) Defined Benefit Pension Plan – Tier III – Miscellaneous Plan – PEPRA

Development of the Actuarial Value of Assets Calculation in a Risk Pool			
The District is part of the CalPERS Miscellaneous 2.0% at 62 yrs. Risk Pool	June 30, 2011	June 30, 2012	June 30, 2013
1. Plan's accrued liability	\$ N/A	N/A	1,714
2. Plan's side fund	N/A	N/A	-
3. Pool's accrued liability	N/A	N/A	1,063,294
4. Pool's side fund	N/A	N/A	-
5. Pool's actuarial value of assets (AVA) including receivables	N/A	N/A	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]	N/A	N/A	N/A
7. Pool's market value of assets (MVA) including receivables	N/A	N/A	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]	N/A	N/A	2,300

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Share of Pool's Market Value of Assets (MVA) (b)	Pool's Share of Pool's Unfunded (Asset) Liability (a-b)	Funded Ratio AVA (b/a)	Annual Covered Payroll
June 30, 2011	*	-	-	0.00%	\$ -
June 30, 2012	*	-	-	0.00%	-
June 30, 2013	\$ 1,714	2,300	(586)	134.19%	-

* The CalPERS PEPRA Plan began on January 1, 2013.

**Big Bear City Community Services District
Schedule of Funding Status
For the Fiscal Year Ended June 30, 2014**

(7) Other Post-Employment Benefits Obligation

Actuarial Valuation Date	Market Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$ 935,088	7,984,215	7,049,127	11.71%	\$ 5,000,000	140.98%
6/30/2011	464,940	7,465,211	7,000,271	6.23%	5,000,000	140.01%
6/30/2010	-	4,928,307	4,928,307	0.00%	4,932,258	99.92%

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years, since the District is funding, or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2016, based on the year ending June 30, 2015.

Big Bear City Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund – Major Fund
For the Fiscal Year Ended June 30, 2014

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Interest earnings	\$ 1,900	-	1,900	39	(1,861)
Other	-	-	-	1,800	1,800
Total revenues	<u>1,900</u>	<u>-</u>	<u>1,900</u>	<u>1,839</u>	<u>(61)</u>
Expenditures:					
Materials and services	16,042	-	16,042	16,042	-
Capital outlay	17,086	-	17,086	17,086	-
Total expenditures	<u>33,128</u>	<u>-</u>	<u>33,128</u>	<u>33,128</u>	<u>-</u>
Excess(deficiency) of revenues over expenditures	(31,228)	-	(31,228)	(31,289)	(61)
Other financing sources(uses):					
Transfers in(out)	-	-	-	1,500	1,500
Net change in fund balance	(31,228)	-	(31,228)	(29,789)	<u>1,439</u>
Fund balance, beginning of year	<u>596,804</u>	<u>-</u>	<u>596,804</u>	<u>596,804</u>	
Fund balance, end of year	<u>\$ 565,576</u>	<u>-</u>	<u>565,576</u>	<u>567,015</u>	

Budgetary Policies

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. Public hearings are conducted to obtain taxpayer comments. Prior to June 30th the budget is legally enacted through passage of a Board resolution. Budgets for the Enterprise Funds are adopted on a basis consistent with generally accepted accounting principals (GAAP).

The Board of Directors must approve all supplemental appropriations to the budget and transfers between funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the general, public safety, and road funds.

Big Bear City Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Public Safety – Major Fund
For the Fiscal Year Ended June 30, 2014

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Property taxes	\$ 1,867,050	-	1,867,050	1,862,640	(4,410)
Voter approved taxes	1,657,000	-	1,657,000	1,638,624	(18,376)
Interest earnings	2,400	-	2,400	997	(1,403)
Other	305,150	-	305,150	517,607	212,457
Total revenues	<u>3,831,600</u>	<u>-</u>	<u>3,831,600</u>	<u>4,019,868</u>	<u>188,268</u>
Expenditures:					
Salaries and benefits	3,850,000	56,000	3,906,000	2,950,529	955,471
Materials and services	772,776	64,500	837,276	905,855	(68,579)
Capital outlay	11,200	-	11,200	20,636	(9,436)
Total expenditures	<u>4,633,976</u>	<u>120,500</u>	<u>4,754,476</u>	<u>3,877,020</u>	<u>877,456</u>
Excess(deficiency) of revenues over expenditures	(802,376)	(120,500)	(922,876)	142,848	1,065,724
Other financing sources(uses):					
Transfers in(out)	(13,547)	-	(13,547)	(13,547)	-
Net change in fund balance	(815,923)	(120,500)	(936,423)	129,301	<u>1,065,724</u>
Fund balance, beginning of year	<u>1,307,932</u>	<u>-</u>	<u>1,307,932</u>	<u>1,307,932</u>	
Fund balance, end of year	<u>\$ 492,009</u>	<u>(120,500)</u>	<u>371,509</u>	<u>1,437,233</u>	

Big Bear City Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Ambulance Services Fund – Non-Major Fund
For the Fiscal Year Ended June 30, 2014

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Charges for services	\$ 1,675,000	-	1,675,000	1,448,994	(226,006)
Interest earnings	2,400	-	2,400	1,206	(1,194)
Other	66,500	-	66,500	61,435	(5,065)
Total revenues	<u>1,743,900</u>	<u>-</u>	<u>1,743,900</u>	<u>1,511,635</u>	<u>(232,265)</u>
Expenditures:					
Salaries and benefits	695,977	-	695,977	1,324,880	(628,903)
Materials and services	357,204	-	357,204	176,059	181,145
Capital outlay	-	82,323	82,323	71,103	11,220
Total expenditures	<u>1,053,181</u>	<u>82,323</u>	<u>1,135,504</u>	<u>1,572,042</u>	<u>(436,538)</u>
Excess(deficiency) of revenues over expenditures	690,719	(82,323)	608,396	(60,407)	(668,803)
Other financing sources(uses):					
Transfers in(out)	-	-	-	-	-
Net change in fund balance	690,719	(82,323)	608,396	(60,407)	<u>(668,803)</u>
Fund balance, beginning of year	<u>411,346</u>	<u>-</u>	<u>411,346</u>	<u>411,346</u>	
Fund balance, end of year	<u>\$ 1,102,065</u>	<u>(82,323)</u>	<u>1,019,742</u>	<u>350,939</u>	

Big Bear City Community Services District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Street Lighting Fund – Non-Major Fund
For the Fiscal Year Ended June 30, 2014

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Street lighting	\$ 40,000	-	40,000	33,345	6,655
Total expenditures	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>33,345</u>	<u>6,655</u>
Excess(deficiency) of revenues over expenditures	(40,000)	-	(40,000)	(33,345)	(6,655)
Other financing sources(uses):					
Transfers in(out)	40,000	-	40,000	33,345	6,655
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	

Big Bear City Community Services District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Water Fund
For the Fiscal Year Ended June 30, 2014

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Water sales	\$ 2,886,000	-	2,886,000	3,082,389	196,389
Other charges for services	<u>61,500</u>	<u>-</u>	<u>61,500</u>	<u>75,903</u>	<u>14,403</u>
Total operating revenues	<u>2,947,500</u>	<u>-</u>	<u>2,947,500</u>	<u>3,158,292</u>	<u>210,792</u>
Operating expenses:					
Salaries and benefits	1,429,215	29,247	1,458,462	1,277,025	181,437
Material and services	<u>2,349,483</u>	<u>220,394</u>	<u>2,569,877</u>	<u>885,332</u>	<u>1,684,545</u>
Total operating expenses	<u>3,778,698</u>	<u>249,641</u>	<u>4,028,339</u>	<u>2,162,357</u>	<u>1,865,982</u>
Operating income(loss)	(831,198)	(249,641)	(1,080,839)	995,935	2,076,774
Depreciation expense	<u>(537,726)</u>	<u>-</u>	<u>(537,726)</u>	<u>(537,310)</u>	<u>(416)</u>
Operating income(loss)	<u>(1,368,924)</u>	<u>(249,641)</u>	<u>(1,618,565)</u>	<u>458,625</u>	<u>2,077,190</u>
Non-operating revenue (expense):					
Interest earnings	10,000	-	10,000	8,453	(1,547)
Transfers in(out)	(7,766)	-	(7,766)	(7,766)	-
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating, net	<u>2,234</u>	<u>-</u>	<u>2,234</u>	<u>687</u>	<u>(1,547)</u>
Capital contributions and purchases:					
Capital contributions	-	-	-	304,572	304,572
Connection fees	<u>82,000</u>	<u>-</u>	<u>82,000</u>	<u>99,205</u>	<u>17,205</u>
Total capital contributions	<u>82,000</u>	<u>-</u>	<u>82,000</u>	<u>403,777</u>	<u>321,777</u>
Change in net position	<u>(1,284,690)</u>	<u>(249,641)</u>	<u>(1,534,331)</u>	<u>863,089</u>	<u>2,397,420</u>
Net position, beginning of year	<u>13,247,902</u>	<u>-</u>	<u>13,247,902</u>	<u>13,247,902</u>	
Net position, end of year	<u>\$ 11,963,212</u>	<u>(249,641)</u>	<u>11,713,571</u>	<u>14,110,991</u>	

Big Bear City Community Services District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Wastewater Fund
For the Fiscal Year Ended June 30, 2014

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Wastewater service charges	\$ 1,910,000	30,000	1,940,000	1,957,468	17,468
Other charges for services	-	-	-	31,415	31,415
Total operating revenues	<u>1,910,000</u>	<u>30,000</u>	<u>1,940,000</u>	<u>1,988,883</u>	<u>48,883</u>
Operating expenses:					
Salaries and benefits	1,295,057	54,705	1,349,762	1,176,740	173,022
Material and services	<u>725,500</u>	<u>(17,762)</u>	<u>707,738</u>	<u>403,478</u>	<u>304,260</u>
Total operating expenses	<u>2,020,557</u>	<u>36,943</u>	<u>2,057,500</u>	<u>1,580,218</u>	<u>477,282</u>
Operating income(loss)	(110,557)	(6,943)	(117,500)	408,665	526,165
Depreciation expense	<u>(495,779)</u>	<u>-</u>	<u>(495,779)</u>	<u>(495,779)</u>	<u>-</u>
Operating income(loss)	<u>(606,336)</u>	<u>(6,943)</u>	<u>(613,279)</u>	<u>(87,114)</u>	<u>526,165</u>
Non-operating revenue (expense):					
Interest earnings	21,500	-	21,500	19,183	(2,317)
Transfers in(out)	<u>(7,766)</u>	<u>-</u>	<u>(7,766)</u>	<u>(7,766)</u>	<u>-</u>
Total non-operating, net	<u>13,734</u>	<u>-</u>	<u>13,734</u>	<u>11,417</u>	<u>(2,317)</u>
Capital contributions and purchases:					
Capital contributions	-	-	-	290,000	290,000
Connection fees	<u>39,880</u>	<u>-</u>	<u>39,880</u>	<u>44,515</u>	<u>4,635</u>
Total capital contributions	<u>39,880</u>	<u>-</u>	<u>39,880</u>	<u>334,515</u>	<u>294,635</u>
Change in net position	<u>(552,722)</u>	<u>(6,943)</u>	<u>(559,665)</u>	<u>258,818</u>	<u>818,483</u>
Net position, beginning of year	<u>9,700,051</u>	<u>-</u>	<u>9,700,051</u>	<u>9,700,051</u>	
Net position, end of year	<u>\$ 9,147,329</u>	<u>(6,943)</u>	<u>9,140,386</u>	<u>9,958,869</u>	

Big Bear City Community Services District
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Solid Waste Fund
For the Fiscal Year Ended June 30, 2014

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Final Budget</u>	<u>Actual Basis</u>	<u>Variance Positive (Negative)</u>
Operating revenues:					
Solid waste collection charges	\$ 2,040,000	-	2,040,000	2,071,092	31,092
Other charges for services	8,450	-	8,450	28,483	20,033
Total operating revenues	<u>2,048,450</u>	<u>-</u>	<u>2,048,450</u>	<u>2,099,575</u>	<u>51,125</u>
Operating expenses:					
Salaries and benefits	1,432,394	-	1,432,394	1,233,782	198,612
Material and services	868,806	-	868,806	428,866	439,940
Total operating expenses	<u>2,301,200</u>	<u>-</u>	<u>2,301,200</u>	<u>1,662,648</u>	<u>638,552</u>
Operating income(loss)	(252,750)	-	(252,750)	436,927	689,677
Depreciation expense	(48,750)	-	(48,750)	(48,750)	-
Operating income(loss)	<u>(301,500)</u>	<u>-</u>	<u>(301,500)</u>	<u>388,177</u>	<u>689,677</u>
Non-operating revenue (expense):					
Interest earnings	3,600	-	3,600	3,697	97
Interest expense	-	-	-	(3,112)	(3,112)
Transfers in(out)	(7,766)	-	(7,766)	(7,766)	-
Total non-operating, net	<u>(4,166)</u>	<u>-</u>	<u>(4,166)</u>	<u>(7,181)</u>	<u>97</u>
Capital contributions and purchases:					
Capital grants	-	-	-	-	-
Total capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(305,666)</u>	<u>-</u>	<u>(305,666)</u>	<u>380,996</u>	<u>689,774</u>
Net position, beginning of year	<u>1,772,432</u>	<u>-</u>	<u>1,772,432</u>	<u>1,772,432</u>	
Net position, end of year	<u>\$ 1,466,766</u>	<u>-</u>	<u>1,466,766</u>	<u>2,153,428</u>	

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Report on Compliance and Internal Controls



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Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting 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 the Big Bear City Community Services District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*, (continued)**

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.

Charles Z. Fedak & Company, CPAs – An Accountancy Corporation
Cypress, California
October 31, 2014