

# **Big Bear City Community Services District**

Big Bear City, California

## **Annual Financial Report**

*For the Year Ended June 30, 2015*

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**Big Bear City Community Services District  
Annual Financial Report  
For the Year Ended June 30, 2015**

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Big Bear City Community Services District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

***Emphasis of Matter***

***Implementation of GASB Statements No. 68 and 71***

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The adoption of these statements requires retrospective application of previously reported net position at July 1, 2014 as described in Note 14 to the basic financial statements. In addition, the Net Pension Liability is reported in the Balance Sheet in the amount of \$9,211,071 as of June 30, 2014, the measurement date. This Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 8 and the Schedule of Changes in Net Position Liability and Related Ratios, Schedule of Contributions – Pension Plan and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 57 through 61, respectively, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Santa Ana, California  
December 31, 2015

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

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Big Bear City Community Services District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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

**Purpose of this Report**

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

Santa Ana, California  
December 31, 2015

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**Big Bear City Community Services District**  
**Management's Discussion and Analysis (Continued)(Unaudited)**  
**For the Year Ended June 30, 2015**

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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, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net position increased 9.4%, or \$1,712,105 from the prior year's restated net position of \$18,132,524 to \$19,844,629, as a result of this year's operations. Also, the District recorded a prior period adjustment of \$(11,054,946) to account for the implementation of GASB Nos. 68 and 71 to record the District's net pension liability on the statement of net position. See note 14 for further information.
- Total revenues from all sources increased by 9.4%, or \$1,271,906 from \$13,549,717 to \$14,821,623, from the prior year, primarily due to an increase in charges for services in the public safety fund of \$1,053,819 and in the ambulance services fund of \$447,278.
- Total expenses for the District's operations increased by 8.65% or \$1,043,331 from \$12,066,187 to \$13,109,518, from the prior year, primarily due to an increase of \$497,221 in employee benefits and \$682,925 in materials and services in the governmental funds.

**Using This Financial Report**

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

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

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

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

**Big Bear City Community Services District  
Management's Discussion and Analysis (Continued)(Unaudited)  
For the Year Ended June 30, 2015**

**Governmental Funds Financial Statements**

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

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

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

**Notes to the Basic Financial Statements**

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

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$19,844,629 as of June 30, 2015.

**Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>ASSETS:</b>						
Current assets	\$ 2,134,648	\$ 2,706,890	\$ 11,558,761	\$ 10,246,267	\$ 13,693,409	\$ 12,953,157
Non-current assets	139,339	140,036	113,569	115,658	252,908	255,694
Capital assets, net	1,956,223	1,719,787	16,982,399	17,466,990	18,938,622	19,186,777
<b>Total assets</b>	4,230,210	4,566,713	28,654,729	27,828,915	32,884,939	32,395,628
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	706,533	-	557,073	-	1,263,606	-
<b>LIABILITIES:</b>						
Current liabilities	461,662	519,298	1,183,391	1,159,947	1,645,053	1,679,245
Non-current liabilities	4,744,885	1,083,233	4,968,272	445,680	9,713,157	1,528,913
<b>Total liabilities</b>	5,206,547	1,602,531	6,151,663	1,605,627	11,358,210	3,208,158
<b>DEFERRED INFLOWS OF RESOURCES</b>	1,133,319	-	1,812,387	-	2,945,706	-
<b>NET POSITION</b>						
Net investment in capital assets	1,956,223	1,719,787	16,576,536	16,966,990	18,532,759	18,686,777
Unrestricted	(3,359,346)	1,244,395	4,671,216	9,256,298	1,311,870	10,500,693
<b>Total net position</b>	\$ (1,403,123)	\$ 2,964,182	\$ 21,247,752	\$ 26,223,288	\$ 19,844,629	\$ 29,187,470

At the end of fiscal year 2015, the District shows a positive balance in its unrestricted net position of \$1,311,870 that may be utilized in future years.

**Big Bear City Community Services District  
Management's Discussion and Analysis (Continued)(Unaudited)  
For the Year Ended June 30, 2015**

**Condensed Statement of Activities**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<b>REVENUES:</b>						
Program revenues	\$ 3,500,728	\$ 2,029,836	\$ 7,469,779	\$ 7,985,042	\$ 10,970,507	\$ 10,014,878
General revenues and transfers	3,862,317	3,526,804	(11,201)	8,035	3,851,116	3,534,839
<b>Total revenues</b>	7,363,045	5,556,640	7,458,578	7,993,077	14,821,623	13,549,717
<b>EXPENSES:</b>						
Operations	6,388,267	5,236,880	5,370,066	5,405,223	11,758,333	10,642,103
Depreciation expense	244,786	339,133	1,093,289	1,081,839	1,338,075	1,420,972
Interest expense	-	-	13,110	3,112	13,110	3,112
<b>Total expenses</b>	6,633,053	5,576,013	6,476,465	6,490,174	13,109,518	12,066,187
<b>Change in net position</b>	729,992	(19,373)	982,113	1,502,903	1,712,105	1,483,530
<b>NET POSITION:</b>						
Beginning of year	2,964,182	2,983,555	26,223,288	24,720,385	29,187,470	27,703,940
Prior period adjustment	(5,097,297)	-	(5,957,649)	-	(11,054,946)	-
End of year	\$ (1,403,123)	\$ 2,964,182	\$ 21,247,752	\$ 26,223,288	\$ 19,844,629	\$ 29,187,470

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by \$1,712,105, during the fiscal year ended June 30, 2015.

Total revenues from all sources increased by 9.4%, or \$1,271,906 from \$13,549,717 to \$14,821,623, from the prior year, primarily due to an increase in charges for services in the public safety fund of \$1,053,819 and in the ambulance services fund of \$447,278.

Total expenses for the District's operations increased by 8.65% or \$1,043,331 from \$12,066,187 to \$13,109,518, from the prior year, primarily due to an increase of \$497,221 in employee benefits and \$682,925 in materials and services in the governmental funds.

**Governmental Funds Financial Analysis**

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

As of June 30, 2015, the District reported a total fund balance of \$1,749,456. An amount of \$(533,283) constitutes the District's *unassigned fund balance deficit*.

**Big Bear City Community Services District  
Management's Discussion and Analysis (Continued)(Unaudited)  
For the Year Ended June 30, 2015**

**Capital Asset Administration**

Changes in capital assets for the year were as follows:

	<u>Balance July 1, 2014</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2015</u>
Non-depreciable capital assets	\$ 1,630,951	\$ -	\$ (257,391)	\$ 1,373,560
Depreciable capital assets	45,143,444	686,884	257,391	46,087,719
Total capital assets	46,774,395	686,884	-	47,461,279
Accumulated depreciation	(27,587,618)	(1,338,075)	403,036	(28,522,657)
Total capital assets, net	<u>\$ 19,186,777</u>	<u>\$ (651,191)</u>	<u>\$ 403,036</u>	<u>\$ 18,938,622</u>

At the end of fiscal year 2015, the District's investment in capital assets amounted to \$18,938,622 (net of accumulated depreciation). Major capital asset additions during the year include various equipment and vehicle purchases totaling \$686,884. See note 7 for further information on the District's capital assets.

**Debt Administration**

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

**Capital Lease Payable**

<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance June 30, 2015</u>
\$ 500,000	\$ -	\$ (94,137)	\$ 405,863

See further detail at note 10.

**Conditions Affecting Current Financial Position**

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

**Requests for Information**

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

**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**Big Bear City Community Services District**  
**Statement of Net Position**  
**June 30, 2015**

<u>ASSETS</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and investments (note 2)	\$ 2,536,506	\$ 9,443,104	\$ 11,979,610
Investments	-	504,124	504,124
Accrued interest receivable	739	9,046	9,785
Accounts receivable – services, net (note 3)	252,580	358,860	611,440
Accounts receivable – other	240,135	162,492	402,627
Property taxes receivable	82,610	-	82,610
Special assessments receivable (note 4)	-	103,213	103,213
Internal balances (note 5)	(977,922)	977,922	-
<b>Total current assets</b>	<b>2,134,648</b>	<b>11,558,761</b>	<b>13,693,409</b>
<b>Non-current assets:</b>			
Net other post-employment benefits asset (note 6)	139,339	113,569	252,908
Capital assets – not being depreciated (note 7)	183,653	1,189,907	1,373,560
Capital assets – being depreciated, net (note 7)	1,772,570	15,792,492	17,565,062
<b>Total non-current assets</b>	<b>2,095,562</b>	<b>17,095,968</b>	<b>19,191,530</b>
<b>Total assets</b>	<b>4,230,210</b>	<b>28,654,729</b>	<b>32,884,939</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Employer contributions to pension plan made after the measurement date (note 11)	604,417	376,056	980,473
Changes in employer contributions and differences between proportionate share of pension expense (note 11)	102,116	37,675	139,791
Recognized portion due to differences in proportions (note 11)	-	143,342	143,342
<b>Total deferred outflows of resources</b>	<b>706,533</b>	<b>557,073</b>	<b>1,263,606</b>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	373,760	163,034	536,794
Customer deposits and unearned revenue	11,432	48,999	60,431
BBARWA pass-through (note 8)	-	844,482	844,482
Accrued interest payable	-	2,332	2,332
Compensated absences (note 9)	76,470	27,563	104,033
Capital lease payable (note 10)	-	96,981	96,981
<b>Total current liabilities</b>	<b>461,662</b>	<b>1,183,391</b>	<b>1,645,053</b>
<b>Non-current liabilities:</b>			
Compensated absences (note 9)	142,015	51,189	193,204
Capital lease payable (note 10)	-	308,882	308,882
Aggregate net pension liability (note 11)	4,602,870	4,608,201	9,211,071
<b>Total non-current liabilities</b>	<b>4,744,885</b>	<b>4,968,272</b>	<b>9,713,157</b>
<b>Total liabilities</b>	<b>5,206,547</b>	<b>6,151,663</b>	<b>11,358,210</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Recognized net differences between projected and actual earnings on pension plan investments (note 11)	1,036,723	1,548,568	2,585,291
Changes in employer contributions and differences between proportionate share of pension expense (note 11)	-	237,240	237,240
Recognized portion due to differences in proportions (note 11)	96,596	26,579	123,175
<b>Total deferred inflows of resources</b>	<b>1,133,319</b>	<b>1,812,387</b>	<b>2,945,706</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets (note 12)	1,956,223	16,576,536	18,532,759
Unrestricted (Deficit)	(3,359,346)	4,671,216	1,311,870
<b>Total net position</b>	<b>\$ (1,403,123)</b>	<b>\$ 21,247,752</b>	<b>\$ 19,844,629</b>

**Big Bear City Community Services District**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital and Operating Grants</u>
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ 161,078	\$ 22,672	\$ -
Public safety – fire services	3,079,992	1,442,163	78,186
Ambulance services	3,391,983	1,957,707	-
<b>Total governmental activities</b>	<u>6,633,053</u>	<u>3,422,542</u>	<u>78,186</u>
<b>Business-type activities:</b>			
Water	2,586,150	2,920,672	231,870
Wastewater	2,099,402	2,068,617	93,693
Solid waste	1,790,913	2,154,927	-
<b>Total business-type activities</b>	<u>6,476,465</u>	<u>7,144,216</u>	<u>325,563</u>
<b>Total primary government</b>	<u>\$ 13,109,518</u>	<u>\$ 10,566,758</u>	<u>\$ 403,749</u>

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**Big Bear City Community Services District**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2015**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ (138,406)	\$ -	\$ (138,406)
Public safety – fire services	(1,559,643)	-	(1,559,643)
Ambulance services	(1,434,276)	-	(1,434,276)
<b>Total governmental activities</b>	<b>(3,132,325)</b>	<b>-</b>	<b>(3,132,325)</b>
<b>Business-type activities:</b>			
Water	-	566,392	566,392
Wastewater	-	62,908	62,908
Solid waste	-	364,014	364,014
<b>Total business-type activities</b>	<b>-</b>	<b>993,314</b>	<b>993,314</b>
<b>Total primary government</b>	<b>(3,132,325)</b>	<b>993,314</b>	<b>(2,139,011)</b>
<b>General revenues and transfers:</b>			
Property taxes	1,891,871	-	1,891,871
Voter approved taxes	1,876,661	-	1,876,661
Investment earnings	8,006	74,578	82,584
Transfers in(out)	85,779	(85,779)	-
<b>Total general revenues and transfers</b>	<b>3,862,317</b>	<b>(11,201)</b>	<b>3,851,116</b>
<b>Change in net position</b>	<b>729,992</b>	<b>982,113</b>	<b>1,712,105</b>
<b>Net position:</b>			
Beginning of year, as previously stated	2,964,182	26,223,288	29,187,470
Prior period adjustment (note 14)	(5,097,297)	(5,957,649)	(11,054,946)
End of year	<b>\$ (1,403,123)</b>	<b>\$ 21,247,752</b>	<b>\$ 19,844,629</b>

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**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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**Big Bear City Community Services District**

**Balance Sheets**

**Governmental Funds**

**June 30, 2015**

<u>Assets</u>	<u>General Government</u>	<u>Public Safety Fire Services</u>	<u>Ambulance Services</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and investments	\$ 627,195	\$ 1,272,788	\$ 636,523	\$ 2,536,506
Accrued interest receivable	75	332	332	739
Accounts receivable – services, net	-	-	252,580	252,580
Accounts receivable – other	27	240,108	-	240,135
Property taxes receivable	-	82,610	-	82,610
Due from other funds (note 5)	-	1,919,349	-	1,919,349
<b>Total assets</b>	<b>627,297</b>	<b>3,515,187</b>	<b>889,435</b>	<b>5,031,919</b>
<b><u>Liabilities and Fund Balance</u></b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	32,735	323,988	17,037	373,760
Customer deposits and unearned revenue	19	-	11,413	11,432
Due to other funds (note 5)	-	977,922	1,919,349	2,897,271
<b>Total liabilities</b>	<b>32,754</b>	<b>1,301,910</b>	<b>1,947,799</b>	<b>3,282,463</b>
<b>Fund balance: (note 13)</b>				
Committed	67,645	149,023	1,817	218,485
Assigned	-	2,064,254	-	2,064,254
Unassigned (Deficit)	526,898	-	(1,060,181)	(533,283)
<b>Total fund balance</b>	<b>594,543</b>	<b>2,213,277</b>	<b>(1,058,364)</b>	<b>1,749,456</b>
<b>Total liabilities and fund balance</b>	<b>\$ 627,297</b>	<b>\$ 3,515,187</b>	<b>\$ 889,435</b>	<b>\$ 5,031,919</b>

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**Big Bear City Community Services District**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Government-Wide Statement of Net Position**  
**June 30, 2015**

<b>Total Fund Balances – Total Governmental Funds</b>	<u>\$ 1,749,456</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Certain assets are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets - net other post-employment benefits asset among the assets of the District as a whole.	139,339
Capitalized assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	1,956,223
Pension contributions made during the fiscal year after the measurement date are reported as expenditures in governmental funds and as deferred outflows of resources in the government-wide financial statements.	604,417
Changes in employer contributions and differences between proportionate share of pension expense are reported as deferred outflows of resources in the government-wide financial statements.	102,116
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(218,485)
Aggregate net pension liability	(4,602,870)
Recognized net differences between projected and actual earnings on pension plan investments are reported as deferred inflows of resources in the government-wide financial statements.	(1,036,723)
Recognized portion due to differences in proportions are reported as deferred inflows of resources in the government-wide financial statements.	<u>(96,596)</u>
Total adjustments	<u>(3,152,579)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ (1,403,123)</u></u>

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**Big Bear City Community Services District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	<u>General Government</u>	<u>Public Safety Fire Services</u>	<u>Ambulance Services</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ -	\$ 1,891,871	\$ -	\$ 1,891,871
Voter approved taxes	-	1,876,661	-	1,876,661
Charges for services	7,980	1,053,819	1,957,707	3,019,506
Investment earnings	5,490	1,228	1,288	8,006
<b>Total revenues</b>	<u>13,470</u>	<u>4,823,579</u>	<u>1,958,995</u>	<u>6,796,044</u>
<b>Expenditures:</b>				
Current:				
Salaries and wages	62,149	950,488	1,995,938	3,008,575
Employee benefits	36,639	502,521	1,119,190	1,658,350
Materials and services	39,350	1,507,664	253,170	1,800,184
<b>Total expenditures</b>	<u>138,138</u>	<u>2,960,673</u>	<u>3,368,298</u>	<u>6,467,109</u>
<b>Revenues over(under) expenditures</b>	(124,668)	1,862,906	(1,409,303)	328,935
<b>Other financing sources(uses):</b>				
CalPERS side-fund payoff	-	(1,020,445)	-	(1,020,445)
Transfers in(out) (note 5)	152,196	(66,417)	-	85,779
<b>Total other financing sources(uses)</b>	<u>152,196</u>	<u>(1,086,862)</u>	<u>-</u>	<u>(934,666)</u>
<b>Net change in fund balance</b>	27,528	776,044	(1,409,303)	(605,731)
<b>Fund balance:</b>				
Beginning of year	567,015	1,437,233	350,939	2,355,187
End of year	<u>\$ 594,543</u>	<u>\$ 2,213,277</u>	<u>\$ (1,058,364)</u>	<u>\$ 1,749,456</u>

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**Big Bear City Community Services District**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2015**

<b>Net Changes in Fund Balance – Total Governmental Funds</b>	<u>\$ (605,731)</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some revenues recorded on the statement of activities are not considered current financial resources. Therefore, these revenues are not included in the governmental funds.	515,336
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Net change in compensated absences	(22,216)
Net change in net other post-employment benefits asset	(697)
Net change in net pension expense	67,641
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(244,786)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.	<u>1,020,445</u>
<b>Total adjustments</b>	<u>1,335,723</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 729,992</u></u>

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**PROPRIETARY FUND FINANCIAL STATEMENTS**

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**Big Bear City Community Services District**  
**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2015**

<u>ASSETS</u>	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 3,799,813	\$ 3,785,709	\$ 1,857,582	\$ 9,443,104
Investments	504,124	-	-	504,124
Accrued interest receivable	3,484	3,794	1,768	9,046
Accounts receivable – services, net	342,798	-	16,062	358,860
Accounts receivable – other	7,946	108,249	46,297	162,492
Special assessments receivable	-	103,213	-	103,213
Due from other funds (note 5)	-	977,922	-	977,922
<b>Total current assets</b>	<b>4,658,165</b>	<b>4,978,887</b>	<b>1,921,709</b>	<b>11,558,761</b>
<b>Non-current assets:</b>				
Net other post-employment benefits assets	30,040	37,601	45,928	113,569
Capital assets – not being depreciated	843,786	218,321	127,800	1,189,907
Capital assets – being depreciated, net	9,213,843	5,742,199	836,450	15,792,492
<b>Total non-current assets</b>	<b>10,087,669</b>	<b>5,998,121</b>	<b>1,010,178</b>	<b>17,095,968</b>
<b>Total assets</b>	<b>14,745,834</b>	<b>10,977,008</b>	<b>2,931,887</b>	<b>28,654,729</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Employer contributions to pension plan made after the measurement date	112,817	109,056	154,183	376,056
Changes in employer contributions and differences between proportionate share of pension expense	11,302	10,926	15,447	37,675
Recognized portion due to differences in proportions	43,002	41,569	58,771	143,342
<b>Total deferred outflows of resources</b>	<b>167,121</b>	<b>161,551</b>	<b>228,401</b>	<b>557,073</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 14,912,955</b>	<b>\$ 11,138,559</b>	<b>\$ 3,160,288</b>	<b>\$ 29,211,802</b>
<b><u>LIABILITIES</u></b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 44,509	\$ 86,445	\$ 32,080	\$ 163,034
Customer deposits and unearned revenue	48,999	-	-	48,999
BBARWA pass-through	-	844,482	-	844,482
Accrued interest payable	-	-	2,332	2,332
Compensated absences	7,135	7,725	12,703	27,563
Capital lease payable	-	-	96,981	96,981
<b>Total current liabilities</b>	<b>100,643</b>	<b>938,652</b>	<b>144,096</b>	<b>1,183,391</b>
<b>Non-current liabilities:</b>				
Compensated absences	13,251	14,346	23,592	51,189
Capital lease payable	-	-	308,882	308,882
Aggregate net pension liability	1,382,459	1,336,379	1,889,363	4,608,201
<b>Total non-current liabilities</b>	<b>1,395,710</b>	<b>1,350,725</b>	<b>2,221,837</b>	<b>4,968,272</b>
<b>Total liabilities</b>	<b>1,496,353</b>	<b>2,289,377</b>	<b>2,365,933</b>	<b>6,151,663</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Recognized net differences between projected and actual earnings on pension plan investments	464,570	449,084	634,914	1,548,568
Changes in employer contributions and differences between proportionate share of pension expense	71,172	68,800	97,268	237,240
Recognized portion due to differences in proportions	7,974	7,708	10,897	26,579
<b>Total deferred inflows of resources</b>	<b>543,716</b>	<b>525,592</b>	<b>743,079</b>	<b>1,812,387</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	10,057,629	5,960,520	558,387	16,576,536
Unrestricted (Deficit)	2,815,257	2,363,070	(507,111)	4,671,216
<b>Total net position</b>	<b>12,872,886</b>	<b>8,323,590</b>	<b>51,276</b>	<b>21,247,752</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 14,912,955</b>	<b>\$ 11,138,559</b>	<b>\$ 3,160,288</b>	<b>\$ 29,211,802</b>

**Big Bear City Community Services District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
<b>Operating revenues:</b>				
Water consumption sales	\$ 2,604,842	\$ -	\$ -	\$ 2,604,842
Water standby charges	238,252	-	-	238,252
Wastewater service charges	-	1,979,517	-	1,979,517
Solid waste collection charges	-	-	2,134,096	2,134,096
Other charges for services	77,578	89,100	20,831	187,509
<b>Total operating revenues</b>	<u>2,920,672</u>	<u>2,068,617</u>	<u>2,154,927</u>	<u>7,144,216</u>
<b>Operating expenses:</b>				
Operations	2,004,270	1,675,381	1,690,415	5,370,066
<b>Total operating expenses</b>	<u>2,004,270</u>	<u>1,675,381</u>	<u>1,690,415</u>	<u>5,370,066</u>
Operating income before depreciation	916,402	393,236	464,512	1,774,150
Depreciation expense	(581,880)	(424,021)	(87,388)	(1,093,289)
<b>Operating income(loss)</b>	<u>334,522</u>	<u>(30,785)</u>	<u>377,124</u>	<u>680,861</u>
<b>Non-operating revenue(expense) and transfers:</b>				
Investment earnings	11,391	58,125	5,062	74,578
Interest expense	-	-	(13,110)	(13,110)
Transfers in(out)	(28,593)	(28,593)	(28,593)	(85,779)
<b>Total non-operating, net and transfers</b>	<u>(17,202)</u>	<u>29,532</u>	<u>(36,641)</u>	<u>(24,311)</u>
<b>Capital contributions:</b>				
Connection fees	231,870	93,693	-	325,563
<b>Total capital contributions</b>	<u>231,870</u>	<u>93,693</u>	<u>-</u>	<u>325,563</u>
<b>Change in net position</b>	<u>549,190</u>	<u>92,440</u>	<u>340,483</u>	<u>982,113</u>
<b>Net position:</b>				
Beginning of year, as previously stated	14,110,991	9,958,869	2,153,428	26,223,288
Prior period adjustment	(1,787,295)	(1,727,719)	(2,442,635)	(5,957,649)
End of year	<u>\$ 12,872,886</u>	<u>\$ 8,323,590</u>	<u>\$ 51,276</u>	<u>\$ 21,247,752</u>

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**Big Bear City Community Services District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<u>Water Operations</u>	<u>Wastewater Operations</u>	<u>Solid Waste Operations</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Cash receipts from customers and others	\$ 3,008,513	\$ 2,224,536	\$ 2,153,442	\$ 7,386,491
Cash paid to employees for salaries and wages	(805,683)	(752,390)	(758,097)	(2,316,170)
Cash paid to vendors and suppliers	(1,281,239)	(933,311)	(994,290)	(3,208,840)
<b>Net cash provided by operating activities</b>	<u>921,591</u>	<u>538,835</u>	<u>401,055</u>	<u>1,861,481</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(342,234)	(192,559)	(73,905)	(608,698)
Proceeds from capital contributions	231,870	93,693	-	325,563
Transfer (to)/from other funds	(28,593)	(28,593)	(28,593)	(85,779)
Principal payments on capital lease payable	-	-	(94,137)	(94,137)
Interest payments on capital lease payable	-	-	(13,890)	(13,890)
<b>Net cash used in capital/financing activities</b>	<u>(138,957)</u>	<u>(127,459)</u>	<u>(210,525)</u>	<u>(476,941)</u>
<b>Cash flows from investing activities:</b>				
Due from other funds	-	(977,922)	-	(977,922)
Investment earnings	5,041	57,158	4,582	66,781
<b>Net cash provided(used) by investing act.</b>	<u>5,041</u>	<u>(920,764)</u>	<u>4,582</u>	<u>(911,141)</u>
<b>Net increase(decrease) in cash</b>	787,675	(509,388)	195,112	473,399
<b>Cash and cash equivalents:</b>				
Beginning of year	3,012,138	4,295,097	1,662,470	8,969,705
End of year	<u>\$ 3,799,813</u>	<u>\$ 3,785,709</u>	<u>\$ 1,857,582</u>	<u>\$ 9,443,104</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
<b>Operating income(loss)</b>	<u>\$ 334,522</u>	<u>\$ (30,785)</u>	<u>\$ 377,124</u>	<u>\$ 680,861</u>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation expense	581,880	424,021	87,388	1,093,289
<b>Changes in account balances:</b>				
(Increase)decrease in assets:				
Accounts receivable – services, net	132,579	1,000	2,522	136,101
Accounts receivable – other	(507)	(9,132)	(4,007)	(13,646)
Special assessments receivable	-	24,169	-	24,169
Net other post-employment benefits asset	696	696	697	2,089
(Increase)decrease in deferred outflows of res.	31,112	30,075	42,519	103,706
Increase(decrease) in liabilities:				
Accounts payable and accrued expenses	(58,706)	17,429	(20,740)	(62,017)
Customer deposits and unearned revenue	(44,231)	-	-	(44,231)
BBARWA pass-through	-	139,882	-	139,882
Compensated absences	3,599	(1,146)	(3,335)	(882)
Aggregate net pension liability	(506,479)	(489,594)	(692,185)	(1,688,258)
Increase(decrease) in deferred inflows of res.	447,126	432,220	611,072	1,490,418
<b>Total adjustments</b>	<u>587,069</u>	<u>569,620</u>	<u>23,931</u>	<u>1,180,620</u>
<b>Net cash provided by operating activities</b>	<u>\$ 921,591</u>	<u>\$ 538,835</u>	<u>\$ 401,055</u>	<u>\$ 1,861,481</u>

**Big Bear City Community Services District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies**

**Organization and Operations of the Reporting Entity**

The Big Bear City Community Services District (District) serves as the local government for Big Bear City area. The District is similar to a city government, supplying such services as fire protection, street lighting, potable water service, 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.

***Basis of Accounting and Measurement Focus***

***Government-Wide Financial Statements***

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

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

***Fund Financial Statements***

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

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

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

***Basis of Accounting and Measurement Focus (Continued)***

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

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

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

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

The District reports the following major funds:

***Governmental Funds***

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

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

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

***Enterprise Funds***

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

***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.

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

***Cash and Cash Equivalents***

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

***Investments Policy***

The District has adopted an investment policy which allows deposits into financial institutions, certificates-of-deposit and the California Local Agency Investment Fund (LAIF). Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

***Accounts Receivable – Services, net***

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

***Property Taxes and Assessments***

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

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

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

***Capital Assets***

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

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

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

***Compensated Absences***

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

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 6). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

**CalPERS**

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

***Net Position***

Net position is categorized as follows:

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

***Restricted*** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has no restricted net position as of June 30, 2015.

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

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

***Fund Balance***

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

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

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

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

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

***Unassigned*** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

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

***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.

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

*Use of Estimates*

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

*Accounting Changes*

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*). This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See notes 11 and 14 for the net pension liability and prior period adjustment that resulted from the implementation of these pronouncements.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See notes 11 and 14 for the net pension liability and prior period adjustment that resulted from the implementation of these pronouncements.

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Cash and Investments**

Cash and investments as June 30, 2015 are classified in the accompanying financial statements as follows:

Description	Balance
Cash and cash equivalents	\$ 11,979,610
Investments	504,124
Total	\$ 12,483,734

Cash and investments as of June 30, 2015 consisted of the following:

Description	Balance
Cash on hand	\$ 2,150
Deposits held with financial institutions	291,750
Investments	12,189,834
Total	\$ 12,483,734

***Custodial Credit Risk***

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

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

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Cash and Investments (Continued)**

Cash and investments as of June 30, 2015 have the following maturities:

<u>Type of Investments</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Maturity</u>		
			<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Local Agency Investment Fund (LAIF)	Not Rated	\$ 11,685,710	\$ 11,685,710	\$ -	\$ -
Certificates-of-deposit	Not Rated	504,124	127,849	125,240	251,035
<b>Total investments</b>		<u>\$ 12,189,834</u>	<u>\$ 11,813,559</u>	<u>\$ 125,240</u>	<u>\$ 251,035</u>

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

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

The District's investments with LAIF at June 30, 2015, included a portion of the pool funds invested in structured notes and asset-backed securities:

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

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

As of June 30, 2015, the District had \$11,685,710 invested in LAIF, which had invested 2.08% of the pool investment funds in structured notes and medium-term asset-backed securities. The LAIF fair value factor of 1.000375979 was used to calculate the fair value of the investments in LAIF.

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2015, the District's investment in LAIF was not rated.

***Concentration of Credit Risk***

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

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 3 – Accounts Receivable – Services, net**

The accounts receivable – services, net balance consists of the following balances as of June 30, 2015:

<u>Description</u>	<u>Ambulance Services</u>	<u>Water</u>	<u>Solid Waste</u>	<u>Total</u>
Accounts receivable – services	\$ 768,539	\$ 342,798	\$ 16,062	\$ 1,127,399
Allowance for uncollectible receivables	(515,959)	-	-	(515,959)
Accounts receivable – services, net	<u>\$ 252,580</u>	<u>\$ 342,798</u>	<u>\$ 16,062</u>	<u>\$ 611,440</u>

**Note 4 – Special Assessments Receivable**

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

<u>Description</u>	<u>Amount</u>
Dixie Lee lane assessment	\$ 52,230
East Shay road assessment	50,983
Total	<u>\$ 103,213</u>

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

***Internal Balances***

<u>Government-Wide</u>		
<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
Wastewater	Public Safety	<u>\$ 977,922</u>

The District's Wastewater Fund loaned the Public Safety Fund \$1,020,445 to pay off the Public Safety Fund's CalPERS side-fund, which had an interest rate of 7.50%. The loan is for 10-years starting on December 31, 2014 to December 31, 2024 with an interest rate of 3.75% and bi-annual payments of \$61,657. The remaining balance as of June 30, 2015 was \$977,922.

***Due To/(From) Other Funds***

<u>Governmental Funds</u>		
<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
Public Safety	Ambulance	<u>\$ 1,919,349</u>

The District's Public Safety Fund had loaned the Ambulance Services Fund \$1,919,349 as of June 30, 2015 for continuing operations of Ambulance Services as the Fire Department transitions to the Big Bear Lake Fire Protection District.

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

*Transfers*

<b>Fund</b>	<b>Transfer In(Out)</b>
General	\$ 152,196
Public Safety	(66,417)
Water	(28,593)
Wastewater	(28,593)
Solid Waste	(28,593)
<b>Total</b>	<b>\$ -</b>
<b>Expenses</b>	<b>Amount</b>
Street Lighting	\$ 36,703
Compliance	115,493
<b>Total</b>	<b>\$ 152,196</b>

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

**Note 6 – Net Other Post-Employment Benefits Asset**

*Plan Description*

The District provides Other Post-Employment Benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

*Funding Policy*

As required by GASB Statement No. 45, an actuary will determine the District's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years.

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

*Annual OPEB Cost and Net OPEB Asset*

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

Summary changes in net other post-employment benefits asset balance as of June 30, 2015 was as follows:

Description	2015
<b>Annual OPEB cost:</b>	
Annual required contribution (ARC)	\$ 656,686
Interest on beginning net OPEB obligation	-
Adjustment to annual required contribution	2,786
<b>Total annual OPEB cost</b>	<b>659,472</b>
<b>Contributions made:</b>	
Contributions made	(656,686)
<b>Total change in net OPEB obligation</b>	<b>2,786</b>
<b>Net OPEB (asset):</b>	
Beginning of year	(255,694)
End of year	\$ (252,908)

The District's annual OPEB cost, the amounts contributed to the irrevocable trust, retiree benefit payments, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation payable/(asset) for the fiscal year ended June 30, 2015 and the two preceding years are shown in the following table.

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	\$ 659,472	\$ 656,686	99.58%	\$ (252,908)
June 30, 2014	640,590	824,488	128.71%	(255,694)
June 30, 2013	631,262	703,058	111.37%	(71,796)

The most recent valuation (dated July 1, 2013) includes an Unfunded Actuarial Accrued Liability of \$7,049,127. The Actuarial Value of Plan Assets amounted to \$935,088. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2013 was \$5,000,000. The ratio of the funded actuarial accrued liability to annual covered payroll was 140.98%.

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

*Actuarial Methods and Assumptions*

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

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

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal cost method
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:	
Investment rate of return	7.25%
Projected salary increase	2.75%
Inflation - discount rate	2.75%
Health care trend rate	4.00% per year

**Note 7 – Capital Assets**

*Governmental Funds*

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Balance June 30, 2015</b>
Non-depreciable assets:				
Land	\$ 183,653	\$ -	\$ -	\$ 183,653
Total non-depreciable assets	183,653	-	-	183,653
Depreciable assets:				
Land improvements	19,323	-	-	19,323
Buildings	1,423,695	78,186	-	1,501,881
Equipment	3,452,646	-	-	3,452,646
Software	34,032	-	-	34,032
Total depreciable assets	4,929,696	78,186	-	5,007,882
Accumulated depreciation:				
Land improvements	(18,404)	-	(919)	(19,323)
Buildings	(888,165)	(35,157)	38,201	(885,121)
Equipment	(2,464,158)	(202,604)	365,754	(2,301,008)
Software	(22,835)	(7,025)	-	(29,860)
Total accumulated depreciation	(3,393,562)	(244,786)	403,036	(3,235,312)
Total depreciable assets, net	1,536,134	(166,600)	403,036	1,772,570
Total capital assets, net	\$ 1,719,787	\$ (166,600)	\$ 403,036	\$ 1,956,223

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Capital Assets (Continued)**

**Governmental Funds (Continued)**

Depreciation expense under governmental activities was allotted as follows for the year ended June 30, 2015:

<b>Depreciation Expense per Fund</b>	
General government	\$ 8,882
Public safety	189,194
Ambulance services	46,710
Total	\$ 244,786

**Proprietary Funds**

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Balance June 30, 2015</b>
Non-depreciable assets:				
Land	\$ 1,164,907	\$ -	\$ -	\$ 1,164,907
Water rights	25,000	-	-	25,000
Construction-in-progress	257,391	-	(257,391)	-
Total non-depreciable assets	1,447,298	-	(257,391)	1,189,907
Depreciable assets:				
Water transmission and distribution	16,362,543	15,521	-	16,378,064
Wastewater collection	14,153,173	33,700	-	14,186,873
Solid waste collection	31,000	-	-	31,000
Buildings	2,487,727	-	-	2,487,727
Vehicles and equipment	7,179,305	559,477	257,391	7,996,173
Total depreciable assets	40,213,748	608,698	257,391	41,079,837
Accumulated depreciation:				
Water transmission and distribution	(10,749,120)	(581,880)	-	(11,331,000)
Wastewater collection	(11,717,973)	(424,021)	-	(12,141,994)
Solid waste collection	(1,726,963)	(87,388)	-	(1,814,351)
Total accumulated depreciation	(24,194,056)	(1,093,289)	-	(25,287,345)
Total depreciable assets, net	16,019,692	(484,591)	257,391	15,792,492
Total capital assets, net	\$ 17,466,990	\$ (484,591)	\$ -	\$ 16,982,399

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

The BBARWA provides centralized wastewater conveyance, treatment and disposal services for its member agencies in the Big Bear Valley area. The District 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 2013, 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 \$844,482 as of June 30, 2015.

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Compensated Absences**

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

The changes to the compensated absences balance at June 30, 2015 were as follows:

<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 275,903	\$ 542,927	\$ (521,593)	\$ 297,237	\$ 104,033	\$ 193,204

**Note 10 – Capital Lease Payable**

Changes in capital lease payable amounts for the year ended June 30, 2015 were as follows:

<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 500,000	\$ -	\$ (94,137)	\$ 405,863	\$ 96,981	\$ 308,882

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 96,981	\$ 11,046	\$ 108,027
2017	99,911	8,116	108,027
2018	102,931	5,096	108,027
2019	106,040	1,987	108,027
Total	405,863	\$ 26,245	\$ 432,108
Current	(96,981)		
Long-term	\$ 308,882		

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

Type of Account	Balance as of July 1, 2014 (As Restated)	Additions	Deletions	Balance as of June 30, 2015
<b>Deferred Outflows of Resources:</b>				
Employer contributions to pension plan made after the measurement date:				
CalPERs – Miscellaneous Classic Plan Tier 1	\$ 607,231	\$ 293,628	\$ (607,231)	\$ 293,628
CalPERs – Miscellaneous Classic Plan Tier 2	2,417	82,428	(2,417)	82,428
CalPERs – Safety Classic Plan Tier 1	425,485	571,756	(425,485)	571,756
CalPERs – Safety Classic Plan Tier 2	463	32,661	(463)	32,661
Sub-total	<u>1,035,596</u>	<u>980,473</u>	<u>(1,035,596)</u>	<u>980,473</u>
Changes in employer contributions and differences between proportionate share of pension expense:				
CalPERs – Miscellaneous Classic Plan Tier 2	51,131	-	(13,456)	37,675
CalPERs – Safety Classic Plan Tier 1	131,711	-	(34,661)	97,050
CalPERs – Safety Classic Plan Tier 2	6,875	-	(1,809)	5,066
Sub-total	<u>189,717</u>	<u>-</u>	<u>(49,926)</u>	<u>139,791</u>
Recognized portion due to differences in proportions:				
CalPERs – Miscellaneous Classic Plan Tier 1	-	194,536	(51,194)	143,342
<b>Total deferred outflows of resources</b>	<u>\$ 1,225,313</u>	<u>\$ 1,175,009</u>	<u>\$ (1,136,716)</u>	<u>\$ 1,263,606</u>
<b>Net Pension Liability:</b>				
CalPERs – Miscellaneous Classic Plan Tier 1	\$ 6,271,495	\$ -	\$ (1,681,565)	\$ 4,589,930
CalPERs – Miscellaneous Classic Plan Tier 2	24,964	-	(6,693)	18,271
CalPERs – Safety Classic Plan Tier 1	5,656,884	-	(1,057,750)	4,599,134
CalPERs – Safety Classic Plan Tier 2	4,947	-	(1,211)	3,736
<b>Total net pension liability</b>	<u>\$ 11,958,290</u>	<u>\$ -</u>	<u>\$ (2,747,219)</u>	<u>\$ 9,211,071</u>
<b>Deferred Inflows of Resources:</b>				
Recognized net differences between projected and actual earnings on pension plan investments:				
CalPERs – Miscellaneous Classic Plan Tier 1	\$ -	\$ 1,928,036	\$ (385,607)	\$ 1,542,429
CalPERs – Miscellaneous Classic Plan Tier 2	-	7,674	(1,535)	6,139
CalPERs – Safety Classic Plan Tier 1	-	1,294,494	(258,899)	1,035,595
CalPERs – Safety Classic Plan Tier 2	-	1,410	(282)	1,128
Sub-total	<u>-</u>	<u>3,231,614</u>	<u>(646,323)</u>	<u>2,585,291</u>
Changes in employer contributions and differences between proportionate share of pension expense:				
CalPERs – Miscellaneous Classic Plan Tier 1	321,969	-	(84,729)	237,240
Recognized portion due to differences in proportions:				
CalPERs – Miscellaneous Classic Plan Tier 2	-	36,071	(9,492)	26,579
CalPERs – Safety Classic Plan Tier 1	-	125,909	(33,134)	92,775
CalPERs – Safety Classic Plan Tier 2	-	5,185	(1,364)	3,821
Sub-total	<u>-</u>	<u>167,165</u>	<u>(43,990)</u>	<u>123,175</u>
<b>Total deferred inflows of resources</b>	<u>\$ 321,969</u>	<u>\$ 3,398,779</u>	<u>\$ (775,042)</u>	<u>\$ 2,945,706</u>

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

*General Information about the Pension Plans*

The Plans Description Schedule

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

<u>Description</u>	<u>Miscellaneous Plans</u>		
	<u>Classic Tier 1</u>	<u>Classic Tier 2</u>	<u>PEPRA Tier 3</u>
Hire date	Prior to January 1, 2011	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5 @ 55	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	7.947%	7.942%	6.500%
Required employer contribution rates	16.707%	15.577%	6.700%

<u>Description</u>	<u>Safety Plans</u>		
	<u>Safety Tier 1</u>	<u>Safety Tier 2</u>	<u>PEPRA Tier 3</u>
Hire date	Prior to January 1, 2011	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 50	3.0 @ 55	2.7 @ 57
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55 & up	50 - 55 & up	50 - 57 & up
Monthly benefits, as a % of eligible compensation	3.00%	2.4% to 3.0%	2.0% to 2.7%
Required member contribution rates	8.986%	8.980%	12.250%
Required employer contribution rates	27.877%	23.397%	12.250%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

*General Information about the Pension Plans (Continued)*

Members Covered by Benefit Terms

At June 30, 2013, the following members were covered by the benefit terms:

<u>Plan Members</u>	<u>Miscellaneous Plans</u>			<u>Total</u>
	<u>Classic Tier 1</u>	<u>Classic Tier 2</u>	<u>PEPRA Tier 3</u>	
Active members	31	7	1	39
Transferred and seperated members	14	-	-	14
Retired members and beneficiaries	44	-	-	44
<b>Total plan members</b>	<b>89</b>	<b>7</b>	<b>1</b>	<b>97</b>

  

<u>Plan Members</u>	<u>Safety Plans</u>			<u>Total</u>
	<u>Classic Tier 1</u>	<u>Classic Tier 2</u>	<u>PEPRA Tier 3</u>	
Active members	19	1	1	21
Transferred and seperated members	5	4	-	9
Retired members and beneficiaries	18	-	-	18
<b>Total plan members</b>	<b>42</b>	<b>5</b>	<b>1</b>	<b>48</b>

Benefits Provided

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

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

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

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

*General Information about the Pension Plans (Continued)*

Benefits Provided (Continued)

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

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2014 (the measurement date), the active member contribution rate for the Classic Miscellaneous and Safety Plans and the PEPRA Miscellaneous and Safety Plans are based above in the Plans Description schedule.

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

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. Both the June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent, which is net of administrative expenses. An investment return excluding administrative expenses would have been 7.65 percent. CalPERS' Management has determined that using the lower discount rate has resulted in a slightly higher total pension liability and net pension liability and the difference was deemed immaterial to the financial statements. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

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

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10<sup>1</sup></u>	<u>Real Return Years 11+<sup>2</sup></u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

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

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

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate + 1%</u>
	<u>6.50%</u>	<u>Rate 7.50%</u>	<u>8.50%</u>
CalPERs – Miscellaneous Classic Tier 1 Plan	\$ 8,177,836	\$ 4,589,930	\$ 1,612,309
CalPERs – Miscellaneous Classic Tier 2 Plan	\$ 35,552	\$ 18,271	\$ 6,418
<b>Total – Miscellaneous Plans</b>	<b>\$ 8,213,388</b>	<b>\$ 4,608,201</b>	<b>\$ 1,618,727</b>

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate + 1%</u>
	<u>6.50%</u>	<u>Rate 7.50%</u>	<u>8.50%</u>
CalPERs – Safety Classic Tier 1 Plan	\$ 7,228,255	\$ 4,599,134	\$ 2,432,852
CalPERs – Safety Classic Tier 2 Plan	\$ 6,430	\$ 3,736	\$ 1,517
<b>Total – Safety Plans</b>	<b>\$ 7,234,685</b>	<b>\$ 4,602,870</b>	<b>\$ 2,434,369</b>

*Pension Plan Fiduciary Net Position*

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

*Proportionate Share of Net Pension Liability and Pension Expense*

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plans:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERs – Miscellaneous Classic Tier 1 Plan:</b>			
Balance as of June 30, 2013 (Valuation Date)	\$ 25,526,260	\$ 19,254,765	\$ 6,271,495
Balance as of June 30, 2014 (Measurement Date)	\$ 27,045,319	\$ 22,455,389	\$ 4,589,930
<b>Change in Plan Net Pension Liability</b>	<b>\$ 1,519,059</b>	<b>\$ 3,200,624</b>	<b>\$ (1,681,565)</b>
<b>CalPERs – Miscellaneous Classic Tier 2 Plan:</b>			
Balance as of June 30, 2013 (Valuation Date)	\$ 101,607	\$ 76,643	\$ 24,964
Balance as of June 30, 2014 (Measurement Date)	\$ 107,654	\$ 89,383	\$ 18,271
<b>Change in Plan Net Pension Liability</b>	<b>\$ 6,047</b>	<b>\$ 12,740</b>	<b>\$ (6,693)</b>

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

Proportionate Share of Net Pension Liability and Pension Expense

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

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
<b>CalPERS – Safety Classic Tier 1 Plan:</b>			
Balance as of June 30, 2013 (Valuation Date)	\$ 18,719,814	\$ 13,062,930	\$ 5,656,884
Balance as of June 30, 2014 (Measurement Date)	\$ 19,627,994	\$ 15,028,860	\$ 4,599,134
<b>Change in Plan Net Pension Liability</b>	<b>\$ 908,180</b>	<b>\$ 1,965,930</b>	<b>\$ (1,057,750)</b>
<b>CalPERS – Safety Classic Tier 2 Plan:</b>			
Balance as of June 30, 2013 (Valuation Date)	\$ 19,176	\$ 14,229	\$ 4,947
Balance as of June 30, 2014 (Measurement Date)	\$ 20,106	\$ 16,370	\$ 3,736
<b>Change in Plan Net Pension Liability</b>	<b>\$ 930</b>	<b>\$ 2,141</b>	<b>\$ (1,211)</b>

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

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2013). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2014). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2014 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2013-14).
- (3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.
- (5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

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

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

Calculation Dates	Miscellaneous Plans	
	Classic Tier 1 Percentage	Classic Tier 2 Percentage
	Balance as of June 30, 2013 (Valuation Date)	0.19114%
Balance as of June 30, 2014 (Measurement Date)	0.18572%	0.00074%
<b>Change in Plan Net Pension Liability Percentage</b>	<b>-0.00542%</b>	<b>-0.00002%</b>

  

Calculation Dates	Safety Plans	
	Classic Tier 1 Percentage	Classic Tier 2 Percentage
	Balance as of June 30, 2013 (Valuation Date)	0.11824%
Balance as of June 30, 2014 (Measurement Date)	0.12261%	0.00010%
<b>Change in Plan Net Pension Liability Percentage</b>	<b>0.00437%</b>	<b>0.00000%</b>

For the year ended June 30, 2015, the District recognized pension expense in the amounts of \$281,922 and \$536,776 for the Classic Miscellaneous and Safety plans, respectively.

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

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

*Deferred Outflows of Resources and Deferred Inflows of Resources*

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions to pension plan made after the measurement date	\$ 980,473	\$ -
Changes in employer contributions and differences between proportionate share of pension expense	139,791	-
Recognized portion due to differences in proportions	143,342	-
Recognized net differences between projected and actual earnings on pension plan investments	-	(2,585,291)
Changes in employer contributions and differences between proportionate share of pension expense	-	(237,240)
Recognized portion due to differences in proportions	-	(123,175)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<u>\$ 1,263,606</u>	<u>\$ (2,945,706)</u>
<b>Less:</b>		
<b>Deferred Outflows/(Inflows) of Resources that will be recognized in the following fiscal year:</b>		
Employer contributions to pension plan made after the measurement date	<u>\$ (980,473)</u>	<u>\$ -</u>
<b>Total Deferred Outflows/(Inflows) of Resources amounts to be amortized in future periods</b>	<u>\$ 283,133</u>	<u>\$ (2,945,706)</u>

The District will recognize \$980,473 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2016, as noted above.

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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

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

*Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources*

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

Amortization Period Fiscal Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 101,120	\$ (775,042)
2017	101,120	(775,042)
2018	80,893	(749,300)
2019	-	(646,322)
2020	-	-
Thereafter	-	-
<b>Total</b>	<b>\$ 283,133</b>	<b>\$ (2,945,706)</b>

**Note 12 – Unrestricted Net Position**

The District's unrestricted net position is summarized as of June 30, 2015 as follows:

Description	Amount
<b>Net investment in capital assets:</b>	
Capital assets – not being depreciated	\$ 1,373,560
Capital assets – being depreciated, net	17,565,062
Capital lease payable – current portion	(96,981)
Capital lease payable – non-current portion	(308,882)
<b>Total net investment in capital assets</b>	<b>\$ 18,532,759</b>

**Note 13 – Fund Balance**

A detailed schedule of fund balances and their funding composition at June 30, 2015 is as follows:

Description	General Government	Public Safety Fire Services	Ambulance Services	Total Governmental Funds
<b>Committed:</b>				
Compensated absences	\$ 67,645	\$ 149,023	\$ 1,817	\$ 218,485
<b>Assigned:</b>				
Public safety	-	2,064,254	-	2,064,254
<b>Unassigned (Deficit)</b>	<b>526,898</b>	<b>-</b>	<b>(1,060,181)</b>	<b>(533,283)</b>
<b>Total fund balance</b>	<b>\$ 594,543</b>	<b>\$ 2,213,277</b>	<b>\$ (1,058,364)</b>	<b>\$ 1,749,456</b>

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 14 – Prior Period Adjustment**

Description	Balance
<b>Beginning net position as of July 1, 2014 – as previously reported</b>	<b>\$ 29,187,470</b>
Aggregate net pension liability – GASB Nos. 68/71 implementation	(11,958,290)
<b>Deferred outflows of resources:</b>	
Employer contributions to pension plan made after the measurement date	1,035,596
differences between proportionate share of pension expense	189,717
<b>Deferred inflows of resources:</b>	
differences between proportionate share of pension expense	(321,969)
<b>Total prior period adjustments</b>	<b>(11,054,946)</b>
<b>Beginning net position as of July 1, 2014 – as restated</b>	<b>\$ 18,132,524</b>

With the implementation of GASB Statements No. 68 and 71 in fiscal year 2015, the District was required to record a prior period adjustment of \$(11,054,946) to establish the net pension liability as of June 30, 2014 of \$(11,958,290) net of the deferred outflows of resources of \$1,225,313 and the deferred inflows of resources of \$(321,969) as prescribed by GASB Statements No. 68 and 71 accounting standards. (See Note 11 for further information on the net pension liability.)

**Note 15 – Deferred Compensation Savings Plan**

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

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

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

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 16 – Risk Management**

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

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

***Self-Insurance Programs of the Authority***

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

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

***Liability***

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2014-2015 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies. The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

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

***Workers' Compensation***

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

**Big Bear City Community Services District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 16 – Risk Management (Continued)**

***Property Insurance***

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

***Earthquake and Flood Insurance***

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

***Crime Insurance***

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

***Adequacy of Protection***

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2015, 2014 and 2013. 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, 2015, 2014 and 2013.

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

**Note 17 – Commitments**

**Shared Services Agreement**

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

**Note 18 - Contingencies**

***Litigation***

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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**Big Bear City Community Services District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Tier 1 Plan**

	<b>June 30, 2014<sup>1</sup></b>
Plan's Proportion of the Net Pension Liability/(Asset) for the Public Agency Cost-Sharing Multiple-Employer Miscellaneous Plans	0.07376%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 4,589,930
Plan's Covered-Employee Payroll	\$ 1,723,844
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	266.26%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%

**California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Tier 2 Plan**

	<b>June 30, 2014<sup>1</sup></b>
Plan's Proportion of the Net Pension Liability/(Asset) for the Public Agency Cost-Sharing Multiple-Employer Miscellaneous Plans	0.00029%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 18,271
Plan's Covered-Employee Payroll	\$ 348,827
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	5.24%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%

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

**Big Bear City Community Services District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Safety Classic Tier 1 Plan**

	<b>June 30, 2014<sup>1</sup></b>
Plan's Proportion of the Net Pension Liability/(Asset) for the Public Agency Cost-Sharing Multiple-Employer Miscellaneous Plans	0.07391%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 4,599,134
Plan's Covered-Employee Payroll	\$ 1,725,568
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	266.53%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.57%

**California Public Employees' Retirement System (CalPERS) Safety Classic Tier 2 Plan**

	<b>June 30, 2014<sup>1</sup></b>
Plan's Proportion of the Net Pension Liability/(Asset) for the Public Agency Cost-Sharing Multiple-Employer Miscellaneous Plans	0.00006%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,736
Plan's Covered-Employee Payroll	\$ 29,106
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	12.84%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%

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

**Big Bear City Community Services District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions – Pension Plans**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Tier 1 Plan**

	<b>2014-15<sup>1</sup></b>	<b>2013-14<sup>1</sup></b>
Actuarially Determined Contribution <sup>2</sup>	\$ 293,628	\$ 285,262
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(293,628)	(285,262)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 1,775,559	\$ 1,723,844
Contributions as a Percentage of Covered-Employee Payroll	16.54%	16.55%

**California Public Employees' Retirement System (CalPERS) Miscellaneous Classic Tier 2 Plan**

	<b>2014-15<sup>1</sup></b>	<b>2013-14<sup>1</sup></b>
Actuarially Determined Contribution <sup>2</sup>	\$ 69,998	\$ 53,548
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(69,998)	(53,548)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 359,292	\$ 348,827
Contributions as a Percentage of Covered-Employee Payroll	19.48%	15.35%

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

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

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

<sup>4</sup> Payroll from prior year (\$242,876 for Classic Plan and \$42,640 for PEPRA Plan) was assumed to increase by the 3.00 percent payroll growth assumption

**Notes to the Schedule:**

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

Changes of Assumptions: There were no changes in assumptions.

**Big Bear City Community Services District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions – Pension Plans**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**California Public Employees' Retirement System (CalPERS) Safety Classic Tier 1 Plan**

	<b>2014-15<sup>1</sup></b>	<b>2013-14<sup>1</sup></b>
Actuarially Determined Contribution <sup>2</sup>	\$ 571,756	\$ 557,196
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(571,756)	(557,196)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 1,777,335	\$ 1,725,568
Contributions as a Percentage of Covered-Employee Payroll	32.17%	32.29%

**California Public Employees' Retirement System (CalPERS) Safety Classic Tier 2 Plan**

	<b>2014-15<sup>1</sup></b>	<b>2013-14<sup>1</sup></b>
Actuarially Determined Contribution <sup>2</sup>	\$ 4,294	\$ 7,338
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(4,294)	(7,338)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll <sup>3,4</sup>	\$ 29,979	\$ 29,106
Contributions as a Percentage of Covered-Employee Payroll	14.32%	25.21%

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

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

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

<sup>4</sup> Payroll from prior year (\$242,876 for Classic Plan and \$42,640 for PEPRA Plan) was assumed to increase by the 3.00 percent payroll growth assumption

**Notes to the Schedule:**

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

Changes of Assumptions: There were no changes in assumptions.

**Big Bear City Community Services District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Funding Status – Other Post-Employment Benefits Plan**  
**For the Year Ended June 30, 2015**

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

**Notes to the Schedule:**

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