



Big Bear Lake Fire Protection District

BIG BEAR LAKE FIRE PROTECTION DISTRICT REGULAR MEETING AGENDA FEBRUARY 5, 2019

Open Session: 5:30 p.m.
Big Bear Lake Civic Center, Hofert Hall
39707 Big Bear Boulevard, Big Bear Lake

BOARD OF DIRECTORS

**CHAIRMAN DAVID CARETTO
VICE CHAIRMAN RICK HERRICK
BOARD MEMBER BOB JACKOWSKI
BOARD MEMBER BILL JAHN
BOARD MEMBER RANDALL PUTZ**

STAFF

**FIRE CHIEF JEFF WILLIS
ASSISTANT CHIEF/FIRE MARSHAL MIKE MALTBY
DISTRICT COUNSEL STEPHEN DEITSCH
SENIOR FINANCE OFFICER KRISTIN MANDOLINI
BOARD SECRETARY DAWN MARSCHINKE**

OPEN SESSION

CALL TO ORDER

MOMENT OF SILENCE / PLEDGE OF ALLEGIANCE

ROLL CALL

Please Note: The Chair may, at his or her discretion, take items out of order at the meeting in order to facilitate the business of the Board and/or for the convenience of the public.

ANNOUNCEMENT

The Fire District's Administrative Office will be closed on Monday, February 18, 2019 in observance of Presidents' Day and will reopen on Tuesday, February 19, 2019.

PRESENTATIONS

None

GENERAL PUBLIC COMMENT: Public comment is permitted only on items not on the posted agenda that are within the subject matter jurisdiction of the Fire District. Please note that State law prohibits the Fire District Board from taking any action on items not listed on the agenda. There is a three minute maximum time limit when addressing the Board during this time period.

CONSENT CALENDAR

FP1. Approval of Meeting Minutes from the October 2, 2018 Regular Meeting of the Big Bear Lake Fire Protection District

FP2. Big Bear Lake Fire Protection District FY2017-18 Audited Financial Report

Board consideration to accept, receive and file FY2017-18 Audited Financial Report.

ITEMS REMOVED FROM THE CONSENT CALENDAR

PUBLIC HEARING

Any person may appear and be heard in support or opposition to the proposals at the time of the meeting. If you challenge the action in court, you may be limited to raising only those issues which you or someone else raised at the public meeting described in the notice or in written correspondence delivered to the Fire Authority at or before the public meeting.

None

DISCUSSION/ACTION ITEMS

None

ADJOURNMENT

I hereby certify under penalty of perjury, under the laws of the State of California, that the foregoing agenda was posted in accordance with the applicable legal requirements. Dated this 31st day of January 2019.

Dawn E. Marschinke

Dawn E. Marschinke, Board Secretary

The Big Bear Lake Fire Protection District wishes to make all of its public meetings accessible to the public. If you need special assistance to participate in this meeting, please contact Board Secretary Dawn Marschinke at 909/866-7566. Notification 48 hours prior to the meeting will enable the Fire District to make reasonable arrangements to ensure accessibility to this meeting.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
MINUTES FOR THE MEETING OF
OCTOBER 2, 2018**

A Regular Meeting of the Big Bear Lake Fire Protection District was called to order by Vice Chairman Jahn at 5:30 p.m., Tuesday, October 2, 2018, at 39707 Big Bear Boulevard, Big Bear Lake, California.

Moment of Silence: Observed

Pledge of Allegiance: Led by Director Putz

Board Members Present: Vice Chairman Bill Jahn
Director Rick Herrick
Director Randall Putz

Board Members Excused: Chairman David Caretto

Board Members Absent: Director Bob Jackowski

Others Present: Jeff Willis, Fire Chief
Mike Maltby, Assistant Fire Chief/Fire Marshal
Kristin Mandolini, Treasurer-Auditor/Controller
Dawn Marschinke, Board Secretary

ANNOUNCEMENT

The Fire District's Administrative Office will be closed:

- Monday, November 12, 2018 in observance of Veterans Day and will re-open on Tuesday, November 13, 2018 at 8:00 a.m.
- Thursday and Friday, November 22 and 23, 2018 in observance of Thanksgiving and will re-open on Monday, November 26, 2018 at 8:00 a.m.

PRESENTATIONS

None

PUBLIC COMMUNICATIONS

None

CONSENT CALENDAR

Motion by Director Putz, seconded by Director Herrick to approve the Consent Calendar as follows:

FP1. Approval of Meeting Minutes from the June 5, 2018 Regular Meeting of the Big Bear Lake Fire Protection District

The Consent Calendar was approved by the following vote:

AYES: Jahn, Herrick and Putz
NOES: None
ABSENT: Caretto and Jackowski
ABSTAIN: None

Action: Approval of minutes.

ITEMS REMOVED FROM THE CONSENT CALENDAR

None

DISCUSSION/ACTION ITEMS

FP2. Big Bear Lake Fire Protection District Meeting Calendar for 2019

Board consideration of approving the proposed 2019 Meeting Calendar that includes the adjournment of the Regular Meeting of April 2 to April 23, 2019.

Speaker: Chief Willis

Staff responded to questions from board members. Board members provided comment.

Action: Motion by Director Putz; seconded by Director Herrick to approve staff recommendation, and was approved by the following vote:

AYES: Putz, Herrick and Jahn
NOES: None
ABSENT: Caretto and Jackowski
ABSTAIN: None

PUBLIC HEARINGS

None

ADJOURNMENT

There being no further business to come before the Fire Protection District at this session, Vice Chairman Jahn adjourned the meeting at 5:33 p.m.

Dawn Marschinke
Board Secretary



BIG BEAR FIRE AUTHORITY AGENDA REPORT

Item No. FP2

MEETING DATE: February 5, 2019

TO: Chairman and Board Members of Big Bear Lake Fire Protection District

FROM: Kristin Mandolini, Treasurer-Auditor/Controller *KM*

SUBJECT: **FY 2017-18 AUDIT REPORTS FOR BIG BEAR LAKE FIRE PROTECTION DISTRICT**

BACKGROUND

Auditing firm Lance, Soll & Lunghard, LLP was engaged to complete the 2017-18 Financial audit for Big Bear Lake Fire Protection District. Interim audit work and testing were completed in May and field work and testing were completed in September. The finalized audit was completed on November 21, 2018 and is included in the December 11, 2018 Board Packet for review.

DISCUSSION

No deficiencies or material weaknesses were identified in the Financial Statements or practices for either entity.

RECOMMENDATION

Staff recommends the Board members receive and file the Lance, Soll & Lunghard, LLP, FY 2017-18, Big Bear Lake Fire Protection District Audit reports.

ATTACHMENT A: FY 2017-18 Fire Protection District Audited Financials



BIG BEAR FIRE PROTECTION DISTRICT

JUNE 30, 2018

FINANCIAL STATEMENTS

Focused
on YOU



BIG BEAR LAKE FIRE PROTECTION DISTRICT

A COMPONENT UNIT OF THE
CITY OF BIG BEAR LAKE, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2018

PREPARED BY:

FINANCE DIVISION

BIG BEAR LAKE FIRE PROTECTION DISTRICT

A COMPONENT UNIT OF THE
CITY OF BIG BEAR LAKE, CALIFORNIA

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Big Bear Lake Fire Protection District
Big Bear Lake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Big Bear Lake Fire Protection District (The District), a component unit of the City of Big Bear Lake, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



CPAs AND ADVISORS

To the Board of Directors
Big Bear Lake Fire Protection District
Big Bear Lake, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Big Bear Lake Fire Protection District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule for the general fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the proportionate share of net pension liability, the schedule of plan contributions, the schedule of changes in net pension liability and related ratios, and the schedule of investment returns that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018 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.

A handwritten signature in cursive script that reads "Lance, Soll & Lughard, LLP".

Brea, California
November 21, 2018

BIG BEAR LAKE FIRE PROTECTION DISTRICT

Management's Discussion and Analysis

June 30, 2018

Our discussion and analysis of the financial performance of the Big Bear Lake Fire Protection District (District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information provided here in conjunction with the accompanying basic financial statements.

Financial Highlights

- The District's net position decreased \$5,697,563 as a result of incurring a loan payable to SBCERA, as discussed in detail in Note 4.
- The District's general revenues were \$5,397,099. General revenues include property taxes levied for general purpose as well as use of money and property.
- The District's cost of governmental activities increased by 127% to \$12,903,536 as a result of recording the SBCERA loan outlay (Note 4).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods (*e.g.*, uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

Fund Financial Statements provide detailed information about the funds of the District. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental-type activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Fund Financial Statements focus on near-term uses and the fiscal year ending balance of spendable resources. Such information may be useful in evaluating a government's short-term financial requirements.

Because the focus of Fund Financial Statements 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 short-term financing decisions. This comparison is provided in the Reconciliation of the governmental fund Balance Sheet to the Statement of Net Position and the reconciliation of the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities. These reconciliations are presented as part of the Fund Financial Statements.

Notes to the Financial Statements

Notes to Financial Statements are presented following the Fund Financial Statements to provide additional information that is essential to a full understanding of the financial statements including significant accounting policies, cash and investments, inter-fund transactions, liabilities, and other disclosures.

Government-wide Financial Analysis

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Included in the Statement of Net Position are new pension related items which are the result of implementing the accounting standards prescribed by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*:

Deferred Outflows and Inflows:

The pension related items include deferred outflows and inflows in the amount of \$3,258,564 and \$1,509,311 respectively. The portion of deferred outflows related to contributions made by the District subsequent to the measurement date will be recognized as a reduction of the net pension liability next fiscal year. The remaining deferred outflows and inflows resulting from changes in proportion and differences between employer contributions and proportionate share contributions, changes in actuarial assumptions, differences in projected and actual pension plan investments, and differences between expected and actual experience in total pension liability will be amortized and recognized as pension expense in the year ended June 30, 2018 and thereafter as shown in Note 6 to the financial statements.

Net Pension Liability:

The aggregate net pension liability represents total pension liability (the present value of projected benefit payments to be provided through the plan to current active and inactive employees that is attributed to those employees' years of service) less the amount of the pension plan's fiduciary net position. In the aggregate, the District's net pension liability as of June 30, 2017 is \$7,471,911.

For additional details regarding the pension plan, please refer to Note 6 to the financial statements.

Table 1 on the following page shows the net position as of June 30, 2018 compared to the prior year. To further analyze the changes in net position, Table 2 provides a comparison of the Statement of Activities for the year ended June 30, 2018 to the prior year.

Total program revenue increased \$422,258 or 30.5%, which is primarily Ambulance payroll related expense reimbursements. Property tax revenues increased \$222,565 or 4.3%. Expenses increased by \$7,226,876 or 127.3% as a result of the increase in pension and interest expense. The decrease in net position is the result of expenses exceeding revenues by \$5,697,563.

Table 1
Net Position as of June 30, 2018

Table 1
Net Position As of June 30, 2016

| | Governmental Activities | |
|--|-------------------------|--------------|
| | 2018 | 2017 |
| Assets: | | |
| Cash and investments | \$ 6,936,967 | \$ 5,488,393 |
| Receivables | 55,618 | 38,453 |
| Prepaid costs | - | 950,431 |
| Due from other governments | 131,692 | 101,253 |
| Capital Assets not being depreciated | 555,237 | 555,237 |
| Capital Assets, net of depreciation | 2,759,709 | 2,945,205 |
| Total Assets | 10,439,223 | 10,078,972 |
| Deferred Outflows of Resources: | | |
| Deferred pension related items | 3,258,564 | 3,390,745 |
| Liabilities: | | |
| Accounts payable and accrued expenses | 270,941 | 288,247 |
| Unearned revenue | - | 59,823 |
| Noncurrent liabilities | | |
| Due within one year | 161,555 | 141,567 |
| Due in more than one year | 6,196,161 | 175,220 |
| Net pension obligation | 7,471,911 | 7,148,217 |
| Total Liabilities | 14,100,568 | 7,813,074 |
| Deferred Inflows of Resources: | | |
| Deferred pension related items | 1,509,311 | 1,871,172 |
| Net Position | | |
| Net investment in capital assets | 3,314,946 | 3,500,442 |
| Unrestricted | (5,277,038) | 285,029 |
| Total Net Position | \$ (1,962,092) | \$ 3,785,471 |

Table 2
Change in Net Position
For Fiscal Year Ending June 30, 2018

| | Governmental Activities | |
|-------------------------------------|-------------------------|---------------------|
| | 2018 | 2017 |
| Revenues | | |
| Program Revenues | \$ 1,808,874 | \$ 1,386,616 |
| General Revenues | | |
| Property taxes | 5,360,374 | 5,137,809 |
| Investment income | 3,645 | 1,472 |
| Other | 25,280 | 4,274 |
| Proceeds from sale of capital asset | 7,800 | - |
| Total Revenues | 7,205,973 | 6,530,171 |
| Expenses | | |
| Public safety | 12,459,974 | 5,676,660 |
| Interest and fiscal charges | 443,562 | - |
| Total Expenses | 12,903,536 | 5,676,660 |
| Increase (Decrease) in Net Position | (5,697,563) | 853,511 |
| Net Position at Beginning of Year | 3,785,471 | 2,931,960 |
| Net Position at End of Year | \$ (1,912,092) | \$ 3,785,471 |

Financial Analysis of the District's Fund Financial Statements

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District financing requirements. In particular, over time, the fund balance may serve as a useful measure of a government's available resources.

Pursuant to Government Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, all District funds are restricted for safety purposes. During the 2017-2018 fiscal year, The Board took action to uncommit funds previously set aside for specific purposes in accordance with the District's Reserve Policy, in preparation for the July 1, 2018 merger.

Debt Administration

At the end of the current fiscal year, the District had total debt outstanding of \$13,829,627. During the fiscal year, the District's debt obligations increased \$6,364,623 primarily due to the SBCERA Loan.

As of June 30, 2018

| | Governmental Activities | |
|----------------------------|-------------------------|--------------|
| | 2018 | 2017 |
| Compensated absences | \$ - | \$ 259,984 |
| Cumulative deposit payable | | 56,803 |
| SBCERA Loan | 6,357,716 | - |
| Net pension liability | 7,471,911 | 7,148,217 |
| Totals | \$ 13,829,627 | \$ 7,465,004 |

Considerations, Plans and Projections for Next Fiscal Year

The revenue projections provided for in the Fiscal Year 2018-19 budget are based on economic forecasts and trends for the area in which the District is located. This information is primarily supplied by outside agencies such as the State Department of Finance and the San Bernardino County Assessor's Office and is the basis for building revenue and expenditure projections for planning purposes. Consistent with prior year budgeting, property tax revenues for Fiscal Year 2018-19 are projected to increase approximately 2.7%.

Over the past several years, the District has been in the process of merging with the Big Bear Fire Authority (the Authority). The Authority is joint powers authority governed by a ten-member Board comprised of the members from the participating agency governing bodies. On July 1, 2018 the District completed the merger process and is now a fully integrated part of the Authority. The Authority has assumed all of the District's assets and liabilities, and the District no longer operates as a separate entity.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, at the Big Bear Fire Authority, PO Box 2830, Big Bear Lake, CA 92315, (909) 866-7566.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**STATEMENT OF NET POSITION
JUNE 30, 2018**

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Cash and investments | \$ 6,936,967 |
| Accounts receivable | 54,317 |
| Accrued interest receivable | 1,301 |
| Due from other governments | 131,692 |
| Capital assets not being depreciated | 555,237 |
| Capital assets, net of depreciation | 2,759,709 |
| Total Assets | 10,439,223 |
| Deferred Outflows of Resources: | |
| Deferred outflows from pensions | 3,258,564 |
| Total Deferred Outflows of Resources | 3,258,564 |
| Liabilities: | |
| Accounts payable | 270,941 |
| Noncurrent liabilities: | |
| Due within one year | 161,555 |
| Due in more than one year | 6,196,161 |
| Net pension obligation | 7,471,911 |
| Total Liabilities | 14,100,568 |
| Deferred Inflows of Resources: | |
| Deferred inflows from pensions | 1,509,311 |
| Total Deferred Inflows of Resources | 1,509,311 |
| Net Position: | |
| Invested in capital assets | 3,314,946 |
| Restricted for public safety | (5,227,038) |
| Total Net Position | \$ (1,912,092) |

The notes to financial statements are an integral part of this statement.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expenses)</u> |
|--------------------------------------|----------------------|--|---|---|---|
| | | <u>Charges for Services</u> | <u>Operating Contributions and Grants</u> | <u>Capital Contributions and Grants</u> | <u>Revenues and Changes in Net Assets</u> |
| <u>Functions/Programs</u> | | | | | <u>Governmental Activities</u> |
| Governmental Activities: | | | | | |
| Public safety | \$ 12,459,974 | \$ - | \$ 1,808,874 | \$ - | \$ (10,651,100) |
| Interest on long-term debt | 443,562 | - | - | - | (443,562) |
| Total Governmental Activities | \$ 12,903,536 | \$ - | \$ 1,808,874 | \$ - | (11,094,662) |
| | | | | | |
| | | General Revenues: | | | |
| | | Property taxes, levied for general purpose | | 5,360,374 | |
| | | Use of money and property | | 3,645 | |
| | | Other | | 25,280 | |
| | | Gain on sale of capital asset | | 7,800 | |
| | | Total General Revenues | | 5,397,099 | |
| | | Change in net position | | (5,697,563) | |
| | | Net Position at the Beginning of the Year | | 3,785,471 | |
| | | Net Position at the End of the Year | | \$ (1,912,092) | |

The notes to financial statements are an integral part of this statement.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2018**

| | General Fund |
|---|-----------------------------------|
| Assets: | |
| Cash and investments | \$ 6,936,967 |
| Accounts receivable | 54,317 |
| Accrued interest receivable | 1,301 |
| Due from other governments | 131,692 |
| | <hr/> |
| Total Assets | <u><u>\$ 7,124,277</u></u> |
| | |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | |
| Liabilities: | |
| Accounts payable | \$ 270,941 |
| | <hr/> |
| Total Liabilities | <u>270,941</u> |
| | |
| Deferred Inflows of Resources: | |
| Unavailable revenues | 68,074 |
| | <hr/> |
| Total Deferred Inflows of Resources | <u>68,074</u> |
| | |
| Fund Balance: | |
| Restricted for public safety | 6,785,262 |
| | <hr/> |
| Total Fund Balance | <u>6,785,262</u> |
| | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u><u>\$ 7,124,277</u></u> |

The notes to financial statements are an integral part of this statement.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

| | |
|--|-------------------------------------|
| Fund balances of governmental funds | \$ 6,785,262 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 3,314,946 |
| Long-term debt and compensated absences that have not been included in the governmental fund activity: | |
| SBCERA Loan | (6,357,716) |
| Governmental funds report all pension contributions as expenditures, however in the statement of net position, the excess of the plan proportionate share of the total pension liability over the proportionate share of the plan fiduciary net position is reported as a net pension liability. | (7,471,911) |
| Pension-related deferred outflows of resources that have not been included as financial uses in the governmental activity. | 3,258,564 |
| Pension-related deferred inflows of resources that have not been included as financial resources in the governmental fund activity. | (1,509,311) |
| Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. | <u>68,074</u> |
| Net position of governmental activities | <u><u>\$ (1,912,092)</u></u> |

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | General Fund |
|--|-------------------------|
| Revenues: | |
| Taxes | \$ 5,360,374 |
| Intergovernmental | 468,275 |
| Use of money and property | 3,645 |
| Contributions | 1,296,943 |
| Developer participation | 32,970 |
| Miscellaneous | 25,280 |
| Total Revenues | 7,187,487 |
| Expenditures: | |
| Current: | |
| Public safety | 12,497,251 |
| Debt service: | |
| Principal retirement | 150,284 |
| Interest and fiscal charges | 443,562 |
| Total Expenditures | 13,091,097 |
| Deficiency of Revenues under Expenditures | (5,903,610) |
| Other Financing Sources: | |
| Notes and loans issued | 6,508,000 |
| Proceeds from sale of capital asset | 7,800 |
| Total Other Financing Sources: | 6,515,800 |
| Net Change in Fund Balance | 612,190 |
| Fund Balance at the Beginning of the Year | 6,173,072 |
| Fund Balance at the End of the Year | \$ 6,785,262 |

The notes to financial statements are an integral part of this statement.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

| | | |
|---|--------------------|----------------------------------|
| Net change in fund balance - total governmental funds | \$ | 612,190 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p> | | (185,496) |
| <p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The following amounts are the effects of these differences in the treatment of long-term debt and related items.</p> | | |
| <p>Principal repayments on leases and loan</p> | \$ 150,284 | |
| <p>Decrease in CJPIA Retrospective Deposit Payable</p> | 56,803 | |
| <p>Proceeds from SBCERA loan</p> | <u>(6,508,000)</u> | (6,300,913) |
| <p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | | 259,984 |
| <p>Pension obligation expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditure in governmental funds.</p> | | (94,014) |
| <p>Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.</p> | | <u>10,686</u> |
| Change in net position of governmental activities | \$ | <u><u>(5,697,563)</u></u> |

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

I. SIGNIFICANT ACCOUNT POLICIES

Note 1: Reporting Entity and Significant Accounting Policies

a. Reporting Entity

The Big Bear Lake Fire Protection District (the District) was formed in 1927 under the laws of the State of California to provide fire protection and prevention services in the Big Bear Lake area of San Bernardino County.

The basic criteria for including an organization in a primary governmental unit's financial statements is the exercise of oversight responsibility over the organization by the primary governmental unit's elected officials. The City of Big Bear Lake (City) is the primary governmental unit. The District is a component unit of the City. Component units are those entities which are financially accountable to the primary government, either because the primary unit appoints a voting majority of the component unit Board or because the component unit will provide financial benefit or impose a financial burden on the primary government. The specific criteria used in determining that the District was a component unit of the City was that the members of the City Council were the same as the members of the District Board of Directors.

The attached basic financial statements contain information relative only to the District as a component unit of the total reporting entity.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Big Bear Lake Fire Protection District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

Major individual governmental funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 a liability is incurred, regardless of the timing of 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.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

Note 1: Reporting Entity and Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

Note 1: Reporting Entity and Significant Accounting Policies (Continued)

d. Assets, Liabilities and Net Position or Equity

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. As of June 30, 2018, the District does not hold any investments.

Receivables and Payables

No allowance for doubtful accounts has been established as all amounts are considered collectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The District defined capital assets as assets with an initial, individual cost of more than \$7,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of acquisition.

In accordance with GASB Statement No. 34, the District has reported its general infrastructure.

Addition of a major component (over \$7,500) to an existing fixed asset that increases its usability or value is considered to be a fixed asset addition to the original asset. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------|--------------|
| General plant and equipment | 5 - 50 |

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

Note 1: Reporting Entity and Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports deferred outflows of resources for pension contributions made after the actuarial measurement date, for actuarial adjustments due to the proportionate share of the contributions made to the pension liability, for changes in pension assumptions and other inputs, for the difference between expected and actual experience in the total pension liability, and for the net difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide statement of net position, the government reports deferred inflows of resources for pension related items due to net difference between the projected and actual earnings on pension plan investments, for changes in proportion and differences between contributions and proportionate share of contributions, and for difference between expected and actual experience in total pension liability.

The governmental fund balance sheet also reports one item under deferred inflows of resources, which arises only under the modified accrual basis of accounting. The item, unavailable revenue from grant reimbursements is reported only in the governmental funds balance sheet and will be recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

It is the District's policy to permit employees to accumulate general leave benefits. Under the current memorandum of understanding, District employees receive 17 to 22, 24-hour shifts of general leave each year depending upon length of service. Each employee's maximum accrual of general leave shall be equal to three times the employee's annual entitlement in hours. Employees may cash out up to 192 hours of general leave per fiscal year. However, employees must keep a minimum leave amount of 72 hours. The current memorandum is in effect through June 30, 2018.

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements.

Post-Employment Health Care Benefits

Retiree Benefits: The District has no obligation to provide post-employment health care benefits for retirees.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

Note 1: Reporting Entity and Significant Accounting Policies (Continued)

COBRA Benefits: Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium plus a 2% administration fee is paid in full by the insured on or before the tenth day of the month for the actual month covered. This program is offered for a duration of 18 months after termination date. There is no cost to the District under this program.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pensions, information about the fiduciary net position of the San Bernardino County Employees' Retirement Association (SBCERA) and additions to/deductions from SBCERA's fiduciary net position have been determined on the same basis as they are reported by SBCERA. For this purpose, employer and employee contributions are recognized in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, government funds report the following fund balance classifications:

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

Restricted include amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

Note 1: Reporting Entity and Significant Accounting Policies (Continued)

Committed include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the Board of Directors or City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a minute action or a resolution.

Assigned include amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Director of Administrative Services is authorized to assign amounts to a specific purpose, which was established by the governing body in a resolution.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted amounts to be used first, then unrestricted. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, they are considered to be spent in the order as follows: committed, assigned and then unassigned.

Functional Classifications

Expenditures of the governmental funds are classified by function. Functional classifications are defined as follows:

Public Safety - Fire Protection includes activities of the Fire Protection District involved in the protection of people and property from fire.

Property Tax

Property tax revenue is recognized on the modified accrual basis, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County of San Bernardino collects property taxes for the District. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

Note 2: Cash and Investments

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

| | <u>Carrying Amount</u> | <u>Fair Value</u> |
|----------------------------|----------------------------|----------------------------|
| Cash and investments | <u>\$ 6,936,967</u> | <u>\$ 6,936,967</u> |
| Total Cash and Investments | <u><u>\$ 6,936,967</u></u> | <u><u>\$ 6,936,967</u></u> |

The District's cash and investments consist of cash on hand and demand deposits. At June 30, 2018, the District does not hold any investments.

Deposits

At June 30, 2018, the carrying amount of the District's deposits was \$6,936,967 and the bank balance was \$6,936,967.

The California Government Code requires California banks and savings and loan associations to secure a government entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The District Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A BLENDED COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

Note 3: Capital Assets

A summary of changes in capital assets for fiscal year ended June 30, 2018 is as follows:

| | Beginning Balance July 1, 2017 | Increases | Decreases | Ending Balance June 30, 2018 |
|---|--------------------------------------|---------------------|-------------|------------------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 555,237 | \$ - | \$ - | \$ 555,237 |
| Total Capital Assets, Not Being Depreciated | 555,237 | - | - | 555,237 |
| Capital assets, being depreciated: | | | | |
| Structures | 3,232,152 | - | - | 3,232,152 |
| Equipment | 2,620,879 | - | 197,609 | 2,423,270 |
| Total Capital Assets, Being Depreciated | 5,853,031 | - | 197,609 | 5,655,422 |
| Less accumulated depreciation: | | | | |
| Structures | 1,093,373 | 64,643 | - | 1,158,016 |
| Equipment | 1,814,453 | 120,853 | 197,609 | 1,737,697 |
| Total Accumulated Depreciation | 2,907,826 | 185,496 | 197,609 | 2,895,713 |
| Total Capital Assets, Being Depreciated, Net | 2,945,205 | (185,496) | - | 2,759,709 |
| Governmental Activities Capital Assets, Net | <u>\$ 3,500,442</u> | <u>\$ (185,496)</u> | <u>\$ -</u> | <u>\$ 3,314,946</u> |

Depreciation expense was charged to functions as follows:

| | |
|--------------------------|-------------------|
| Governmental Activities: | |
| Public safety | <u>\$ 185,496</u> |

Note 4: Long Term Debt

A summary of the changes in long-term debt for the fiscal year ended June 30, 2018 is as follows:

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 | Due within One Year |
|----------------------|--------------------------|---------------------|-------------------|--------------------------|------------------------|
| Compensated Absences | \$ 259,984 | \$ - | \$ 259,984 | \$ - | \$ - |
| SBCERA Loan | - | 6,508,000 | 150,284 | 6,357,716 | 161,555 |
| Total | <u>\$ 259,984</u> | <u>\$ 6,508,000</u> | <u>\$ 410,268</u> | <u>\$ 6,357,716</u> | <u>\$ 161,555</u> |

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A BLENDED COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

Note 4: Long Term Debt (Continued)

Compensated Absences Payable

Compensated absences represent the amount of accumulated vacation which is expected to be liquidated with future resources. There is no fixed payment schedule for unpaid compensated absences. See Note 1 for additional information. Compensated absences have been reduced to \$0 payable at June 30, 2018, due to the employees of the District being absorbed by the Big Bear Fire Authority, as part of the ongoing merger process.

SBCERA Loan Payable

As part of the merger between the Big Bear Lake Fire Protection District and the Big Bear Fire Authority, the employees of the District are to be included in the San Bernardino County Employees' Retirement Association (SBCERA)'s County Safety cost group and moved out of the City's Other Safety cost group. SBCERA and the District, on behalf of the City, have agreed that the amount to effectuate the inclusion of the District into the present County Safety cost group, and to avoid negatively impacting the County as a result, is \$6,508,000 calculated as of June 30, 2016, the last date for which actuarially determined UAL figures are available ("Transfer Amount"). SBCERA and the District have further agreed that this amount may be amortized over twenty years at SBCERA's assumed rate of return for investments which is 7.5%, resulting in twenty annual payments of \$593,846 beginning on July 1, 2017 and continuing on each successive July 1 thereafter, and ending on July 1, 2036.

The annual debt service requirements as of June 30, 2018, including interest, are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|---------------------|---------------------|
| 2019 | \$ 161,555 | \$ 432,290 |
| 2020 | 173,672 | 420,174 |
| 2021 | 186,697 | 407,148 |
| 2022 | 200,700 | 393,146 |
| 2023 | 215,752 | 378,093 |
| 2023-2028 | 1,347,161 | 1,622,067 |
| 2028-2033 | 1,934,023 | 1,035,204 |
| 2033-2038 | 2,138,156 | 237,226 |
| | <u>\$ 6,357,716</u> | <u>\$ 4,925,348</u> |

Note 5: Liability, Workers' Compensation, and Purchased Insurance

The District is covered under the City of Big Bear Lake's insurance policies with the California Joint Powers Insurance Authority. Therefore, the limitation and self-insured retentions applicable to the City of Big Bear Lake also apply to the District. Additional information as to coverage and self-insured retentions can be obtained by contacting the City.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A BLENDED COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

Note 6: Retirement Plan

The Fire Protection District participates in a cost-sharing multiple-employer defined benefit pension plan that is administered through San Bernardino County Employees' Retirement Association and in the City of Big Bear Lake's PARS Retirement Enhancement Plan; the cost of which is paid by the District. Pension expense allocated to the District by the City of Big Bear Lake for District employees totaled \$1,099,147. The District's accounts with SBCERA are merged with those of the City of Big Bear Lake and its employees, and it is not practical to attempt splitting the two for disclosure purposes within this report. For further details regarding actuarial assumptions, etc., refer to the City of Big Bear Lake's financial statements.

The City implemented GASB Statement Nos. 68 and 71 as of July 1, 2014, which affects the way pension liabilities are reported. Due to these Statements, the City is required to report its proportionate share of the net pension liability for pension benefits. The District, based on an allocation formula, has reported a pension liability of \$7,471,911, deferred outflows of resources related to pensions in the amount of \$3,258,564, and deferred inflows of resources related to pensions of \$1,509,311.

Note 7: Joint Venture Organization

The District is a member of the Big Bear Fire Authority (Authority). The Authority was formed in 2012 under the California Joint Exercise of Powers Act to merge the Big Bear Fire Protection District and the Big Bear City Community Services District's fire agencies under one umbrella and provide fire protection and prevention services in the Big Bear Valley area of San Bernardino County.

The Board consists of ten directors, including the elected or appointed members of the boards of directors of the participating agencies. The term of office of each director shall be concurrent with that director's term of office on the participating agency's board of directors.

The District does not have an equity interest in the Authority. However, the District does have an ongoing financial interest because the District is able to influence the operations of the Authority so that the Authority uses its resources on behalf of the District. Also, an ongoing financial responsibility exists because the Authority is dependent on continued funding from the District.

Below are the most currently available condensed audited financial statements of the Authority as of June 30, 2018. Separate financial statements of the Authority are available from its offices at the Big Bear Fire Department located at 41090 Big Bear Blvd., Big Bear Lake, CA 92315.

| | |
|----------------------------------|---------------------|
| | Total |
| Assets | \$ 2,800,641 |
| Liabilities | 1,569,256 |
| Net Position | <u>\$ 1,231,385</u> |
| Revenues | \$ 3,395,153 |
| Expenses | <u>4,964,748</u> |
| Change in Net Position | (1,569,595) |
| Net Position - Beginning of Year | 2,800,980 |
| Net Position - End of Year | <u>\$ 1,231,385</u> |

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A BLENDED COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

Note 8: Commitments and Contingencies

The District is subject to litigation arising in the normal course of business. In the opinion of legal counsel there is no pending litigation which is likely to have a material adverse effect on the financial position of the District.

Note 9: Subsequent Events

In fiscal year 2018-19, the Big Bear Lake Fire Protection District completed the merger process with the joint venture entity, Big Bear Fire Authority. As a part of this merger, the Authority assumed all of the assets and liabilities of the Fire District, and the Fire District is a discontinued operation, which will be reflected in the fiscal year 2018-19 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 6,173,072 | \$ 6,173,072 | \$ 6,173,072 | \$ - |
| Resources (Inflows): | | | | |
| Taxes | 4,955,059 | 4,955,059 | 5,360,374 | 405,315 |
| Intergovernmental | 267,639 | 267,639 | 468,275 | 200,636 |
| Use of money and property | 1,000 | 1,000 | 3,645 | 2,645 |
| Contributions | 1,167,460 | 1,167,460 | 1,296,943 | 129,483 |
| Developer participation | - | - | 32,970 | 32,970 |
| Miscellaneous | 40,750 | 40,750 | 25,280 | (15,470) |
| Notes and loans issued | - | - | 6,508,000 | 6,508,000 |
| Proceeds from sale of capital asset | - | - | 7,800 | 7,800 |
| Amounts Available for Appropriations | 12,604,980 | 12,604,980 | 19,876,359 | 7,271,379 |
| Charges to Appropriations (Outflows): | | | | |
| Public safety | 7,067,918 | 7,067,918 | 12,497,251 | (5,429,333) |
| Debt service: | | | | |
| Principal retirement | 150,284 | 150,284 | 150,284 | - |
| Interest and fiscal charges | 443,562 | 443,562 | 443,562 | - |
| Total Charges to Appropriations | 7,661,764 | 7,661,764 | 13,091,097 | (5,429,333) |
| Budgetary Fund Balance, June 30 | \$ 4,943,216 | \$ 4,943,216 | \$ 6,785,262 | \$ 1,842,046 |

The notes to required supplementary information are an integral part of this schedule.

**BIG BEAR LAKE FIRE PROTECTION DISTRICT
A COMPONENT UNIT OF THE CITY OF BIG BEAR LAKE, CALIFORNIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

Note 1: General Budget Policies

1. The annual budget adopted by the District Board of Directors provides for the general operation of the District. It includes proposed expenditures and the means of financing them.
2. The District Board of Directors approves total budgeted appropriations and any amendments to appropriations throughout the year. This appropriated budget covers District expenditures in the General Fund. Actual expenditures may not exceed budgeted appropriations at the function level. Budget figures used in the financial statements are the final adjusted amounts, including any amendments to the budget during the year.
3. Formal budgetary integration is employed as a management control device. Commitments for materials and services such as purchase orders and contracts are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are encumbered at year-end lapse, and then are added to the following years budgeted appropriations.
4. The budget for the General Fund is adopted on a basis substantially consistent with Generally Accepted Accounting Principles (GAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the District is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Based on calculations by District Management, proceeds of taxes did not exceed related appropriations for the fiscal year ended June 30, 2018. Furthermore, Section 5 of Article XIII B allows the District to commit a portion of fund balance for general contingencies to be used in future years without limitation.