COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 – ZONE W-4 PIONEERTOWN
FINANCIAL STATEMENTS
JUNE 30, 2017

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 – ZONE W-4
PIONEERTOWN
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Certified Public Accountants & Business Advisors

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No.70 – Zone W-4 Pioneertown

Independent Auditors' Report

We have audited the accompanying financial statements of the County of San Bernardino Special District County Service Area No.70 – Zone W-4 Pioneertown (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise CSA'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 minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of San Bernardino Special District County Service Area No.70 – Zone W-4 Pioneertown as of June 30, 2017 and the changes in financial position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts Board of Supervisors

Other Matters

Prior-Year Comparative Information

Prior year data has been included with the basic financial statements for comparative purposes only. The financial statements of the County of San Bernardino Special District County Service Area No.70 – Zone W-4 Pioneertown as of June 30, 2016, were audited by other auditors whose report dated November 28, 2016 expressed unmodified opinions on those statements.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis 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.

Eadie and Payne, LLP

November 22, 2017
Riverside, California

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 -ZONE W-4
PIONEERTOWN
Statement of Net Position
June 30, 2017

	2017 Enterprise Fund	For Comparative Purposes Only 2016 Enterprise Fund
Assets		
Current Assets		
Cash and investments	$ 299,128	$ 420,856
Accounts receivable, net	10,366	17,225
Interest receivable	6,587	5,735
Special assessments receivable	181	455
Total Current Assets	316,262	444,271
Noncurrent Assets:		
Capital assets:		
Land	23,290	23,290
Improvements to land	868,515	868,515
Construction in progress	629,952	511,144
Accumulated depreciation	(577,754)	(558,454)
Total Noncurrent Assets	944,003	844,495
Total Assets	1,260,265	1,288,766
Deferred outflows of resources		
Pension	19,102	3,593
Liabilities		
Current liabilities:		
Accounts payable	22,070	15,237
Accrued interest payable	6,343	4,075
Due to other funds	-	13,101
Total Current Liabilities	28,413	32,413
Noncurrent liabilities:		
Loan Payable	250,000	250,000
Net pension liability	38,712	28,586
Total Liabilities	317,125	310,999
Deferred inflows of resources		
Pension	8,699	10,002
Net position		
Net investment in capital assets	694,003	594,495
Restricted	259,540	376,863
Total Net Position	$ 953,543	$ 971,358

The accompanying notes are an integral part of the financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 -ZONE W-4
PIONEERTOWN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2017

	2017 Enterprise Fund	For Comparative Purposes Only 2016 Enterprise Fund
Operating Revenues		
Water sales	$ 105,553	$ 105,689
Other services	24	45
Total Operating Revenues	105,577	105,734
Operating Expenses		
County counsel	17,172	12,707
Salaries and benefits	44,208	43,238
Services and supplies	51,524	44,849
Utilities	6,408	6,698
Other	5,963	4,560
Depreciation	19,300	19,301
Total Operating Expenses	144,575	131,353
Operating Loss	(38,998)	(25,619)
Nonoperating Revenues (Expenses)		
Investment earnings	1,835	2,907
Property taxes	498	804
Special assessments	12,782	12,103
Penalties	1,390	1,170
State assistance	-	28,960
Interest expense	(2,268)	(1,541)
Other	1,125	1,685
Total Nonoperating Revenues (Expenses)	15,362	46,088
Transfers in	-	34,386
Net Change in Net Position	(23,636)	54,855
Net position at beginning of year as previously reported	971,358	916,503
Prior-Period Adjustment	5,821	-
Net assets at beginning of year as restated	977,179	916,503
Net Position - ending	$ 953,543	$ 971,358

The accompanying notes are an integral part of the financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 -ZONE W-4
PIONEERTOWN
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	2017 Enterprise Fund	2016 Enterprise Fund
Cash Flows from Operating Activities		
Receipts from customers	$ 112,436	$ 119,612
Payments to suppliers	(85,067)	132,617
Payments to employees	(45,073)	(45,648)
Net cash provided by operating activities	(17,704)	206,581
Cash Flows from Noncapital Financing Activities		
Property taxes	498	804
Special assessments	13,056	15,416
Penalties	1,390	1,170
State assistance	-	28,960
Interest expense	(2,268)	(1,541)
Transfers in	-	34,386
Other nonoperating revenues	1,125	1,685
Net cash provided by noncapital financing activities	13,801	80,880
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital asset	(118,808)	(65,237)
Net cash used for capital and related financing activities	(118,808)	(65,237)
Cash Flows from Investing Activities		
Investment earnings	983	4,379
Net cash provided by investing activities	983	4,379
Net increase in cash and cash equivalents	(121,728)	226,603
Cash and Cash Equivalents - beginning	420,856	194,253
Cash and Cash Equivalents - ending	$ 299,128	$ 420,856

The accompanying notes are an integral part of the financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 -ZONE W-4
PIONEERTOWN
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2017

	2017 Enterprise Fund	2016 Enterprise Fund
Reconciliation of operating loss to net cash provided by operating activities:		
Operating Loss	$ (38,998)	$ (25,619)
Adjustments to reconcile operating loss to net cash provided by opearating activities:		
Depreciation expense	19,300	19,301
Change in assets and liabilities:		
(Increase)/Decrease in receivables, net	6,859	13,878
Increase/(Decrease) in accounts payable	6,833	1,836
Increase/(Decrease) in accrued liabilities	2,268	1,540
Increase/(Decrease) in due to other funds	(13,101)	(4,456)
Increase/(Decrease) in due from other governments	-	202,511
Decrease in net pension liability, net of deferred outflows and inflows	(865)	(2,410)
Net cash used for operating activities	$ (17,704)	$ 206,581

The accompanying notes are an integral part of the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of San Bernardino Special District County Service Area No.70 – Zone W-4 Pioneertown conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The County Service Area (CSA) No. 70, Zone W-4, was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on January 14, 1980 under Section 4700 of the State Health & Safety Code. The CSA is situated five miles northwest of Yucca Valley. The District provides water service to 120 properties and maintains six wells and reservoir storage of 310,000 gallons.

The CSA is a component unit of the County of San Bernardino and is governed by the actions of the County Board of Supervisors.

The accompanying financial statements reflect only the accounts of the County Service Area No.70 – Improvement Zone W-4 of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA’s financial statements have also been included in the Comprehensive Annual Financial Report of the County as a “component unit” for the fiscal year ended June 30, 2017.

Measurement focus, basis of accounting, and financial statements presentation

The CSA's 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.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in 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 cash is received by the government.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statements presentation (continued)

The County has established a materiality level for recording year-end accruals. For Special Districts with appropriations of less than $500,000, individual items of less than $1,000 are not accrued at year end. For Special Districts with appropriations over $500,000, individual items of less than $5,000 are not accrued at year end.

Financial reporting is based upon all GASB pronouncements including the Codification of Accounting and Financial Reporting Guidelines.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and Investments

Cash and investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Currently, the CSA does not have any business-type activities.

Property Taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on March 1 and become delinquent with penalties on August 31.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of two years. Structures with an initial cost of $100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed.

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

Assets	Years
Infrastructure	40-60
Structure and improvements	5-40
Equipment and vehicles	4-15

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity

The CSA follow the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- *Nonspendable Fund Balance*: Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.

- *Restricted Fund Balance*: Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation. Committed Fund Balance: Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Board of Supervisors). The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.

- *Assigned Fund Balance*: Amounts are constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority, i.e. the County Administrative Office. The County Administrative Office will assign fund balance for specific departmental projects through the use of the respective department's general fund savings. Such projects would not normally be feasible for the department without reserving funding over a multiple year period.

- *Unassigned Fund Balance*: The General Fund, as the principal operating fund, often has net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less nonspendable, restricted, committed, or assigned equals unassigned fund balance. This amount is available for any purpose and will be placed in either the General Purpose Reserve, General Fund – Mandatory Contingencies or the General Fund - Uncertainties Contingencies until allocated for a specific purpose by the Board, by a four-fifths vote.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity (continued)

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. It is the County's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Long-Term Debt and Interest Payable

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. 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. Bond issuance costs are immediately expensed when incurred in the Government- Wide Financial Statements in addition to the Proprietary and Fiduciary Fund Statements in accordance with GASB No. 65. In the Fund Financial Statements, with the exception of advances from other funds, long-term liabilities are not presented. Consequently, long term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities. In the Fund Financial Statements, only propriety fund types recognize the interest payable when the liability is incurred.

Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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 or resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and proprietary 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 – net position to have been depleted before unrestricted – net position is applied.

In the Government-Wide Financial Statements, net position are classified in the following categories: Net Investment in Capital Assets consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. Restricted Net position is restricted by external creditors, grantors, contributors, laws or regulations of other governments. Unrestricted Net position is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pensions

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

Stewardship, compliance and accountability

Although the CSA prepares and adopts an annual budget, budgetary information is not presented because the CSA is not legally required to adopt a budget.

Note 2: CASH AND INVESTMENTS

Cash and investments include balances of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and investments are shown at the fair value as of June 30, 2017. Changes in fair value that occur during a fiscal year are recognized as *investment earnings* reported for that fiscal year. *Investment earnings* reports interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments. The County's practice is to hold investments until maturity.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40, and fair value hierarchy disclosures required by GASB Statement No. 72. The County of San Bernardino's CAFR may be obtained from their website http://sbcounty.gov/ATC.

Note 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

Business-type activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 23,290	$ -	$ -	$ 23,290
Construction in progress	511,144	118,808	-	629,952
Total capital assets, not being depreciated	534,434	118,808	-	653,242
Capital assets, being depreciated:				
Improvements to land	868,515	-	-	868,515
Total capital assets, being depreciated	868,515	-	-	868,515
Less accumulated depreciation for:				
Improvements to land	(558,454)	(19,300)	-	(577,754)
Total accumulated depreciation	(558,454)	(19,300)	-	(577,754)
Total capital assets, being depreciated, net	310,061	(19,300)	-	290,761
Total capital assets, net	$ 844,495	$ 99,508	$ -	$ 944,003

Development in progress: As of June 30, 2017 contractual commitments for the development and improvement of capital projects were estimated at $4,955,556.

Note 4: LOAN PAYABLE

The CSA entered into an agreement with the County's Revolving Fund under government code 26909 to provide funding for a pipeline project. The County's Revolving Fund is to advance the amount of $250,000 to cover cost of this project. The loan will be repaid within 3 to 18 months after completion of the project. The amount outstanding at June 30, 2017, is $250,000.

Note 5: RETIREMENT PLAN

Plan Description. Employees of the CSA participate in the County of San Bernardino's (County) cost-sharing multiple-employer defined benefit retirement plan (the Plan) administered by the San Bernardino County Employee's Retirement Association (SBCERA). The Plan is governed by the San Bernardino Board of Retirement (Board) under the California County Employees' Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W. Hospitality Lane, 3rd Floor, San Bernardino, California 92415-0014.

Benefits Provided. SBCERA provides retirement, disability, death and survivor benefits. SBCERA administers the Plan which provides benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members, including the CSA's employees, are classified as General members. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. An employee who is appointed to a regular position, whose service is greater than fifty percent of the full standard of hours required are members of SBCERA, and are provided with pension benefits pursuant to Plan requirements.

Note 5: RETIREMENT PLAN (continued)

The CERL and PEPRA establish benefit terms. Retirement benefits for the General Tier 1 and General Tier 2 Plans are calculated on the basis of age, average final compensation and service credit as follows:

	General – Tier 1	**General – Tier 2**
Final Average Compensation	Highest 12 months	Highest 36 consecutive months
Normal Retirement Age	Age 55	Age 55
Early Retirement: Years of service required and/or eligible for	Age 70 any years	Age 70 any years
	10 years age 50	5 years age 52
	30 years any age	N/A
Benefit percent per year of service for normal retirement age	2% per year of final average compensation for every year of service credit	At age 67, 2.5% per year of final average compensation for every year of service credit
Benefit Adjustments	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67
Final Average Compensation Limitation	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10

Contributions. Participating employers and active members, including the CSA and the CSA's employees, are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Note 5: RETIREMENT PLAN (continued)

Employee contribution rates for the fiscal year ended June 30, 2017 ranged between 7.89% and 14.22% for Tier 1 General members and between 7.73% and 8.37% for Tier 2 General members.

Employer contribution rates for fiscal year ended June 30, 2017 were 22.33% and 19.2% for Tier 1 and Tier 2, respectively.

Actuarial Assumptions and Discount Rates

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of actuarial assumptions and discount rates for the year ended June 30, 2016.

Pension Liabilities, Pension Expense/Benefit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the CSA reported a liability of $38,712 which represents 0.51% of the County of San Bernardino Special District's proportionate share of the County's net pension liability. The CSA's proportion was allocated based on FY 2017 total salaries and benefits relative to the total salaries and benefits of the County of San Bernardino Special Districts as a whole.

The County of San Bernardino Special District's proportionate share of the County's net pension liability was based on its contributions to the pension plan relative to the County's contributions for FY 2016 as a whole. The County's net pension liability was allocated by SBCERA based on the actual employer contributions in each cost group.

The Plan's net pension liability was measured as of June 30, 2016 based upon the results of an actuarial valuation as of the same date. Plan fiduciary net position and the total pension liability were valued as of the measurement dates.

Sensitivity of the Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate

The following presents the CSA's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate:

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
$ 64,666	$ 38,712	$ 17,206

Pension benefits recognized amounted to $865 for the year ended June 30, 2017.

Note 5: RETIREMENT PLAN (continued)

At June 30, 2017, the CSA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources*	Deferred Inflows of Resources**
$ 19,102	$ (8,699)

* Total deferred outflows includes change in assumptions, change in proportion and differences between share of contributions, and contributions after measurement date.

* Total deferred inflows includes differences in expected and actual expense, and net difference between projected and actual earnings on pension plan investments,.

The deferred outflows of resources related to pensions, resulting from the C's contributions to the plan subsequent to the measurement date of $5,534, will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30,		
2018	$	(281)
2019		1,078
2020		2,475
2021		1,725
2022		(137)
Thereafter		8
Total	$	4,869

Note 6: FEDERAL AND STATE GRANTS

From time to time the District may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the CSA expects such amounts, if any, to be immaterial.

Note 7: RISK MANAGEMENT

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to $3.0 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to $54 million is provided through a combination of insurance policies as recommended by Alliant Insurance Services Inc., Insurance Broker as follows: Primary Liability coverage $10 million excess of $3.0 million self-insured retention with Security National Insurance Company (AM TRUST); Excess Liability coverage for $4 million, excess of $13 million with Evanston Insurance Company (Markel); and Excess Liability coverage of $15 million, excess of $17 million with National Casualty. Allied World Assurance Co. (AWAC) provides excess liability coverage of $25 million, excess of $32 million. No settlements related to these programs have exceeded insurance coverage in the last three years.

The Workers' Compensation program was restructured by joining CSAC-EIA (California State Association of Counties – Excess Insurance Authority) Excess Workers' Compensation Program and purchasing a policy with a $2 million SIR and statutory limits with National Union Fire Insurance Company of Pittsburgh, PA. Property damage claims are insured on an occurrence basis over a $25 thousand deductible, and insured through CSAC-EIA and reinsured with Lexington Insurance Co. and with several insurers like AWAC, Ironshore, Partner RE, and Lloyd's of London, among others.

The County supplements its self-insurance for medical malpractice claims with a $25 million policy ($35 million aggregate) with BETA Risk Management Authority, which provides annual coverage on a claim made form basis with a SIR of $1 million for each claim.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, with Berkley Regional Insurance Co. with a $100 thousand deductible, and excess limits up to $10 million per occurrence.

The activities related to such programs are accounted for in the Risk Management Department's internal service funds ("Funds"), except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The liabilities recorded in these Funds are based on the results of actuarial studies and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 0.615% and an actuarially-determined 80% confidence level. It is the County's practice to obtain actuarial studies on an annual basis.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their claims liability in accordance with GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, at June 30, 2017.

Note 8: CONTINGENCIES

As of June 30, 2017, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

Note 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 22, 2017, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the CSA.

Note 10: PRIOR-PERIOD ADJUSTMENT

The net position as of the beginning of the year was adjusted to correct an error made in recording the pension expense for the year ended June 30, 2016. The deferred outflow of resources for pension contributions of $5,821 made subsequent to the measurement date was not recognized. Had the error not been made, the change in net position would have decreased by $5,821.