COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 ZONE SP-2 HIGH COUNTRY
FINANCIAL STATEMENTS
JUNE 30, 2018

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 – ZONE SP-2
HIGH COUNTRY
TABLE OF CONTENTS
June 30, 2018

TABLE OF CONTENTS

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Celebrating a Century of Quality Service

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Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 70 - Zone SP-2 High Country

Independent Auditor's Report

We have audited the accompanying financial statements of the County of San Bernardino Special District County Service Area No. 70 - Zone SP-2 High Country (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2018, 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, the standards applicable to financial audit contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, 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.

Certified Public Accountants
& Business Advisors

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 70 - Zone SP-2 High Country

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 SP-2 High Country as of June 30, 2018 and the changes in financial position and cash flows, 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.

Other Matters

Prior-Year Comparative Information

Prior year data has been included with the basic financial statements for comparative purposes only.

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 70 - Zone SP-2 High Country

Required Supplementary Information

Management has omitted Management's Discussion and Analysis and the Schedules of Pension Plan Contribution and Proportionate Share of Net Pension Liability 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 December 21, 2018, on our consideration of the CSA'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 solely 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 the effectiveness of the CSA's 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 CSA's internal control over financial reporting and compliance.

Eadie and Payne LLP

December 21, 2018
Riverside, California

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 - ZONE SP-2 - HIGH COUNTRY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	2018 Enterprise Funds	For Comparative Purposes Only 2017 Enterprise Funds
Assets		
Cash and investments	$ 976,492	$ 880,930
Accounts receivable, net	43,372	75,555
Total Assets	1,019,864	956,485
Deferred outflows of resources		
Pension	55,791	57,978
Liabilities		
Current:		
Due to other governments	18,817	5,768
Long-term:		
Net pension liability	113,098	117,499
Total Liabilities	131,915	123,267
Deferred inflows of resources		
Pension	25,261	26,404
Net position		
Unrestricted	918,479	864,792
Total Net Position	$ 918,479	$ 864,792

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 - ZONE SP-2 - HIGH COUNTRY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	2018 Enterprise Funds	For Comparative Purposes Only 2017 Enterprise Funds
Operating Revenues		
Sanitation services	$ 251,367	$ 310,419
Other services	1,075	665
Total Operating Revenues	252,442	311,084
Operating Expenses		
Salaries and benefits	76,524	149,908
Services and supplies	65,317	119,225
Utilities	66,475	-
Total Operating Expenses	208,316	269,133
Operating Income	44,126	41,951
Nonoperating Revenues		
Investment earnings	7,214	4,449
Special assessments	102	727
Penalties	2,245	2,853
Total Nonoperating Revenue	9,561	8,029
Change in net position	53,687	49,980
Net position at beginning of year	864,792	814,812
Net position at end of year	$ 918,479	$ 864,792

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 70 - ZONE SP-2 - HIGH COUNTRY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	2018 Enterprise Funds	For Comparative Purposes Only 2017 Enterprise Funds
Cash Flows From Operating Activities		
Receipts from customers	$ 284,625	$ 294,486
Payments to suppliers	(118,743)	(119,225)
Payments to employees	(79,881)	(154,065)
Net Cash Provided by (Used in) Operating Activities	86,001	21,196
Cash Flows From Noncapital Financing Activities		
Special assessments	102	727
Penalties	2,245	2,853
Net Cash Provided by Noncapital Financing Activities	2,347	3,580
Cash Flows From Investing Activities		
Investment earnings	7,214	4,449
Net Cash Provided by (Used in) Investing Activities	7,214	4,449
Net Increase / (Decrease) in Cash and Cash Equivalents	95,562	29,225
Cash and Cash Equivalents - beginning of the year	880,930	851,705
Cash and Cash Equivalents - end of the year	$ 976,492	$ 880,930
Reconciliation of operating income to net cash used for operating activities:		
Operating Income	$ 44,126	$ 41,951
Adjustments to reconcile operating income to net cash used for operating activities:		
Change in assets and liabilities:		
(Increase)/decrease in accounts receivable, net	32,183	(16,598)
Increase/(decrease) in due to other funds	-	-
Increase/(decrease) in due to other governments	13,049	-
Increase/(decrease) in net pension liability, net of deferred outflows and inflows	(3,357)	(4,157)
Net Cash Used for Operating Activities	$ 86,001	$ 21,196

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 SP-2 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 SP-2, was established on May 20, 1985 by an act of the Board of Supervisors of the County of San Bernardino (the County) to service a sewer collection system to 231 Equivalent Dwelling Units (EDUs) in the High Country Development tract of homes.

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 Zone SP-2 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, 2018.

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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 use, 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.

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."

No allowance for uncollectibles was recorded at June 30, 2018 based on management's expectation that all accounts receivable will be collected through the property tax roll.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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
Structure and improvements	5-40
Equipment and vehicles	4-15

Currently, the CSA does not have any capital assets.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018. 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: 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 3: 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.

Employee contribution rates for the fiscal year ended June 30, 2018 ranged between 7.90% and 14.87% for Tier 1 General members and was 8.45% for Tier 2 General members.

Note 3: RETIREMENT PLAN (continued)

Employer contribution rates for fiscal year ended June 30, 2018 were 22.41% and 19.36% 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, 2018.

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

At June 30, 2018, the CSA reported a liability of $113,098 which represents 1.56% 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 2018 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 2017 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, 2017 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 (7.25 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 (6.25 percent) or 1 percentage-point higher (8.25 percent) than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 198,529	$ 113,098	$ 42,827

Note 3: RETIREMENT PLAN (continued)

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

Pension expense recognized amounted to $13,479 for the year ended June 30, 2018.

At June 30, 2018, 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**
$ 55,791	$ (25,261)

* 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 CSA's contributions to the plan subsequent to the measurement date of $16,766, 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,		
2019	$	1,825
2020		5,708
2021		3,732
2022		(1,302)
2023		3,177
Thereafter		625
Total	$	13,764

Note 4: RISK MANAGEMENT

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, environmental 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 $50 million is provided through a combination of insurance policies as recommended by Alliant Insurance Services Inc., Insurance Broker through CSAC-EIA (California State Association of Counties – Excess Insurance Authority), as follows: Primary Liability coverage $25 million excess of $3 million self-insured retention with QBE Insurance, Munich Reinsurance America, Inc., Markel Corp., Great American Ins., Brit Global Specialty USA, and Lloyd’s of London ANNV syndicate. Excess Liability coverage for $10 million, excess of $25 million with Brit Global Specialty USA and Great American Ins. Company. Allied World Assurance Co. (AWAC) provides excess liability coverage of $15 million, excess of $35 million. In addition, the actuary has recommended that the County maintains a $24 million reserve to cover SIR exposure for auto and general liability programs. No settlements related to these programs have exceeded insurance coverage in the last three years.

The Workers' Compensation program continued under CSAC-EIA Excess Workers’ Compensation Program with a policy of $2 million SIR and statutory limits with Great American Insurance Co., ACE American Insurance Co., and Liberty Insurance Corporation. 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/reinsurers 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 claims made basis with a SIR of $1 million for each claim.

Environmental claims are expected to occur infrequently, but have the potential to be expensive when they do occur. The County has experienced only two significant environmental liability claims since it began self-insuring this exposure in 1983. Given that environmental liability is an extremely volatile coverage, which is characterized by low frequency and high severity, the County has taken a conservative stance, as recommended by the actuary, by setting aside a minimum of $10 million to cover future environmental liability claims.

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

Note 4: RISK MANAGEMENT (Continued)

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 1.392% 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, 2018.

Note 5: CONTINGENCIES

As of June 30, 2018, 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 6: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2018, 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.