

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 60 APPLE VALLEY AIRPORT
FINANCIAL STATEMENTS
JUNE 30, 2016**

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 60 APPLE VALLEY AIRPORT
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JUNE 30, 2016**

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An Independent CPA Firm

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 60 Apple Valley Airport

Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 60 Apple Valley Airport (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2016, 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.

Board of Supervisors
County of San Bernardino Special
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No. 60 Apple Valley Airport
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the County CSA, as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Emphasis of Matter

As described in Note 1 to the financial statements, during the year ended June 30, 2016, the CSA implemented GASB Nos. 72, 73, and 79. Our opinion is not modified with respect to this matter.

Other Matters

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.

David L. Gruber and Associates, Inc.

David L. Gruber and Associates, Inc.

Newport Beach, California
November 30, 2016

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA NO. 60 - APPLE VALLEY AIRPORT
 Proprietary Fund
 Statement of Net Position
 June 30, 2016

	<u>Enterprise Fund</u>
Assets	
Current:	
Cash and cash equivalents	\$ 10,716,347
Interest Receivable	18,557
Taxes Receivable	48,876
Loan Receivable	6,515
Due from other government	13,471
	-
Total Current Assets	10,803,766
Non-current assets:	
Other receivable	
Loan receivable	122,011
Capital assets:	
Land	3,291,381
Construction in progress	247,577
Improvements to land	9,079,169
Structures	8,598,311
Vehicles	644,382
Equipment	154,180
Less: accumulated depreciation	(9,219,143)
Total capital assets, net	12,795,857
Total noncurrent assets	12,917,868
Total assets	23,721,634
Liabilities	
Current Liabilities:	
Accounts payable	17,768
Due to other governments	131,486
Deferred revenue	17,627
	17,627
Total liabilities	166,881
Net position	
Invested in capital assets	12,795,857
Unrestricted	10,758,896
	10,758,896
Total net position	\$ 23,554,753

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA NO. 60 - APPLE VALLEY AIRPORT
 Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 Year ended June 30, 2016

	<u>Enterprise Fund</u>
Operating Revenue	
Charges for services	\$ 720,446
	<hr/>
Total operating revenue	720,446
	<hr/>
Operating Expenses	
Salaries and benefits	720,594
Services and supplies	981,524
Depreciation	719,906
	<hr/>
Total program expenses	2,422,024
	<hr/>
Operating income (loss)	(1,701,578)
	<hr/>
Nonoperating Revenues (Expenses)	
Property taxes	1,800,000
Other taxes	439,741
Investment earnings	77,900
Other revenues	63,782
	<hr/>
Total Nonoperating Revenues (Expenses)	2,381,423
	<hr/>
Change in net position	679,845
	<hr/>
Net position at beginning of year	22,874,908
	<hr/>
Net position at end of year	<u>\$ 23,554,753</u>

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA NO. 60 - APPLE VALLEY AIRPORT

Proprietary Fund
Statement of Cash Flows
June 30, 2016

	<u>Enterprise Fund</u>
Cash Flows from operating activities	
Receipts from customers	\$ 692,288
Payments to suppliers	(1,144,608)
Payments to employees	<u>(720,594)</u>
Net Cash Provided by operating activities	<u>(1,172,914)</u>
Cash Flows from noncapital financing activities	
Property taxes	1,800,000
Other taxes	439,741
Other revenues	63,782
Net cash provided by noncapital financing activities	<u>2,303,523</u>
Cash Flows from Capital and related Financing Activities	
Purchase of capital assets	(137,154)
Net Cash Used for Capital and related Financing Activities	<u>(137,154)</u>
Cash Flows from investing activities	
Payments received from loan	6,515
Investment earnings	<u>67,665</u>
Net Cash provided by investment activities	<u>74,180</u>
Net Increase (decrease) in Cash and Cash Equivalents	1,067,635
Cash and Cash Equivalents - beginning of the year	<u>9,648,712</u>
Cash and Cash Equivalents - end of the year	<u><u>\$ 10,716,347</u></u>

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA NO. 60 - APPLE VALLEY AIRPORT
 Proprietary Fund
 Statement of Cash Flows (continued)
 Year ended June 30, 2016

Reconciliation of operating loss to net cash used for operating activities:	
Operating income (loss)	\$ (1,701,578)
Adjustments to reconcile operating loss net cash used for operating activities:	
Depreciation expense	719,906
Change in assets and liabilities:	
(Increase) decrease in tax receivable	(5,420)
(Increase) decrease in due from other governments	(13,471)
Increase (decrease) in accounts payable	6,265
Increase (decrease) in due to other governments	(169,349)
Increase (decrease) in deferred revenue	<u>(9,267)</u>
Net Cash Used for Operating Activities	<u><u>\$ (1,172,914)</u></u>

See accompanying notes to basic financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 60 APPLE VALLEY AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of County Service Area No. 60 – Apple Valley Airport 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 No. 60 – Apple Valley Airport (CSA) was established on December 19, 1966 by an act of the Board of Supervisor of the County of San Bernardino (the County) to provide and maintain public airports and landing places for aerial traffic and related activities. Currently, the CSA funds the operations and maintenance of Apple Valley Airport, which is administered and staffed by the County of San Bernardino Department of Airports.

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 Board of Supervisors has established and appoints a seven (7) member Airport Commission which advises the Department of Airports on matters related to the operation of County owned airports and the Apple Valley Airport.

The accompanying financial statements reflect only the accounts of the County Service Area No. 60 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, 2016.

Measurement focus, basis of accounting, and financial statement 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 there 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.

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

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 60 APPLE VALLEY AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property 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 include 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 the unrestricted resources as they are needed.

Cash and Investments

Cash and cash equivalents 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 has no governmental activities. All accounts receivable are shown net of an allowance for uncollectibles when applicable.

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.

Accounts Receivable

No allowance for uncollectibles has been recorded as of June 30, 2016 based on management's expectation that all accounts receivable will be collected through the regular tax roll.

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.

Deferred revenue

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are recorded on the basic financial statements as deferred revenue.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 60 APPLE VALLEY AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets, which include property, plant, and equipment are reported in the 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 acquisition value at the date of donation in accordance with GASB Statement No. 72.

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 are depreciated using straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structure and improvements	5-40
Equipment and vehicles	4-15

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.

Stewardship, compliance and accountability

A. Budgetary information

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.

New Accounting Pronouncements

The District adopted Statement on Governmental Accounting Standards (GASB Statement) No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68*, and GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 60 APPLE VALLEY AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds of the balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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, as well as issuance costs, 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 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.

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 Statement of Net Position, 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 are restricted by external creditors, grantors, contributors, laws or regulations of other governments. Unrestricted Net position is all net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net position.”

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 60 APPLE VALLEY AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2: CASH AND INVESTMENTS

Cash, cash equivalents, and investments includes 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, cash equivalents, and investments are shown at the fair value as of June 30, 2016. 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.

NOTE 3: LOAN RECEIVABLE

The CSA entered into four separate agreements with Apple Valley Ranchos Water Company (Utility) to construct distribution facilities for the purpose of furnishing public utility water service to Apple Valley Airport. The CSA advanced the amount of \$260,585 to cover cost of these facilities. The CSA is reimbursed by the Utility 2 ½ percent of the cost per year for 40 years. The amount outstanding at June 30, 2016, is \$128,526. Of this amount, \$6,515 is the current other receivable and \$122,011 is the noncurrent other receivable reported on the statement of net position.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,291,381	\$ -	\$ -	\$ 3,291,381
Construction in progress	110,423	137,154	-	247,577
Total capital assets, not being depreciated:	3,401,804	137,154	-	3,538,958
Capital assets, being depreciated:				
Improvements to land	9,079,169	-	-	9,079,169
Structures and improvements	8,598,311	-	-	8,598,311
Vehicles	644,382	-	-	644,382
Equipment	154,180	-	-	154,180
Total capital assets, being depreciated:	18,476,042	-	-	18,476,042
Less accumulated depreciation for:				
Improvements to land	(4,938,837)	(446,402)	-	(5,385,239)
Structures and improvements	(2,875,913)	(240,660)	-	(3,116,573)
Vehicles	(562,536)	(28,276)	-	(590,812)
Equipment	(121,951)	(4,568)	-	(126,519)
Total accumulated depreciation	(8,499,237)	(719,906)	-	(9,219,143)
Total capital assets, being depreciated, net	9,976,805	(719,906)	-	9,256,899
Governmental activities capital assets, net	\$ 13,378,609	\$ (582,752)	\$ -	\$ 12,795,857

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 60 APPLE VALLEY AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

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.

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.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 60 APPLE VALLEY AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5: RETIREMENT PLAN (continued)

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, 2016 ranged between 7.81% and 14.21% for Tier 1 General members and between 7.70% and 8.40% for Tier 2 General members.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their pension liabilities, pension expense, deferred outflows and inflows of resources related to pensions, actuarial assumptions, and discount rates, for the current year and two preceding years computed in accordance with GASB 68, *Accounting and Reporting for Pension Plans*, for the year ended June 30, 2016.

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.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 60 APPLE VALLEY AIRPORT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7: RISK MANAGEMENT (continued)

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, 2016.

NOTE 8: CONTINGENCIES

As of June 30, 2016 in the opinion of the CSA Administration, there are no outstanding matters which would have a significant effect of the financial position of the CSA.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2016, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have significant impact on the CSA.