Crestline Sanitation District

(A California Special District)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Smith Marion & Company, LLP
Certified Public Accountants

Crestline Sanitation District

Table of Contents
June 30, 2016 and 2015

	Exhibit	Page
Independent Auditors’ Report		1
List of Elected and Appointed Officials		2
Management’s Discussion and Analysis		3 – 7
Basic Financial Statements		
Statements of Net Position at June 30, 2016 and 2015	A	8 – 9
Statements of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2016and 2015	B	10
Statements of Cash Flows for the Years Ended June 30, 2016 and 2015	C	11 – 12
Notes to Financial Statements		13 – 43
Required Supplementary Information		
Schedule of the District’s Proportionate Share of the Plan’s Net Pension Liability and Related Ratios as of the Measurement Date		44
Schedule of Plan Contributions		45
Other Post-Employment Benefits (OPEB) – Schedule of Funding Progress		46
Notes to Required Supplementary Information		47

List of Elected and Appointed Officials
June 30, 2016

Elected Officials

Board of Directors

Title	Director	Term Expires
Chairman	Matthew Philippe	October, 2019
Vice-Chairman	Penny Shubnell	October, 2019
Secretary	Ken Nelsen	October, 2017
Director	Sherri Fairbanks	October, 2019
Director	Jack Winsten	October, 2017

Appointed Official

General Manager Mark Pattison

Crestline Sanitation District
24516 Lake Drive
PO Box 3395
Crestline, CA 92325-3395

Smith Marion & Company, LLP · Certified Public Accountants
Redlands Office · 1940 Orange Tree Lane, Suite 100 · Redlands, CA 92374 · (909) 307-2323

Board of Directors
Crestline Sanitation District
Crestline, CA

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities of the Crestline Sanitation District as of and for the years ended June 30, 2016 and 2015, and the related notes to the financials, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements and Reporting Guidelines for California Special Districts. 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 opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of Crestline Sanitation District as of June 30, 2016 and 2015, and the respective change in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Accounting principles generally accepted in the United States of America require that the management's discussion, the Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date, the Schedule of Plan Contributions, Other Post Employment Benefits (OPEB)-Schedule of Funding and the Notes to Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Smith Marion & Co.

January 17, 2017

Our discussion and analysis of Crestline Sanitation District's (District) financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2016 and 2015. Please read it in conjunction with the District's basic financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2016 and 2015 by $15,943,636 and $15,761,094 respectively, which is reported as net position.
- The Sewer enterprise of the District is a business-type activity that is intended to recover all or a significant portion of its costs through user fees and charges. The sewer rates increased 8% in November, 2015 over the prior year.
- The District's long-term debt in the form of a loan from the State Water Resources Control Board decreased by $102,594 in 2016 and $100,860 in 2015.
- At June 30, 2016 and 2015, the District was carrying accounts receivable in the amount of $519,547 and $696,535 respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Required statements for proprietary funds are: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, and 3) Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are prepared using the economic resource measurement focus and the accrual basis of accounting.

The ***Statement of Net Position*** presents information on all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases and decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall financial position of the District.

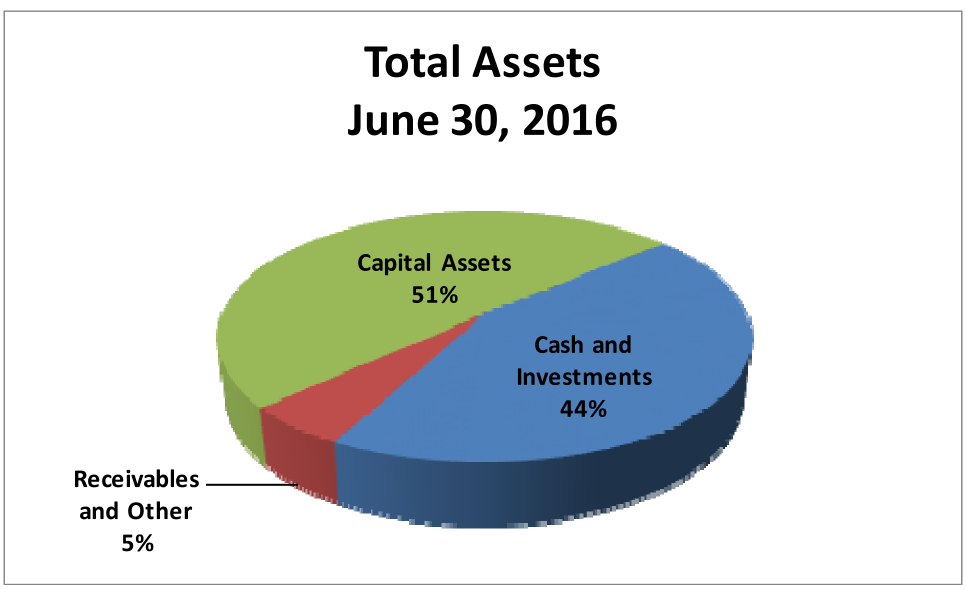
The ***Statement of Revenues, Expenses and Changes in Net Position*** reports the changes that have occurred during the year to the District's net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported for some items that will result in cash flows in the subsequent years.

The ***Statement of Cash Flows,*** as the name implies, is concerned solely with flows of cash and cash equivalents. Only transactions that affect the District's cash position are reflected in this statement. Transactions are segregated into four sections on the statement: 1) cash flows from operating activities, 2) cash flows from noncapital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

Financial Summary and Analysis

Condensed Statements of Net Position

	2016	2015	2014	Change from 2015 to 2016
ASSETS				
Current assets	$ 9,006,924	$ 9,006,919	9,355,961	$ 5
Capital assets, net	9,204,774	9,179,861	8,785,599	24,913
Total assets	18,211,698	18,186,780	18,141,560	24,918
DEFERRED OUTFLOWS OF RESOURCES	689,227	823,260	278,275	(134,033)
LIABILITIES				
Current liabilities	339,535	294,211	276,460	45,324
Long-term liabilities	2,165,941	2,139,516	2,154,651	26,425
Total liabilities	2,505,476	2,433,727	2,431,111	71,749
DEFERRED INFLOWS OF RESOURCES	451,813	815,219	447,381	(363,406)
NET POSITION				
Net investment in capital assets	8,994,266	8,866,759	8,371,637	127,507
Unrestricted	6,949,370	6,894,335	7,169,706	55,035
Total net position	$ 15,943,636	$ 15,761,094	$ 15,541,343	$ 182,542



Financial Summary and Analysis (continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2016	2015	2014	Change from 2015 to 2016
Operating revenue	$ 2,714,245	$ 2,522,336	$ 2,564,361	$ 191,909
Operating expenses	(3,656,668)	(3,304,420)	(3,220,764)	(352,248)
Loss from operations	(942,423)	(782,084)	(656,403)	(160,339)
Nonoperating revenues	1,207,644	1,160,681	1,122,531	46,963
Nonoperating expenses	(82,679)	(83,454)	(62,082)	775
Total nonoperating revenues (expenses)	1,124,965	1,077,227	1,060,449	47,738
Change in net position	182,542	295,143	404,046	(112,601)
Net position - beginning of year, as previously stated	15,761,094	15,541,343	17,253,925	219,751
Prior year restatement	-	(75,392)	(2,116,628)	75,392
Net position - beginning of year, as restated	15,761,094	15,465,951	15,137,297	295,143
Net position - end of the year	$ 15,943,636	$ 15,761,094	$ 15,541,343	$ 182,542

Capital Assets

The District's investment in capital assets includes land, buildings, distribution systems and furniture and equipment (see Note 3 for additional information). Analysis of capital assets is as follows:

	2016	2015	2014	Change from 2015 to 2016
Capital assets:				
Land	$ 213,308	$ 213,308	$ 213,308	$ -
Construction in progress	7,794	507,654	89,207	(499,860)
Improvements to land	17,441,905	17,441,905	17,441,905	-
Structures and improvements	10,176,755	9,326,799	8,852,790	849,956
Vehicles	1,216,726	1,069,655	1,159,219	147,071
Equipment	572,822	479,839	429,942	92,983
Intangible assets	16,925	16,925	-	-
Accumulated depreciation	(20,441,461)	(19,876,224)	(19,400,772)	(565,237)
Total capital assets, net	$ 9,204,774	$ 9,179,861	$ 8,785,599	$ 24,913

Long-Term Debt

The District's long-term debt consists of the following:

	2016	2015	2014	Change from 2015 to 2016
Loan payable	$ 210,508	$ 313,102	$ 413,962	$ (102,594)
Compensated absences	74,346	77,667	64,117	(3,321)
Other post-employment benefits obligation	114,802	94,826	75,392	19,976
Share of County pension obligation bonds	390,464	425,655	458,143	(35,191)
Net pension liability	1,533,165	1,378,093	1,364,142	155,072
Total long-term debt	$ 2,323,285	$ 2,289,343	$ 2,375,756	$ 33,942
Summary				
Current portion of debt	$ 157,344	$ 149,827	145,713	$ 7,517
Noncurrent portion of debt	2,165,941	2,139,516	2,230,043	26,425
Total long-term debt	$ 2,323,285	$ 2,289,343	$ 2,375,756	$ 33,942

The change in debt is due to principal repayments and pension related adjustments. More detailed information about the District's long-term liabilities is presented in Notes 4, 5 and 6 to the financial statements.

Unrestricted Net Position

The District had unrestricted net position of $6,949,370 at June 30, 2016. The Board of Directors has designated unrestricted net position for reserves as follows:

Designated Reserves	Amount
Reserve for operations	$ 859,748
Reserve for capital replacement	3,826,143
Reserve for catastrophe response	2,263,479
Total reserved net position	$ 6,949,370

The District's reserve policy endeavors to designate unrestricted net position as follows: reserve for operations at six months of projected operating costs for the 2015/16 budget year plus one year's debt service; reserve for replacement at 25% of accumulated depreciation as of the beginning of the 2015/16 budget year; reserve for catastrophe response at 25% of net capital assets as of the beginning of the 2015/16 budget year; and reserve for capital projects as necessary to fund capital projects identified in the 2015/16 budget. The District's target reserve balance for 2015/16 is $9,726,760 in accordance with the reserve policy and the 2015/16 budget, which is $2,777,390 higher than available unrestricted net position as of June 30, 2016.

Economic Factors and Rates

Sewer fees are set at a monthly flat fee. Rates for the sewer enterprises are set by the Board of Directors to meet the cost of operations and to fund debt service. The District's sewer rates increased by 8% in November, 2015.

Conditions Affecting Current Financial Position

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

Requests for Information

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or request for additional financial information should be addressed to the District Manager at 24516 Lake Drive, Crestline, CA 92325.

BASIC FINANCIAL STATEMENTS

Statements of Net Position
June 30, 2016 and 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 412,623	$ 609,801
Investments	7,605,398	7,475,806
Accounts receivable	519,547	696,535
Taxes receivable	52,812	57,197
Special assessments receivable	362,517	112,527
Interest receivable	13,519	11,853
Material and supplies inventory	14,449	13,293
Prepaid expenses	26,059	29,907
Total Current Assets	9,006,924	9,006,919
Noncurrent Assets:		
Capital assets:		
Land	213,308	213,308
Construction in progress	7,794	507,654
Improvements to land	17,441,905	17,441,905
Structures and improvements	10,176,755	9,326,799
Vehicles	1,216,726	1,069,655
Equipment	572,822	479,839
Intangible assets	16,925	16,925
Accumulated depreciation	(20,441,461)	(19,876,224)
Total Noncurrent Assets	9,204,774	9,179,861
Total Assets	18,211,698	18,186,780
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (note 5)	689,227	823,260
Total Deferred Outflows of Resources	689,227	823,260

See accompanying notes and independent auditors' report.

Statements of Net Position
June 30, 2016 and 2015

	2016	2015
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 63,062	$ 57,881
Accrued liabilities	118,177	84,632
Interest payable	952	1,871
Current portion of loan payable	104,357	102,594
Current portion of compensated absences payable	14,869	12,042
Current portion of County pension obligation bonds	38,118	35,191
Total Current Liabilities	339,535	294,211
Noncurrent Liabilities:		
Loan payable, net of current portion	106,151	210,508
Compensated absences payable, net of current portion	59,477	65,625
Other post-employment benefits obligation (note 6)	114,802	94,826
Share of County pension obligation bonds (note 4)	352,346	390,464
Net pension liability (note 5)	1,533,165	1,378,093
Total Noncurrent Liabilities	2,165,941	2,139,516
Total Liabilities	2,505,476	2,433,727
DEFERRED INFLOWS OF RESOURCES		
Pension related (note 5)	451,813	815,219
Total Deferred Inflows of Resources	451,813	815,219
NET POSITION		
Net investment in capital assets	8,994,266	8,866,759
Unrestricted	6,949,370	6,894,335
Total Net Position	$ 15,943,636	$ 15,761,094

See accompanying notes and independent auditors' report.

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Charges for services	$ 2,554,930	$ 2,367,153
Permit and inspection fees	29,671	24,404
Connection fees	14,964	9,082
Other services	114,680	121,697
Total Operating Revenues	2,714,245	2,522,336
OPERATING EXPENSES		
Salaries and benefits	2,143,173	1,848,503
Professional services	285,652	256,267
Services and supplies	500,644	469,335
Utilities	161,962	157,990
Depreciation	565,237	572,325
Total Operating Expenses	3,656,668	3,304,420
Loss From Operations	(942,423)	(782,084)
NONOPERATING REVENUES (EXPENSES)		
Property taxes	1,026,185	989,877
Special assessments	29,090	50,662
State assistance	10,582	10,994
Investment earnings	141,787	97,148
Gain on sales of capital assets	-	12,000
Interest expense	(80,386)	(80,934)
Other expense	(2,293)	(2,520)
Total Nonoperating Revenues (Expenses)	1,124,965	1,077,227
Change in net position	182,542	295,143
Net position - beginning of the year, as previously stated	15,761,094	15,541,343
Prior period adjustment (note 10)	-	(75,392)
Net position - beginning of the year, as restated	15,761,094	15,465,951
Net position - end of the year	$ 15,943,636	$ 15,761,094

See accompanying notes and independent auditors’ report.

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 2,609,917	$ 2,568,497
Payments to suppliers	(940,385)	(788,055)
Payments for employee's salaries and benefits	(2,167,274)	(1,986,439)
Net Cash Used for Operating Activities	(497,742)	(205,997)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	1,030,570	975,197
Special assessments	60,416	51,115
State assistance	10,582	10,994
Other nonoperating revenues (expenses)	(2,293)	(1,042)
Net Cash Provided by Noncapital Financing Activities	1,099,275	1,036,264
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(590,150)	(966,587)
Proceeds from sale of capital assets	-	12,000
Principal payments on loan	(102,594)	(100,860)
Principal payments on pension obligation bonds	(35,191)	(32,488)
Interest payments	(81,305)	(80,934)
Net Cash Used for Capital and Related Financing Activities	(809,240)	(1,168,869)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	140,121	101,480
Purchase of investments	(5,089,783)	(4,191,563)
Proceeds from investments	4,960,191	3,875,376
Net Cash Provided by (Used for) Investing Activities	10,529	(214,707)
Net Decrease in Cash and Cash Equivalents	(197,178)	(553,309)
Cash and cash equivalents - beginning of the year	609,801	1,163,110
Cash and cash equivalents - end of the year	$ 412,623	$ 609,801

See accompanying notes and independent auditors’ report.

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (942,423)	$ (782,084)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	565,237	572,325
Actuarial pension expense	234,618	183,884
Pension contributions subsequent to measurement date	(308,919)	(347,080)
Delinquent customer accounts receivable added to County property tax roll	(281,316)	-
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	176,988	46,161
Material and supplies inventory	(1,156)	-
Prepaid expenses	3,848	75,654
Increase (Decrease) in:		
Accounts payable	5,181	19,883
Accrued liabilities	33,545	(7,724)
Compensated absences payable	(3,321)	13,550
Other post-employment benefits obligation	19,976	19,434
Net Cash Used for Operating Activities	$ (497,742)	$ (205,997)

Noncash transactions from noncapital financing activities, capital and related financing activities, and investing activities:

None

See accompanying notes and independent auditors' report.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the District

The Crestline Sanitation District (District) was established by an act of the Board of Supervisors of the County of San Bernardino on January 21, 1946 as a component unit of the County of San Bernardino, to provide sewer services to the Crestline area. The District operates and maintains three treatment plants, 90 miles of collection systems, a 14-mile effluent outfall line, and an effluent disposal site. The District provides sewage collection, treatment, and disposal services for 5,314 Equivalent Dwelling Units (EDUs).

On November 4, 2008, Measure R was passed by the community of Crestline. This measure established a Governance Committee, whose purpose is to conduct a study and recommend to the County Board of Supervisors whether or not the District should change its governance to a district governed by a locally elected board composed of residents of the District. On February 16, 2010, the Governance Committee issued its Governance Feasibility Report, which recommends a reorganization of the governing body of the District from a Board-governed to self-governed Board of Directors. As a result of this recommendation, a special election was held on August 3, 2010 for the community of Crestline to give final vote as to the future governance of the District and the five local residents that would serve as the Board of Directors. The voters voted in favor of the District to become a self-governed District. As of October 1, 2010, the governance of the District was transferred from the County Board of Supervisors to the District's locally elected board.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District's financial statements have been prepared using the *economic resources measurement focus* and the *accrual basis of accounting,* in conformity with generally accepted accounting principles (GAAP). Under this basis, 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.

The District has elected to follow all pronouncements of the Governmental Accounting Standards Board (GASB).

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)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in money market funds, certificates of deposit with an original maturity of 3 months or less.

Investments

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale). Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Allowance for Uncollectible Accounts

No allowance for uncollectible accounts receivables was recorded at June 30, 2016 and 2015 based on management's expectation that all accounts receivable will be collected through the property tax roll.

Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Inventory

Inventories are valued at cost which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenses when used (consumption method).

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 (for improvements to land, structures and improvements, vehicles, and equipment) and have an estimated useful life in excess of two years. Purchased or constructed capital assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. 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 asset or materially extend assets' lives are not capitalized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Major capital outlays are capitalized as construction in progress and are not depreciated until placed into service.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Improvements to land	10 - 45
Structures and improvements	5 - 45
Vehicles	5 - 15
Equipment	3 - 15

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Employee Benefits/Compensated Absences

District employees earn vacation and sick leave days based on length of service. Upon termination, the District is obligated to compensate employees for 100% of the accrued unused vacation time. Upon retirement, the District is obligated to compensate employees for 50% of the accrued unused sick leave to a maximum of 1,000 hours. Compensated absences payable are presented in the liabilities section of the statement of net position.

The District provides health benefits through a cafeteria plan, which includes health, dental, and vision care to eligible District employees. Benefit expenses are recognized in the period in which the benefits were provided.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has only one type of deferred outflows of resources, which is pension related, and is disclosed in note 5.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate 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 District has only one type of deferred inflows of resources, which is pension related, and is disclosed in note 5.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position is categorized as follows:

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

Restricted Net Position - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted net position as of June 30, 2016 or June 30, 2015.

Unrestricted Net Position - This component of net position consists of net position that does not meet the definition of *restricted* net position or *net investment in capital assets*.

Restricted Resources

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

Operating and Nonoperating Activities

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sewer services. Operating expenses include the costs associated with providing sewer services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property Taxes

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are due in two installments. The first installment is due on November 1, and is payable through December 10 without penalty. The second installment is due February 1, and becomes delinquent on April 10. Property taxes are remitted to the District from the County of San Bernardino at various times throughout the year.

Stewardship, Compliance and Accountability

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of New Pronouncements

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application.* The objective of this statement is to address accounting and financial reporting issues related to fair value measurement. The statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District implemented GASB Statement No. 82, *Pension Issues*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Pension Plan

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For the year ended June 30, 2016, the following timeframes are used.

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

For the year ended June 30, 2015, the following timeframes are used.

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to be consistent with the current year's presentation.

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 and 2015 are classified in the accompanying financial statements as follows:

	2016	2015
Statement of Net Position:		
Cash and cash equivalents	$ 412,623	$ 609,801
Investments	7,605,398	7,475,806
Total Cash and Investments	$ 8,018,021	$ 8,085,607

Cash and investments as of June 30, 2016 and 2015 consist of the following:

	2016	2015
Cash on hand	$ 500	$ 500
Deposits with financial institutions	412,123	609,301
Investments	7,605,398	7,475,806
Total Cash and Investments	$ 8,018,021	$ 8,085,607

NOTE 2: CASH AND INVESTMENTS (continued)

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District's investment policy and in accordance with Section 53601 of the California Government Code. The table also identifies certain provisions of the District's investment policy that address interest rate risk, and concentration of credit risk.

		Fair Value Measurement Using		
June 30, 2016	Total	Level 1	Level 2	Level 3
Investment by fair value level:				
United States Government				
Sponsored Enterprise Securities	$ 651,436	$ -	$ 651,436	$ -
Medium-Term Notes	1,550,045	-	1,550,045	-
Negotiable Certificates of Deposit	1,822,316	-	1,822,316	-
Total investments by fair value level	4,023,797	$ -	$ 4,023,797	$ -
Investments measured at the net asset value (NAV):				
Local Agency Investment Fund	178,202			
Investment Trust of California	321,291			
Money Market Mutual Funds	3,082,108			
Total investment measured at the NAV	3,581,601			
Total investments measured at fair value	$ 7,605,398			

		Fair Value Measurement Using		
June 30, 2015	Total	Level 1	Level 2	Level 3
Investment by fair value level:				
United States Government				
Sponsored Enterprise Securities	$ 1,802,606	$ -	$ 1,802,606	$ -
Medium-Term Notes	1,824,012	-	1,824,012	-
Negotiable Certificates of Deposit	1,789,330	-	1,789,330	-
Total investments by fair value level	5,415,948	$ -	$ 5,415,948	$ -
Investments measured at the net asset value (NAV):				
Local Agency Investment Fund	177,520			
Investment Trust of California	318,051			
Money Market Mutual Funds	1,564,287			
Total investment measured at the NAV	2,059,858			
Total investments measured at fair value	$ 7,475,806			

NOTE 2: CASH AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2016, the District had the following investments:

	Remaining Maturity (in Months)			
Investment type	12 or less	13 to 24	25 to 60	Total
United States Government				
Sponsored Enterprise Securities	$ -	$ 301,221	$ 350,215	$ 651,436
Local Agency Investment Fund	178,202	-	-	178,202
Investment Trust of California	-	204,460	116,831	321,291
Medium-Term Notes	730,229	398,327	421,489	1,550,045
Negotiable Certificates of Deposit	603,949	-	1,218,367	1,822,316
Money Market Mutual Funds	3,082,108	-	-	3,082,108
Totals	$ 4,594,488	$ 904,008	$ 2,106,902	$ 7,605,398

As of June 30, 2015, the District had the following investments:

	Remaining Maturity (in Months)			
Investment type	12 or less	13 to 24	25 to 60	Total
United States Government				
Sponsored Enterprise Securities	$ -	$ -	$ 1,802,606	$ 1,802,606
Local Agency Investment Fund	177,520	-	-	177,520
Investment Trust of California	-	203,079	114,972	318,051
Medium-Term Notes	274,077	737,603	812,332	1,824,012
Negotiable Certificates of Deposit	500,878	608,579	679,873	1,789,330
Money Market Mutual Funds	1,564,287	-	-	1,564,287
Totals	$ 2,516,762	$ 1,549,261	$ 3,409,783	$ 7,475,806

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

At June 30, 2016 and 2015, the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

NOTE 2: CASH AND INVESTMENTS (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy and the actual rating as of year-end for each investment type.

As of June 30, 2016:

Investment Type	Amount	Minimum Legal Rating	AA	A	BBB	Unrated
United States Government Sponsored Enterprise Securities	$ 651,436	N/A	$ 651,436	$ -	$ -	$ -
Local Agency Investment Fund	178,202	N/A	-	-	-	178,202
Investment Trust of California - Short Term Fund	204,460	N/A	204,460	-	-	-
Investment Trust of California - Medium Term Fund	116,831	N/A	-	-	-	116,831
Medium-Term Notes	1,550,045	A	396,865	542,337	610,843	-
Negotiable Certificates of Deposit	1,822,316	N/A	-	-	-	1,822,316
Money Market Mutual Funds	3,082,108	N/A	-	-	-	3,082,108
Totals	$ 7,605,398		$ 1,252,761	$ 542,337	$ 610,843	$ 5,199,457

As of June 30, 2015:

Investment Type	Amount	Minimum Legal Rating	AA	A	BBB	Unrated
United States Government Sponsored Enterprise Securities	$ 1,802,606	N/A	$ 1,802,606	$ -	$ -	$ -
Local Agency Investment Fund	177,520	N/A	-	-	-	177,520
Investment Trust of California - Short Term Fund	203,079	N/A	203,079	-	-	-
Investment Trust of California - Medium Term Fund	114,972	N/A	-	-	-	114,972
Medium-Term Notes	1,824,012	A	435,693	972,596	415,723	-
Negotiable Certificates of Deposit	1,789,330	N/A	-	-	-	1,789,330
Money Market Mutual Funds	1,564,287	N/A	-	-	-	1,564,287
Totals	$ 7,475,806		$ 2,441,378	$ 972,596	$ 415,723	$ 3,646,109

NOTE 2: CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District's investment policy is to apply the prudent investor standard as set forth in the California Government Code: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The District's investment policy limits certain investments to minimum credit ratings issued by nationally recognized statistical rating organizations. The District's investments in commercial paper, medium-term notes, and money market funds at June 30, 2016 and 2015 met their respective minimum credit ratings requirements.

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total District's investments are as follows:

As of June 30, 2016: None

As of June 30, 2015: None

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

As of June 30, 2016 and 2015, $171,068 and $426,704 of the District's deposits with financial institutions respectively, were in excess of the Federal Deposit Insurance Corporation (FDIC) limits. As of June 30, 2016 and 2015, these funds were fully collateralized by securities in a separate account held by the same institution.

NOTE 2: CASH AND INVESTMENTS (continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance, and State Controller. The District may invest up to $50 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at www.treasurer.ca.gov.

The District investment in this pool is reported in the accompanying financial statements at cost which approximates fair value at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling $1,719 million and $1,206 million, which represents 2.81% and 1.86% of the total LAIF portfolio of $75.4 billion and $64.8 billion as of June 30, 2016 and 2015, respectively. LAIF's (and the District's) exposure to risk (credit, market or legal) is not currently available.

Investment Trust of California

The District voluntarily participates in the Investment Trust of California (CalTRUST), a Joint Powers Authority ("JPA"), established by public agencies in California for the purpose of pooling and investing local agency funds, operating reserves, and bond proceeds. A Board of Trustees supervises and administers the investment program of the Trust. The Board is comprised of experienced investment officers and policy-makers of the public agency members.

For the CalTRUST Short-Term, Medium-Term, and Long-Term Accounts, funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular accounts in which they invest. The District invests in the Short-Term and Medium-Term Accounts, with targeted investment durations of up to two years. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. Seq. and 53635, et. Seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust, and leveraging within the Trust's portfolios is prohibited. Separate CalTRUST financial statements are available from the Trustee on the Internet at www.caltrust.org.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs that have the lowest priority and consist of unobservable inputs for an asset or liability.

NOTE 2: CASH AND INVESTMENTS (continued)

Fair Value Measurements (continued)

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2016 and 2015.

June 30, 2016	Total	Fair Value Measurement Using Level 1	Level 2	Level 3
Investment by fair value level:				
United States Government				
Sponsored Enterprise Securities	$ 651,436	$ -	$ 651,436	$ -
Medium-Term Notes	1,550,045	-	1,550,045	-
Negotiable Certificates of Deposit	1,822,316	-	1,822,316	-
Total investments by fair value level	4,023,797	$ -	$ 4,023,797	$ -
Investments measured at the net asset value (NAV):				
Local Agency Investment Fund	178,202			
Investment Trust of California	321,291			
Money Market Mutual Funds	3,082,108			
Total investment measured at the NAV	3,581,601			
Total investments measured at fair value	$ 7,605,398			

June 30, 2015	Total	Fair Value Measurement Using Level 1	Level 2	Level 3
Investment by fair value level:				
United States Government				
Sponsored Enterprise Securities	$ 1,802,606	$ -	$ 1,802,606	$ -
Medium-Term Notes	1,824,012	-	1,824,012	-
Negotiable Certificates of Deposit	1,789,330	-	1,789,330	-
Total investments by fair value level	5,415,948	$ -	$ 5,415,948	$ -
Investments measured at the net asset value (NAV):				
Local Agency Investment Fund	177,520			
Investment Trust of California	318,051			
Money Market Mutual Funds	1,564,287			
Total investment measured at the NAV	2,059,858			
Total investments measured at fair value	$ 7,475,806			

NOTE 3: CAPITAL ASSETS

Summaries of changes in capital assets in service for the years ended June 30, 2016 and 2015 were as follows:

June 30, 2016

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
Capital assets, not being depreciated:				
Land	$ 213,308	$ -	$ -	$ 213,308
Construction in progress	507,654	574,697	(1,074,557)	7,794
Total capital assets, not being depreciated	720,962	574,697	(1,074,557)	221,102
Capital assets, being depreciated:				
Improvements to land	17,441,905	-	-	17,441,905
Structures and improvements	9,326,799	849,956	-	10,176,755
Vehicles	1,069,655	147,071	-	1,216,726
Equipment	479,839	92,983	-	572,822
Intangible assets	16,925	-	-	16,925
Total capital assets, being depreciated	28,335,123	1,090,010	-	29,425,133
Less accumulated depreciation for:				
Improvements to land	(14,882,255)	(280,253)	-	(15,162,508)
Structures and improvements	(3,920,168)	(191,321)	-	(4,111,489)
Vehicles	(751,317)	(65,363)	-	(816,680)
Equipment	(322,449)	(27,877)	-	(350,326)
Intangible assets	(35)	(423)	-	(458)
Total accumulated depreciation	(19,876,224)	(565,237)	-	(20,441,461)
Total capital assets, being depreciated, net	8,458,899	524,773	-	8,983,672
Total capital assets, net	$ 9,179,861	$ 1,099,470	$ (1,074,557)	$ 9,204,774

NOTE 3: CAPITAL ASSETS (continued)

June 30, 2015

	Balance 6/30/14	Additions	Deletions	Balance 6/30/15
Capital assets, not being depreciated:				
Land	$ 213,308	$ -	$ -	$ 213,308
Construction in progress	89,207	952,707	(534,260)	507,654
Total capital assets, not being depreciated	302,515	952,707	(534,260)	720,962
Capital assets, being depreciated:				
Improvements to land	17,441,905	-	-	17,441,905
Structures and improvements	8,852,790	474,009	-	9,326,799
Vehicles	1,159,219	7,309	(96,873)	1,069,655
Equipment	429,942	49,897	-	479,839
Intangible assets	-	16,925	-	16,925
Total capital assets, being depreciated	27,883,856	548,140	(96,873)	28,335,123
Less accumulated depreciation for:				
Improvements to land	(14,564,930)	(317,325)	-	(14,882,255)
Structures and improvements	(3,746,820)	(173,348)	-	(3,920,168)
Vehicles	(792,455)	(55,735)	96,873	(751,317)
Equipment	(296,567)	(25,882)	-	(322,449)
Intangible assets	-	(35)	-	(35)
Total accumulated depreciation	(19,400,772)	(572,325)	96,873	(19,876,224)
Total capital assets, being depreciated, net	8,483,084	(24,185)	-	8,458,899
Total capital assets, net	$ 8,785,599	$ 928,522	$ (534,260)	$ 9,179,861

NOTE 4: LONG-TERM DEBT

A. Loan Payable

On January 16, 1997, the District received a revolving fund loan from the State Water Resources Control Board in the amount of $2,159,508. The proceeds of the loan were used to fund construction of the Houston Creek treatment plant effluent storage reservoir. Of the $2,159,508 loan amount, $359,925 was funded by local matching funds. At June 30, 2016 and 2015, the outstanding principal balance was $210,508 and $313,102 respectively.

The activity for the loan payable for the years ended June 30, 2016 and 2015 are as follows:

Balance 6/30/15	Additions	Deletions	Balance 6/30/16	Due within one year
$ 313,102	$ -	$ (102,594)	$ 210,508	$ 104,357

Balance 6/30/14	Additions	Deletions	Balance 6/30/15	Due within one year
$ 413,962	$ -	$ (100,860)	$ 313,102	$ 102,594

A summary of loan payments for the remaining fiscal years is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 104,357	$ 3,618	$ 107,975
2018	106,151	1,825	107,976
Total	$ 210,508	$ 5,443	$ 215,951

NOTE 4: LONG-TERM DEBT (continued)

B. Compensated Absences

The District's policies relating to compensated absences are described in Note 1. Changes in compensated absences for the years ended June 30, 2016 and 2015 were as follows:

Balance 6/30/15	Additions	Deletions	Balance 6/30/16	Due within one year
$ 77,667	$ 198,310	$ (201,631)	$ 74,346	$ 14,869

Balance 6/30/14	Additions	Deletions	Balance 6/30/15	Due within one year
$ 64,117	$ 211,776	$ (198,226)	$ 77,667	$ 12,042

C. Pension Obligation Bonds

The District participates in the San Bernardino County Employees' Retirement Association (SBCERA) pension plan. Prior to the District becoming self-governed in 2010, it was a component unit of the County of San Bernardino (County), and because of its participation in SBCERA, the District was a deemed participant in the issuance of three pension obligation bonds.

In November 1995, San Bernardino County Financing Authority issued Revenue Bonds for the purpose of enabling the County to finance its share of unfunded pension indebtedness. On June 24, 2004, the County issued County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds). The Bonds have various maturity dates ranging from: 2005 to 2018 for Fixed Rate Bonds; 2004 to 2023 for Auction Rate Bonds; and 2004 to 2023 for Index Bonds. Series 2004 A Fixed Rate Bonds have fixed interest rates that range from 2.43% to 5.86%. The Series 2004 B Pension Obligation Bonds were fully refunded in April 2008 by the issued Pension Obligation Refunding Bonds, Series 2008, which have a fixed interest rate of 6.020%.

The District's liability for its proportionate share of the pension obligation bonds is contractually determined with the County, and is subject to change based on a number of relevant factors. The District's funding requirements for its proportionate share of the outstanding pension obligation bonds is based on a percentage of covered payroll, at a rate determined annually by the County. Funding requirements for the years ended June 30, 2016 and 2015 were 7.9% and 7.5% of covered payroll, respectively. Additional information about the pension obligation bonds is available in the County's Comprehensive Annual Financial Report and its Adopted Budget, which are both available at www.sbcounty.gov.

NOTE 4: LONG-TERM DEBT (continued)

C. Pension Obligation Bonds (continued)

Debt to maturity amortization schedules for the variable rate issues are based on the estimated average interest rate at the time of issuance. The District's proportionate share of the County's outstanding pension obligation bonds was estimated by multiplying the average of the District's proportionate share of pension obligation bond payments of approximately 0.1% by the total outstanding pension obligation bonds of the County. The difference between the District's change in proportionate share of the outstanding principal balance of the pension obligation bonds from the previous year and District's actual payments to the County during the year is reported as interest expense in the accompanying financial statements. Bond payments made to the County for the years ended June 30, 2016 and 2015 were $109,458 and $106,307, respectively. The District's interest expense related to the pension obligation bonds during the years ended June 30, 2016 and 2015 was $64,731 and $62,609, respectively.

The activity for the pension obligation bonds for the years ended June 30, 2016 and 2015 was as follows:

Balance 6/30/15	Additions	Deletions	Balance 6/30/16	Due within one year
$ 425,655	$ -	$ (35,191)	$ 390,464	$ 38,118

Balance 6/30/14	Additions	Deletions	Balance 6/30/15	Due within one year
$ 458,143	$ -	$ (32,488)	$ 425,655	$ 35,191

A summary of estimated pension obligation bond payments for the remaining fiscal years is as follows (actual payments are contractually determined each year):

Year Ending June 30,	Principal	Interest	Total
2017	$ 38,118	$ 66,793	$ 104,911
2018	41,428	68,728	110,156
2019	44,763	70,569	115,332
2020	48,603	72,259	120,862
2021	52,850	73,746	126,596
2022-2024	164,702	78,834	243,536
Total	$ 390,464	$ 430,929	$ 821,393

NOTE 5: DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Description

The District participates in the San Bernardino County Employees' Retirement Association (SBCERA) pension plan - a cost-sharing multiple-employer defined benefit pension plan (the Plan). 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 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 Plan operates under the provisions of the California County Employees' Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by SBCERA's Board of Retirement (Board). 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 is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

SBCERA is a legally separate entity from the District, not a component unit, and there is no financial interdependency with the County of San Bernardino. For these reasons, the District's financial statements exclude the SBCERA pension plan as of June 30, 2016. SBCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, that can be obtained by writing SBCERA at, 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at: www.sbcera.org.

Benefits Provided

SBCERA provides retirement, disability, death and survivor benefits. The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided (continued)

	General - Tier 1	General - Tier 2
Final Average Compensation	Highest 12 months	Highest 36 months
Normal Retirement Age	Age 55	Age 55
Early Retirement: Years of Service required and/or age eligible for	Age 70 any years	Age 70 any years
	10 Years ago 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	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

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the members years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member’s death.

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

Contributions

Participating employers and active members 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.

Employer contribution rates are as follows:

	Employer Contribution Rates	
	Tier 1 Members	Tier 2 Members
	Membership Dates Before January 1, 2013	Membership Dates On or After January 1, 2013
Actuarially Determined Required Contribution Percentages for Years Ended:		
June 30, 2016	22.49%	19.39%
June 30, 2015	20.24%	18.02%

The required employer contributions and the amount paid to SBCERA by the District for the years ended June 30, 2016 and 2015 were $308,919 and $347,080, respectively. The District's employer contributions were equal to the required employer contributions for the years ended June 30, 2016 and 2015.

B. Net Pension Liability

At June 30, 2016, the District reported a net pension liability of $1,533,165 for its proportionate share of the SBCERA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's reported liability at June 30, 2016, increased by $155,072 from the District's prior year liability of $1,378,093 because of changes in the SBCERA net pension liability and the District's proportionate share of that liability. The SBCERA's publicly available financial report provides details on the change in the net pension liability.

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

The District's proportion of the net pension liability was based on the District's contributions received by SBCERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of SBCERA's participating employers. At June 30, 2015, the District's proportionate share of total employer contributions was 0.090%, which was an increase of 0.008% from its proportion measured as of June 30, 2014. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The significant actuarial assumptions and methods used to measure the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	3.25%
Salary Increases (1)	4.6% - 13.75%
Investment Rate of Return	7.50%
Administrative expenses (2)	0.60% of payroll
Mortality Rate Table (3)	Deriverd using SBCERA's participant data for all employers

(1) Annual increases vary by category, entry age, and duration of service.

(2) Allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.

(3) Post-retirement mortality is based on the RP-2000 Combined Healthy Mortality Tables projected w ith Scale BB to 2020.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2010 – June 30, 2013.

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (continued)

The long-term expected rate of return on pension plan investments is 7.50%. SBCERA's actuary prepares an analysis of the long-term expected rate of return on a triennial basis using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocations (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

SBCERA'S Long-Term Expected Real Rate of Return
As of June 30, 2015 and 2014

Asset Class	Investment Classification	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.S. Equity	Domestic Common and Preferred Stock	5.00%	5.94%
Small Cap U.S. Equity	Domestic Common and Preferred Stock	2.00%	6.50%
Developed International Equity	Foreign Common and Preferred Stock	6.00%	6.87%
Emerging Market Equity	Foreign Common and Preferred Stock	6.00%	8.06%
U.S. Core Fixed Income	U.S. Government and Agency/Corporate Bonds	2.00%	0.69%
High Yield/Credit Strategies	Corporate Bonds/Foreign Bonds	13.00%	3.10%
Global Core Fixed Income	Foreign Bonds	1.00%	0.30%
Emerging Market Debt	Emerging Market Debt	6.00%	4.16%
Real Estate	Real Estate	9.00%	4.96%
Cash & Equivalents	Short-Term Cash Investment Funds	2.00%	-0.03%
International Credit	Foreign Alternatives	10.00%	6.76%
Absolute Return	Domestic Alternative/Foreign Alternatives	13.00%	2.88%
Real Assets	Domestic Alternative/Foreign Alternatives	6.00%	6.85%
Long/Short Equity	Domestic Alternative/Foreign Alternatives	3.00%	4.86%
Private Equity	Domestic Alternative/Foreign Alternatives	16.00%	9.64%
Total		**100.00%**	

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made based on the actuarially determined rates based on the SBCERA Board's funding policy, which establishes the contractually required rate based on statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
District's proportionate share of the net pension liabiltiy for year ended:			
June 30, 2016	$ 2,843,014	$ 1,533,165	$ 449,151
June 30, 2015	$ 2,435,410	$ 1,378,093	$ 502,456

Pension Plan Fiduciary Net Position

Detailed information about the SBCERA's fiduciary net position is available in a separately issued SBCERA comprehensive annual financial report. That report may be obtained on the Internet at www.sbcera.org; by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415; or by calling (909) 885-7980 or (877) 722-3721.

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

C. Proportionate Share of Net Pension Liability

The following table shows the Plan's proportion share of the net pension liability over the measurement periods.

June 30, 2016

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2014 (VD & MD)	$ 9,286,437	$ 7,908,344	$ 1,378,093
Balance at: 6/30/2015 (VD & MD)	$ 9,819,875	$ 8,286,710	$ 1,533,165
Net changes during measurement period 2014-15	$ 533,438	$ 378,366	$ 155,072

June 30, 2015

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD & MD)	$ 7,086,172	$ 5,722,030	$ 1,364,142
Balance at: 6/30/2014 (VD & MD)	$ 9,286,437	$ 7,908,344	$ 1,378,093
Net changes during measurement period 2013-14	$ 2,200,265	$ 2,186,314	$ 13,951

Valuation Date (VD), Measurement Date (MD).

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2015 was as follows:

Proportionate share at June 30, 2016 (measurement date June 30, 2015)	0.07891%
Proportionate share at June 30, 2015 (measurement date June 30, 2014)	0.08108%
Change - Increase (Decrease)	(0.00217%)

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Recognition of Gains and Losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) of all employees that are provided with pensions through SBCERA is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Plan. The EARSL for the Plan as of July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 6.35 years. The EARSL for the Plan as of July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 6.23 years.

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2016 and 2015, the District recognized pension expense of $234,618 and $183,884, respectively.

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)

As of June 30, 2016 and 2015, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in employer's proportion	$ 204,162	$ 107,176
Changes of assumptions or other inputs	176,146	-
Net difference between projected and actual earnings on pension plan investments	-	89,876
Difference between expected and actual experience in the Total Pension Liability	-	254,761
Pension contributions subsequent to measurement date	308,919	-
Total	$ 689,227	$ 451,813

June 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in employer's proportion	$ 252,427	$ 123,228
Changes of assumptions or other inputs	223,753	-
Net difference between projected and actual earnings on pension plan investments	-	422,082
Difference between expected and actual experience in the Total Pension Liability	-	262,557
Difference between the employer's contributions and the employer's proportionate share of contributions	-	7,352
Pension contributions subsequent to measurement date	347,080	-
Total	$ 823,260	$ 815,219

The amounts above are net of outflows and inflows recognized in the 2014-2015 and 2013-2014 measurement periods expense. Deferred outflows of resources related to contributions subsequent to the measurement date of $308,919 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 (measurement period 2015-2016). Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

NOTE 5: DEFINED BENEFIT PENSION PLAN (continued)

	Deferred Outflows/(Inflows) of Resources	Deferred Outflows/(Inflows) of Resources
Financial reporting date	**June 30, 2016**	**June 30, 2015**
Measurement date	**June 30, 2015**	**June 30, 2014**
2016	N/A	$ (114,096)
2017	$ (70,493)	(114,096)
2018	(70,493)	(114,096)
2019	(2,130)	(43,862)
2020	75,593	35,619
2021	98	11,492
2022	(4,080)	-

E. Payable to the Pension Plan

The District reported a payable of $20,386 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The District offers health care benefits to active and retired employees, as well as their qualified dependents through CalPERS. The CalPERS Plan is an agent multiple-employer plan governed by the Public Employees' Medical & Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement for employees who have reached at least age 62 with a minimum of 5 or 10 years of service, depending on hire date. Eligible retirees may enroll in any of the plans available through the CalPERS Program. The District pays the entire cost of coverage for the retiree and his or her dependents. The District provided health care benefits continue for the life of the retiree and spouse. The Plan's authority to establish and amend the benefit terms are set by the District's Board. The plan does not issue a stand-alone financial report.

Funding Policy and Annual Other Postemployment Benefit Costs

The District has not adopted a funding policy for its other post-employment benefits (OPEB) obligation. Contributions requirements of the District are established and may be amended through Board action. The District contributes 100% of the cost of current-year premiums for eligible retired plan members and their dependents. The District's annual OPEB cost (expense) is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (continued)

Funding Policy and Annual Other Postemployment Benefit Costs (continued)

The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan for the years ended June 30, 2016 and 2015:

	June 30, 2015	June 30, 2016
Annual required contribution	$ 19,667	$ 20,373
Interest on net OPEB obligation	3,393	4,267
Adjustment to annual required contribution	(3,230)	(4,063)
Annual OPEB cost	19,830	20,577
Contributions made	(396)	(601)
Increase in net OPEB obligation	19,434	19,976
Net OPEB obligation - beginning of year	75,392	94,826
Net OPEB obligation - end of year	$ 94,826	$ 114,802

The District's annual OPEB cost, which is equal to its annual required contribution, has been recognized as a part of the operating expenses of the District in the accompanying financial statements. The net OPEB obligation is separately presented in the statements of net position.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for previous three years are presented in the following table.

Plan	Year End	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
OPEB	June 30, 2014	$ 17,765	$ 195	1%	$ 75,392
OPEB	June 30, 2015	$ 19,830	$ 396	2%	$ 94,826
OPEB	June 30, 2016	$ 20,577	$ 601	3%	$ 114,802

Funded Status

The funded status of the plan as of June 30, 2016, based on the July 1, 2016 actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	$ 204,205
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 204,205
Funded ratio (value of trust assets / AAL)	0%
Covered payroll (active plan members)	$ 1,345,333
UAAL as a percentage of covered payroll	15%

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

Actuarial valuations of the ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Valuation date	July 1, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent of covered payroll
Remaining amortization period	Closed 30 years as of the valuation date
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.50%
Inflation	2.75%
Payroll growth	2.75%
Healthcare trend rate	4.00%

NOTE 7: 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 District expects such amounts, if any, to be immaterial.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2016 and 2015, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $10,000,000, combined single limit at $10,000,000 per occurrence.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of $1.0 billion per occurrence, subject to a $2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to a $1,000 deductible per occurrence.
- Public official's personal liability up to $500,000 each occurrence, with an annual aggregate of $500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with no deductible per claim.
- Workers' compensation insurance with statutory limits per occurrence and Employer's Liability Coverage up to $5 million.

Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no material IBNR claims payable as of June 30, 2016 and 2015.

NOTE 9: PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIIIB to the State Constitution, established limits on budget appropriations in order to restrict government spending. Proceeds of taxes received by the District during the 2015-2016 and 2014-2015 fiscal years were within the guidelines established by Proposition 111.

NOTE 10: PRIOR YEAR RESTATEMENT

The District implemented GASB Statement No. 45, which changed the accounting and financial reporting for other post-employment benefits (OPEB). Although this GASB Statement was applicable in previously reported years, the cumulative effect of implementation on the District's financial statements was determined not to be material to those years. The District obtained an actuarial study of its retiree health benefits as of July 1, 2016, and has determined that the cumulative effect of implementation on the District's financial statements now warrants implementation. Previously, the costs of retiree health benefits were recognized as expenses of the District on a pay-as-you-go basis. The reporting requirements under GASB Statement No. 45 require OPEB costs to be actuarially determined, and a liability recognized on the statement of net position for the cumulative difference between the Annual Required Contribution (ARC) and related interest and ARC adjustments, and the pay-as-you-go contributions, that are not contributed to an irrevocable trust.

The cumulative effect of applying the provisions of GASB Statement No. 45 have been reported as a restatement of beginning net position for the year ended June 30, 2015. Accordingly, beginning net position on the statements of revenues, expenses, and changes in net position has been restated for changes related to GASB Statement No. 45 as follows:

Beginning net position, as previously reported	$	15,541,343
Restatement due to change in accounting principle		(75,392)
Beginning net position, as restated	$	15,465,951

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 17, 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 District or require reporting.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date
Last 10 Years*

	Measurement Date		
	6/30/2013	**6/30/2014**	**6/30/2015**
District's proportion of the net pension liability	0.069%	0.081%	0.079%
District's proportionate share of the net pension liability	$ 1,364,142	$ 1,378,093	$ 1,533,165
District's covered payroll[1]	$ 1,207,534	$ 1,101,562	$ 1,250,213
District's proportionate share of the net pension liability as a percentage of its covered payroll	112.97%	125.10%	122.63%
District's proportion of the fiduciary net position	0.081%	0.099%	0.100%
District's share of risk pool fiduciary net position	$ 5,722,030	$ 7,908,344	$ 8,286,710
District's proportionate share of the fiduciary net position as a percentage of the District's total pension liability	80.75%	85.16%	84.39%

[1] Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Measurement period 2012-13 (fiscal year 2014) was the 1st year of implementation, therefore, only three years are shown.

Required Supplementary Information
Schedule of Plan Contributions
Last 10 Years*

	Fiscal Year		
	2013-14	**2014-15**	**2015-16**
Contractually required contributions	$ 278,275	$ 347,080	$ 308,919
Contributions in relation to the contractually required contributions	(278,275)	(347,080)	(308,919)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 1,101,562	$ 1,250,213	$ 1,407,643
Contributions as a percentage of covered payroll	25.26%	27.76%	21.95%

[1] Covered payroll is defined as the payroll on which contributions to a pension plan are based, in accordance with GASB 82.

* Fiscal year 2013-14 was the first year of implementation, therefore, only three years are shown.

Notes to Schedule:

Change in benefit terms: None

Change in assumptions: None

Required Supplementary Information
Other Post-Employment Benefits (OPEB) – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
7/1/2016	$ -	$ 204,205	$ 204,205	0%	$ 1,345,333	15%

See accompanying independent auditors' report.

Actuarially determined contribution rates

Actuarially determined contribution rates for SBCERA are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are presented in SBCERA's 2015 Comprehensive Annual Financial Report (CAFR), available at www.sbcera.org.