

LAFCO 3233

**Notice of Filing Attachments:
Resident's Group Feasibility
Study June 2018**

Attachment I



Feasibility Study
and
Executive Summary
June 2018

EXECUTIVE SUMMARY

Members of the community of Spring Valley Lake have decided to investigate the feasibility of creating a “Spring Valley Lake Community Services District” (referred as SVLCSD) to provide certain municipal level services for the community that are currently being provided by San Bernardino County through their Special Districts Department.

The “Spring Valley Lake Exploratory Group” has been formed to study the financial feasibility of local control over certain services, prepare the study, and provide communication and feedback to the community. The ultimate decision as to whether the community wishes to assume local control will be made by the registered voters of the proposed service area.

It is the duty, responsibility, and role of the public to hold the government accountable at all times. Investigations into these matters are a necessary part of governing and being governed. We believe this process to be very open ended and not a predetermined march to creating a local CSD. It is with that in mind that we prepare this study and investigate the feasibility of a local CSD.

That said, there are two outcomes from this study:

1. We determine not to assume local control for certain municipal services.
2. We determine that it is financially feasible, cost effective and in the best interests of the residents to obtain local governance to form the Spring Valley Lake CSD and the voters ratify that decision in a public vote.

The following study will provide the case, logic, and financial analysis for that decision process.

Finally, it is important for the reader of this document to know that this report has been researched and prepared by the Spring Valley Lake CSD Exploratory Group. The reason behind doing the report ourselves is twofold.

First, we will have a better understanding of the financials, operations, and challenges of creating a CSD if we prepare the report ourselves. Investigations into County operations, other local CSD and industry experts has provided this group with a level of understanding that would not have been obtained if we contracted this out.

Secondly, the cost of \$20,000 - \$30,000 seems very expensive to produce such a report when appropriate capacity exists among the Group to complete the study. Included in the report is the financial analysis of three contemplated services.

Feasibility Study Summary

The following will serve as a high-level summary to the detailed Feasibility Study also contained in this document.

Local Control:

Community Service Districts “CSD’s” have existed in California since the 1800’s. It was always intended that, when possible, a community of size would manage its own services. San Bernardino County has approximately 90 CSA’s of which about 17 have water and/or sewer services. These CSA’s are all managed by the Special Districts department of the County. Many of these CSA’s are small and require the assistance of Special Districts. CSA’s that are managed by the County were created to help provide services until a local community of size could create its own district and manage their own services.

Decision making for these services are best made at a local level. The more local the governance, the better it is for those being served. Residents are elected to a board. Local boards make decisions based on local needs. The residents of the community are better served.

Boundaries:

The Spring Valley Lake Community Services District boundary would be similar to the County Service Area (CSA) 64 boundary. This boundary extends slightly beyond the Spring Valley Lake (SVL) homeowners association boundary. The contemplated services for the new SVL Community Services District would be water, wastewater collection, solid waste management and park & recreation services. Each of these potential services will be discussed in greater detail in this draft report.

The current boundaries are:

- Ridgecrest on the west.
- Bear Valley on the south
- Mojave Narrows on the north
- Apple Valley Road on the east cutting in Pimlico Road to include the Equestrian Estates
- Near Yucca Loma Bridge there are a few houses on the east side of the river that are in the boundaries but receive no service.
- Only a small part of Mojave Narrows is within the boundary.
- The boundaries of the current CSA 64 and SVL-CSD include parts of unincorporated county, City of Victorville, and Town of Apple Valley. Continuity of services is important to each part of this group.

Services: Current & Projected:

Current services are:

- Water
- Sewer

- Roads
- Parkway Maintenance
- Street Sweeping

Proposed services are:

- Water
- Sewer
- Street Sweeping
- Solid Waste
- Parks

The roads were eliminated as CSA 64 does not maintain the roads. Public Works for the County currently provides those services. As the roads need repair, it would not be prudent to take them over until the County does the necessary repairs.

Solid Waste is being added to provide an income stream to the community of approximately \$400,000 per year via franchise fees and handling the ESFR/Dump fees.

Parks are being added as part of our strategic plan and provides us the ability to address park needs in our community.

Financials:

There is clearly a cost benefit to creating a new SVL-CSD. Creating the new budgets for the SVL-CSD was very challenging due to the accounting practices of Special Districts relative to pooling costs and allocating local CSA's with additional "Home Office" costs. That said we worked through the numbers using other CSD financials to assist us. Even doing that the cost benefit seemed too good to be true. We believed it prudent to partner with Rogers, Anderson, Malody, & Scott (a regional CPA firm) to examine our work and complete the budgeting process and reports. RAMS is an industry expert in CSD's having provided both auditing and financial accounting services for both CSD's and the Special Districts Department of San Bernardino County.

Those budgets are forecasting a substantial cost savings while increasing revenues via solid waste opportunities. These increased revenues come from a redistribution of current revenues from the County to the local CSD. This improvement should help mitigate any planned fee increases the Special Districts may be working on.

Findings/Case to Do:

- Local governance serves residents better.
- Expense management by a locally elected board will drive down costs.

- The proposed SVL-CSD is clearly large enough to financially run their own services
- Special Districts has become too large and the cost for support is too much relative to the benefit.
- Creating a locally governed CSD with reduced expense structure and increase revenues (not from residents) will mitigate attempted and planned rate increases.

Transition:

Transition is no more than managing change. Managing change is about understanding that change, knowing your end goal, creating a plan, collaborating with local industry experts, and executing that plan. We have already identified individuals and companies that will assist us through any transition challenges.

Summary:

In conclusion, we recommend that the San Bernardino County Board of Supervisors and LAFCO let the residents of Spring Valley Lake decide through an election if they want to create a new CSD and assume the services currently provided by various County departments. Please note the following reasons:

Vision for the Spring Valley Lakes CSD

“Self-determination and local control represent the foundation of the American governmental system, and perhaps no form of government is more “local” than the independent special district. Special districts are local government agencies that provide public infrastructure and essential services, including but not limited to, water, fire protection, recreation and parks, and garbage collection. Since California became a state in 1850, voters have established over 2,000 independent special districts to meet their local needs.”

This is a quote from the Special District Formation Guide provided by the California Special Districts Association (CSDA) and California Local Agency Formation Commission (CALAFCO). This statement clearly spells out:

1. Self Determination and local control represent the foundation of the American governmental system. An SVL CSD will bring government and decision making closer to the people that are being governed. A local CSD will clearly provide this foundation and a representative government for services that is focused solely on the constituents of a newly formed SVL-CSD.
2. Government by constituents at a local level will insure decisions based on what is best for this community.
3. County management of services was never the goal for communities of size that can manage their own services. That said, the creation of a local CSD (where possible and feasible) should be the goal of not only the local residents but the management of the

county itself. We look forward to the County/Special Districts assisting us with this transition if voted in by the residents.

We promote a “Yes” vote for the Spring Valley Lake – CSD.

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INTRODUCTION

BACKGROUND

In unincorporated areas the County provides municipal level services such as solid waste management, water, wastewater, park and recreation, roads, flood control, public works, and a host of other services as needed. The County provides these services until and unless another form of government provides those essential services for a community of interest. In many cases, a city may be formed as we have seen in the high desert with the incorporation of the Town of Apple Valley and the City of Hesperia in the mid to last 1980's. Community Services Districts (CSD's) which have many potential powers or services that can be provided have been formed in several of the High Desert areas where incorporation is either not an option or not economically feasible. These CSD's have been formed and assumed responsibilities that were formerly provided by various County departments, including County Service Areas and County Solid Waste Department. County Service Areas were never intended to be permanent but a means to provide needed services until unincorporated communities of size could create and manage their own districts.

PROCESS

The formation of a community services district is the mechanism whereby a local community can develop a structure for service provision that best meets the needs of a specific community with policy direction provided by local residents with a vested interest in cost containment and specific service provision. All revenue generated through the provision of service would stay within the community. Other CSD's have found significant cost savings through local control.

The process of formation requires review by the Local Agency Formation Commission (LAFCO). This is a formal commission formed by state law with unique responsibilities that includes formation of entities like a CSD. To begin the LAFCO process, a feasibility analysis is required. This sets forth the services contemplated by the new district, the governance and management structure, the financial feasibility, and other specific details. LAFCO staff reviews the viability of the proposed district and once all necessary information is provided holds a public hearing for the Commission to decide. If the Commission approves the formation it then goes to the Board of Supervisors who takes action to put it on the ballot for the registered voters in the community to affirm or deny the formation of the new Spring Valley Lake Community Services District.

CSA 64 Spring Valley Lake was established on December 30, 1968 by an act of the Board of Supervisors of the County of San Bernardino (the County) to provide sewer and water services (and more) for Spring Valley Lake. CSA-64 currently provides sewer services to approximately 4,200 equivalent dwelling units (EDU's) and maintains 3 lift stations and one pump station. CSA-64 also provides water services to approximately 3,800 customers and maintains 6 wells, 1

booster station and 3 water tanks. In addition to those two enterprise services, CSA-64 provides parkway maintenance, street sweeping and coordinates with Public Works for road maintenance and storm water drain maintenance.

In the High Desert we have seen the conversion of three CSA's to CSD's in recent history. While not all of these are the same in services or markets, it is important to note the success and challenges of each in forming a recommendation to the residents of CSA-64.

Helendale is the most similar to Spring Valley Lake but differs in that it encompasses a much larger geographic area beyond the Silver Lakes community. Helendale CSD provides Water and Sanitation the same as Spring Valley Lake except that Helendale CSD has its own Sanitation Treatment plant.

Phelan provides water services but not sanitation. The Phelan/Pinon Hill market is significantly different as it is more rural, lots are bigger and distance between properties are much further than Spring Valley Lake. In addition, many roads are still dirt and roads are still being put in. This creates a bigger need for engineering. It appears that the area has lacked consistency in pipes that were installed prior to the creation of that CSD. These reasons would dictate a much higher cost to operate.

Wrightwood has no enterprise services. Based on this, Wrightwood is not a good comparison for creation of a SVL-CSD.

Spring Valley lends itself to be more successful relative to cost due to density of houses and the quality and condition of our infrastructure. Our roads and pipes are completed and only need to be maintained. Sanitation treatment is provided by Victor Valley Waste Water Reclamation. It is the role of SVL to get their sewage to Yates road on the north where it then becomes the responsibility of VVWRA. VVWRA is the product of a Joint Powers Agreement between Apple Valley, Hesperia, Victorville, and the County of San Bernardino which represents CSA-64 (Spring Valley Lake) and CSA-42 (Oro Grande).

Management of water, the wells, and storage is the majority of the work for CSA-64 or a newly created SVL – CSD.

The density and condition of this CSA/CSD would allow it to run at a much lower cost than other service areas.

SPRING VALLEY LAKE CSD BOUNDARIES

The proposed boundaries of the Spring Valley Lake CSD would be the same as CSA-64 and are exhibited in the following pages by the map. Essentially CSA-64 includes the entire footprint of Spring Valley Lake Association in addition to some commercial areas and a portion of Mojave Narrows. The boundaries could further be described as:

- Ridgecrest on the west.
- Bear Valley on the south.
- Apple Valley Road on the east – coming back in on Pimlico and encompassing the Equestrian part of Spring Valley Lake Association.
- It then follows the Mojave River to Yucca Loma/Yates Road and goes to Ridgecrest.
- The boundary includes part of Mojave Narrows Regional Park
- The boundary also includes a residential section of Apple Valley near the Yucca Loma bridge.

It is important to note that the section east of the Mojave River is within the Town of Apple Valley. CSA – 64 provides both water and sanitation to the residential and commercial section in Apple Valley that falls in this map. While we believe that the Town of Apple Valley has an interest in the formation of this CSD, we do not believe they have interest in providing water and sanitation currently.

The current map does show parts of Apple Valley (not part of the SVLA EQ side) that is included in the CSA-64 area. However, CSA-64 has indicated that while this area is in the map CSA-64 does not provide services there.

Keeping the boundaries essentially the same for the new Community Services District will:

- Provide continuity of service delivery structure to all parties involved.
- Maintaining the current cross-jurisdictional boundary will protect Spring Valley Lake from annexation that will result in the dissolution of the CSD. Therefore, the community will be able to maintain some form of local control.
- It would be in the best interest of the residents of the Town of Apple Valley currently in the eastern boundary area to remain with the CSD than be annexed to Liberty Utilities and a significantly higher rate structure.

CURRENT SERVICES PROVIDED BY COUNTY

County Solid Waste Division currently provides the following services:

- Solid Waste Management
 - Dump Cards

- Oversees Franchise agreement with Advanced Disposal

CSA-64 currently provides the following services:

- Water
- Sewer
- Roads
- Parkway maintenance
- Street sweeping

While the roads are listed as approved services, CSA-64 partners with Public Works to maintain the roads. The roads are a source of contention with the SVL-HOA as they are need of significant repair.

Public works currently manages storm water drainage also. Due to the significant cost factor, it is our intent that the roads and drainage remain with Public works.

PROPOSED SERVICES

We are proposing the following services:

- Water
- Sewer

- Street Sweeping
- Solid Waste
- Parks

At this time, we do not want to include roads in our list of powers, due to the extensive costs to maintain and repair with no funding mechanism.

Solid Waste

We wish to add solid waste which will provides franchise fees and ESFR tax fees for the new CSD. This means that money that is currently going to county government would stay within the community and be used for appropriate purposes locally. Currently each property pays \$85.14 per year on the property taxes that goes to County Solid Waste Division. That money is used to pay for self-haulers who utilize the dump cards. It is our belief that this generates over \$300,000 additional revenue for a service that costs significantly less because in our estimation there are a limited number of people who actually utilize the dump passes. The new CSD would continue the provide dump passes for those who wish to use them, but because the money is retained locally it could be utilized for other beneficial programs or rate stabilization.

In addition, the County receives a franchise fee from the waste hauler for the exclusive right to service our community. The current fee is 10% of the bill that is paid to county with no local benefit received.

There are two areas of the proposed CSD boundary that will continue to receive solid waste services from others. The portion in the Town of Apple Valley and the portion of the CSD boundary in Victorville will continue to receive service from Burrtec per franchise agreement that those jurisdictions have. In an effort to maintain continuity for those customers and respect their franchise agreements, no changes will be contemplated.

Parks

Park powers are also being considered which will allow the CSD to augment existing recreational programming for the community as the need may arise. These would be fee-based services that would enhance quality of life within the community. In the future this committee would like to explore the potential to have free access for CSD residents to Mojave Narrows Park through a partnership with County Parks Department. While we have no intention of creating a park at this time having the ability for park and recreation services will allow for opportunities in the future and the creation of programs that will benefit the community.

WATER AND SEWER FINANCIAL INFORMATION

In preparing, reading, and understanding this feasibility study, it is critical that one understand the current financial model of the Special Districts Department (SDD) and its County Service Areas.

While each CSA has its own financials and reports, they all operate as a part of the Special Districts Department. All costs are originated at the Special Districts level. All CSA's fall under the County Special Districts Department. Both equipment and employees all reside at the Special Districts Department level. As work is done those costs are allocated to the local CSA's. In addition, all management and support costs including retirement, medical and other overhead for Special Districts are allocated to all CSA's.

Each CSA operates as a fully allocated cost/revenue center for Special Districts. This means that 100% of SDD and costs incurred through other County departments for the Special Districts Department are pushed down to all the CSA's creating a fully allocated cost/revenue center. As costs to support the department structure increase so must the revenue in the form of water and sewer rates increase to cover those costs.

This means that the costs, at a local level, are dictated by a centralized "Home Office" that serves over 90 CSA's and only 17 that manage water and/or sanitation. The proximity and makeup of each of the CSA's will certainly impact the costs that are allocated to each CSA.

In the event that a locally controlled SVL Community Services District is created, 100% of those costs will be managed at a local level and only the operations of the CSD will dictate the costs of that CSD.

While many will argue that economies of scale should prevail and would drive costs down, many would also argue that a bloated central office is not the most efficient way to keep costs down. Sometimes big is just big and not the answer to driving down costs. Cost efficiencies are not a function of size but a function of focus. Please note the following example:

In reviewing a proposed 2018 budget (work in progress) it was noted that the budgeted expense for Sanitation labor is only \$89,000. That same number for Water is \$358,000. That means that out of a budgeted \$4mm less than \$500,000 is actual operation labor costs. That is only 12.5% of budgeted Salary cost is going to actual operations.

Another example of cost management is the Archway. The Archway is a structure built many years ago at the entrance of Spring Valley Lake. It sits at Bear Valley and Spring Valley Lake Parkway. The structure is old and in need of repairs, demolition or be replaced. This conversation started several years ago with the Association wanting someone to replace, remove or repair the Archway as it is not property of the Association. Somehow CSA-64 was involved and came up with a plan to tear down and build a new entry something. At a recent

association meeting it was projected for completion this year. The concern is that the cost on this 8' x 8' water fall is projected at \$250,000. This is an excessive amount of money. We do not believe that the community understood those funds to be coming from our CSA-64 budget. Furthermore, we do not believe that a local board would have ever approved that project at that cost. A local CSD would not have spent \$250,000+or- on a project like this. Since that time the bids actually came in significantly higher. It appears that the project is being cancelled except for the removal of the existing archway.

Another example of cost management would be the replacement of our water meters. Helendale is going through the same process at the same time.

Helendale did analysis on different meters, size of meters and installation. Helendale chose the IPERL ¾ "composite meter. Composite was deemed acceptable for two reasons. First, the meters in Helendale (like Spring Valley Lake) sit behind curbs. The need for metal meters is not necessary as it might be in rural areas where cars are more prone to drive on top of them. In addition, today's brass is softer as the lead content has been reduced in them. A ¾" meter would handle the needs of all existing Spring Valley Lake properties. New construction might need at 1" meter due to fire sprinkler requirements. Using ¾ " vs 1" has been vetted with industry experts and deemed acceptable.

In contrast, Special Districts has chosen the 1" Badger made of brass. This choice might have been made to match the needs of the entire county vs the needs our Spring Valley Lake. Consideration may have been given due to the rural area that much of the remaining CSA's reside in and their lack of curbs. The desire is to have a stronger meter less likely to be damaged. However, we have learned that the current brass meters (without lead) are softer. Also, and more importantly, Spring Valley Lake does not need "crush resistant" meters as cars do not travel over them. This is where local management would match the needs of our community and save money.

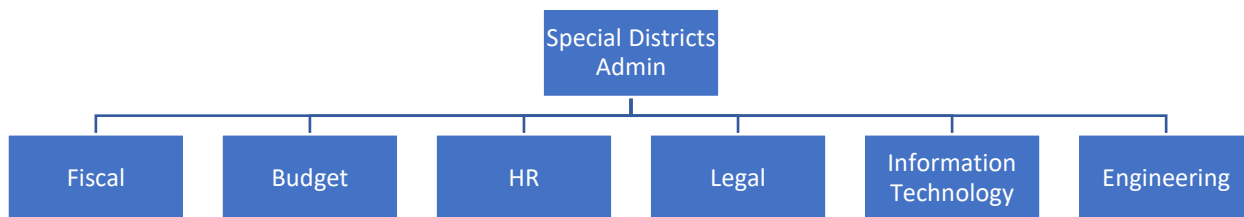
The cost differences are: (numbers are estimates based off quotes)

	<u>Unit Cost</u>	<u>Units</u>	<u>Total</u>
Badger 1"	\$233	3800	\$885,400
IPERL 3/4"	\$117	3800	<u>\$444,600</u>
Cost Difference			\$440,800

SPECIAL DISTRICTS ORGANIZATIONAL CHART

The organizational chart for Special Districts will help understand the top-heavy cost structure of the Special Districts Department. To serve 90+ CSA's, the organization, processes and overhead appear to have grown too large. In addition, as other larger CSA's have left and formed CSD's, this most likely has resulted in the unchanged cost overhead being spread over a smaller number of CSA's with CSA 64 bearing the most of that expense due to size of that CSA.

The chart below shows the different departments that each CSA supports. An independent SVL-CSD would be able to achieve significant cost saving by not having to contribute to supporting this large department. While we would have needs for similar services, we could outsource or handle them in house.



REVENUE OVERVIEW

Our study believes that revenues will remain at current levels for the foreseeable future. Expense reductions/management will eliminate the need for rate increases that the Special Districts have proposed in the past and are currently attempting to get approved again.

CSA 64 currently receives revenue from:

- Water Enterprise Services
- Sanitation Enterprise Services
- Property Taxes

County Solid Waste Department received revenue from:

- Solid Waste Franchise Fees
- Solid Waste Taxes paid by residents

Spring Valley Lake Community Services District will receive revenue from:

- Water Enterprise Services
- Sanitation Enterprise Services (Sewer)
- Property Taxes
- Solid Waste Franchise Fees
- Solid Waste Disposal Fees paid on tax bill paid by residents

Currently the County's Solid Waste Department keeps the solid waste franchise fees and Solid Waste Disposal fees.

Water


Special Districts proposed a rate increase 2017 that was denied. The increases were substantial as noted below in their proposal. Even though denied, we have been told that the rate increase proposal will be presented again in the future to the Board of Supervisors for approval. Our study believes that a newly created SVLCSD will be able to operate the system more efficiently by not paying for county's significant overhead and avoid a rate increase for the foreseeable future due to expense management and local oversight. In addition, solid waste revenue and franchise fees will add to the revenue of the new CSD.

The following is the previously attempted increase that was not approved in 2017. As you can see, this proposal would result in a substantial increase in water rates over a five-year period.

This is difficult to understand based on the facts that costs have not increased that amount and Special Districts has stated that they are currently cutting costs substantially.

Rates
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- Rate increases needed to sustain financial stability and keep up with inflationary cost increases
 - Rate increase recommendations for water are 10% per year for FY 2018 to FY 2020 and 5% per year for FY 2021 to FY 2022
 - Rate increase recommendations for sewer are 7.5% per year for FY 2018 to FY 2021 and 5% in FY 2022



SAN BERNARDINO
COUNTY

Special Districts Department
Water and Sanitation Division

www.SBCounty.gov

The argument we continue to hear is that our water rates are the best in the High Desert. Having good rates is not a license to increase them vs managing expenses.

Sewer Fees

Currently CSA 64 contracts with VVWRA for disposal of sewage. VVWRA would provide those same services for a newly formed CSD. We do not anticipate any change in revenue for sewer fees as there should be no negative impact to sewer expenses related to changing from a CSA to a CSD.

Property Taxes

Property taxes and assessments are approximately \$460,000 per year. We do not expect this revenue stream to change.

Solid Waste:

Solid Waste offers two opportunities for additional revenues for our community.

Franchise Fees:

Current disposal company pays a franchise fee to the County for the exclusive right to service the area. The current solid waste company for Spring Valley Lake is Advance Disposal. The service provider will not change, but the franchise fee will be paid to the CSD instead of County Solid Waste.

As you will see in the proposed financials we believe that amount to be approximately \$90,000 annually that would come back to our community. Also, important is to understand that franchise fees are unrestricted funds that the CSD can use as they see fit. Currently this money goes to the San Bernardino County Solid Waste Department.

Solid Waste Disposal Fees (ESFR):

Properties in CSA 64 (not counting the EQ section in Apple Valley) are taxed \$84.57 per year for dump fees. These fees are collected by the County and used to pay for disposal costs. What is not used is kept by County Solid Waste Department and not returned to the community for use.

In a SVL -CSD model with solid waste as one of the services provided, those fees would then belong to the SVL CSD.

We estimate those funds (after netting out dump fee reimbursement) to be approximately \$400,000 per year that comes back to our community and not the County.

The very important part of this is that fees collected by the County for Dump fees are not being equitably returned in benefits, services or rebates to those paying that tax. A CSD will insure that those funds are kept in the community and benefit those that are being taxed. If the board/community decides, the fees may be offered as a credit to residents against their bills. The point is that these funds belong to the community and should bring benefit to the community.

EXPENSES

Expense management clearly provides the greatest opportunity for our community to manage costs. While we all understand that costs do increase over time, we also recognize that the costs for the services we receive supports a much larger county structure. Local oversight would mean a small efficient staff augmented by strategic use of contract services will best help the Spring Valley Lake CSD manage our costs.

Discussions have taken place with many that know and understand the services and costs of running our district. The numbers in our study have been researched and well thought out. There is little doubt that a locally managed CSD that is not encumbered with the extremely high overhead of County departments would benefit the community with a much lower expense model for delivery services.

Salaries and benefits are based on chart enclosed.

We do recognize that both Phelan and Helendale have higher staffing models. Please note the following:

- Phelan/Pinon Hills is a different market with unique needs. It is still growing, making roads, and space between houses and water systems are much further apart. Each project they do will be more expensive based on this. This is quite different from the SVL-CSD model. SVL-CSD can clearly operate with fewer people due to the size of the service area and close proximity of facilities.
- Helendale CSD is probably the most comparable CSD with a few differences:
 - Helendale sanitation has its own waste water treatment plant. This will cause their expenses to be higher. SVL CSD will continue to send wastewater flows to VVWRA and continue to pay the same fees as the County has paid in the past.
- Finally, it is our intention that we operate at a very lean number of employees and fixed costs. We will leverage the ability to contract work that will free us from having the fixed costs of employees, equipment, equipment maintenance and equipment replacement only to have use of those things a few times per year. Our budget provides for those variable expenses in our services and supplies line.

While our study will not mimic the exact same numbers or categories of the CSA-64 reports, we wish to provide the following detail to these line items and the expenses included in the SVL CSD projections:

Services and Supplies:

This line (relative to the projections) includes the following:

- Contracted labor/services that are outside the scope of the staff at SVL CSD.
- Supplies needed for maintenance of enterprise services of SVL CSD.
- Wastewater Fees to VVWRA.

Administration:

This line (relative to the projections) includes the following:

- Lease expense
- Office expenses such as equipment, supplies etc.
- Communication such as phones and internet
- Mailings, emails, and website
- Billing
- Other nominal items

Insurance:

The County currently “self-insures”. While that may seem to some as a cost savings, that amount is probably nominal. Self-insuring means you pay those losses. CSD’s along with other municipalities can be insured by SDRMA. Special District Risk Management Authority is a public agency formed under California Government Code Section 6500 et seq. and provides a full-service risk management program for California’s local governments. For over 31 years, SDRMA has provided members with comprehensive coverage protection.

CSA 64 Audited Reports/Detailed Reports

The following pages provide the last 3 years of audited CSA 64 reports.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 64
SPRING VALLEY LAKE
FINANCIAL STATEMENTS
June 30, 2017**

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICT
COUNTY SERVICE AREA No. 64
SPRING VALLEY LAKE
FINANCIAL STATEMENTS
June 30, 2017**

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Board of Supervisors

County of San Bernardino Special
District County Service Area
No. 64 Spring Valley Lake

Independent Auditors' Report

We have audited the accompanying financial statements of the County of San Bernardino Special District County Service Area No. 64 Spring Valley Lake (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise CSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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Certified Public Accountants
& Business Advisors

Board of Supervisors
County of San Bernardino Special
District County Service Area
No. 64 Spring Valley Lake

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of San Bernardino Special District County Service Area No. 64 Spring Valley Lake as of June 30, 2017 and the changes in financial position and its 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.

Other Matters

Prior-Year Comparative Information

Prior year data has been included with the basic financial statements for comparative purposes only. The financial statements of the County of San Bernardino Special District County Service Area No. 64 Spring Valley Lake as of June 30, 2016, were audited by other auditors whose report dated November 28, 2016 expressed unmodified opinions on those statements.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis and the Schedules of Pension Plan Contribution and Proportionate Share of Net Pension Liability that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Eadie and Payne, LLP

November 22, 2017
Riverside, California

Statement of Net Position
Proprietary Funds
June 30, 2017

	2017		
	Enterprise Funds		Total
	Sewer	Water	
Assets			
Cash and investments	\$ 4,438,846	\$ 3,965,250	\$ 8,404,096
Restricted cash and investments	50,780	-	50,780
Accounts receivable	535,891	321,411	857,302
Taxes receivable	10	10,932	10,942
Special assessment receivable	578	780	1,358
Interest receivable	13,785	15,135	28,920
Capital assets			
Capital assets not being depreciated	50,294	1,886,925	1,937,219
Capital assets being depreciated, net of accumulated depreciation	<u>789,358</u>	<u>3,746,814</u>	<u>4,536,172</u>
Total assets	<u>5,879,542</u>	<u>9,947,247</u>	<u>15,826,789</u>
Deferred outflows of resources			
Pension	<u>430,968</u>	<u>402,141</u>	<u>833,109</u>
Liabilities			
Current:			
Accounts payable and accrued liabilities	-	267,011	267,011
Matured unredeemed bonds payable	30,000	-	30,000
Interest payable on matured unredeemed bonds	20,780	-	20,780
Due to other governments	131,641	-	131,641
Due to other funds	688	22,189	22,877
Customer deposits	-	13,222	13,222
Long-term			
Net pension liability	<u>873,401</u>	<u>814,981</u>	<u>1,688,382</u>
Total liabilities	<u>1,056,510</u>	<u>1,117,403</u>	<u>2,173,913</u>
Deferred inflows of resources			
Pension	<u>196,269</u>	<u>183,141</u>	<u>379,410</u>
Net position			
Net investment in capital assets	839,652	5,633,739	6,473,391
Unrestricted	<u>4,218,079</u>	<u>3,415,105</u>	<u>7,633,184</u>
Total net position	<u>\$ 5,057,731</u>	<u>\$ 9,048,844</u>	<u>\$ 14,106,57</u>

The accompanying notes are in integral part of the financial statements

Statement of Net Position
Proprietary Funds
June 30, 2017

	For Comparative Purposes Only		
	2016		
	Enterprise Funds		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Assets			
Cash and investments	\$ 3,773,804	\$ 4,438,930	\$ 8,212,734
Restricted cash and investments	50,780	-	50,780
Accounts receivable	349,197	292,552	641,749
Taxes receivable	-	11,047	11,047
Special assessment receivable	1,070	493	1,563
Interest receivable	65,860	49,435	115,295
Capital assets			
Capital assets not being depreciated	45,699	1,048,033	1,093,732
Capital assets being depreciated, net of accumulated depreciation	893,772	3,938,508	4,832,280
Total assets	<u>5,180,182</u>	<u>9,778,998</u>	<u>14,959,180</u>
Deferred outflows of resources			
Pension	<u>83,524</u>	<u>76,998</u>	<u>160,522</u>
Liabilities			
Current:			
Accounts payable and accrued liabilities	-	27,468	27,468
Matured unredeemed bonds payable	30,000	-	30,000
Interest payable on matured unredeemed bonds	20,780	-	20,780
Due to other governments	43,803	-	43,803
Due to other funds	121	19,419	19,540
Customer deposits	-	11,622	11,622
Long-term:			
Net pension liability	664,566	612,642	1,277,208
Total liabilities	<u>759,270</u>	<u>671,151</u>	<u>1,430,421</u>
Deferred inflows of resources			
Pension	<u>232,533</u>	<u>214,365</u>	<u>446,898</u>
Net position			
Net investment in capital assets	939,471	4,986,541	5,926,012
Unrestricted	3,332,432	3,983,939	7,316,371
Total net position	<u>\$ 4,271,903</u>	<u>\$ 8,970,480</u>	<u>\$ 13,242,383</u>

The accompanying notes are in integral part of the financial statements

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	2017		
	Enterprise Funds		
	Sewer	Water	Total
Operating Revenues			
Sanitation services	\$ 2,431,422	\$ -	\$ 2,431,422
Water sales	-	2,081,147	2,081,147
Connection fees	44,029	42,628	86,657
Permit and inspection fees	1,950	3,300	5,250
Penalties	42,699	37,190	79,889
Other services	-	54,355	54,355
Total operating revenues	2,520,100	2,218,620	4,738,720
Operating Expenses			
Salaries and benefits	1,162,718	1,069,171	2,231,889
Services and supplies	1,061,325	711,405	1,772,730
Water replacement	-	301,950	301,950
Utilities	9,280	138,603	147,883
Depreciation	104,162	191,694	295,856
Total operating expenses	2,337,485	2,412,823	4,750,308
Operating income (loss)	182,615	(194,203)	(11,588)
Non-operating Revenues (Expenses)			
Property taxes	400,409	37,785	438,194
Special assessment and other taxes	23,095	23,002	46,097
Investment earnings	21,643	23,636	45,279
Transfers in	615,222	446,676	1,061,898
Transfers outs	(615,222)	(446,676)	(1,061,898)
Loss on disposal of capital assets	(252)	-	(252)
Other revenues (expenses)	22,982	63,382	86,364
Total non-operating revenues	467,877	147,805	615,682
Change in net position	650,492	(46,398)	604,094
Net position at beginning of year as previously reported	4,271,903	8,970,480	13,242,383
Prior-Period Adjustment	135,336	124,762	260,098
Net assets at beginning of year as restated	4,407,239	9,095,242	13,502,481
Net position at end of year	<u>\$ 5,057,731</u>	<u>\$ 9,048,844</u>	<u>\$ 14,106,575</u>

The accompanying notes are in integral part of the financial statements

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

For Comparative Purposes Only
2016

	Enterprise Funds		Total
	Sewer	Water	
Operating Revenues:			
Sanitation services	\$ 2,497,245	\$ -	\$ 2,497,245
Water sales	-	2,095,658	2,095,658
Connection fees	53,793	20,687	74,480
Permit and inspection fees	1,200	2,550	3,750
Penalties	33,679	29,908	63,587
Other services	624	16,594	17,218
Total operating revenues	<u>2,586,541</u>	<u>2,165,397</u>	<u>4,751,938</u>
Operating Expenses:			
Professional Services	1,164,690	1,037,974	2,202,664
Services and supplies	1,106,949	577,926	1,684,875
Water replacement	-	137,340	137,340
Utilities	11,911	142,029	153,940
Depreciation	104,278	191,694	295,972
Total operating expenses	<u>2,387,828</u>	<u>2,086,963</u>	<u>4,474,791</u>
Operating income (loss)	198,713	78,434	277,147
Non-operating Revenues (Expenses)			
Property taxes	285	414,028	414,313
Special assessment and other taxes	23,102	23,859	46,961
Investment earnings	31,664	36,857	68,521
Transfers in	1,112,576	2,364,801	3,477,377
Transfers outs	(1,112,576)	(2,364,801)	(3,477,377)
Loss on disposal of capital assets	-	-	-
Other revenues (expenses)	16,623	55,176	71,799
Total non-operating revenues	<u>71,674</u>	<u>529,920</u>	<u>601,594</u>
Change in net position	270,387	608,354	878,741
Net position at beginning of year	<u>4,001,516</u>	<u>8,362,126</u>	<u>12,363,642</u>
Net position at end of year	<u>\$ 4,271,903</u>	<u>\$ 8,970,480</u>	<u>\$ 13,242,383</u>

	2017		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers and others	\$ 2,392,143	\$ 2,231,072	\$ 4,623,215
Cash payments to suppliers for goods and services	(982,767)	(910,815)	(1,893,582)
Cash payments to employees for services	<u>(1,202,255)</u>	<u>(1,098,437)</u>	<u>(2,300,692)</u>
Net cash provided by (used for) operating activities	<u>207,121</u>	<u>221,820</u>	<u>428,941</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(4,595)</u>	<u>(838,892)</u>	<u>(843,487)</u>
Net cash provided by (used for) capital related and financing activities	<u>(4,595)</u>	<u>(838,892)</u>	<u>(843,487)</u>
Cash flows from non-capital related and financing activities:			
Cash received from (paid to) other funds	557	2,770	3,327
Taxes, special assessments, and other revenues	446,978	123,997	570,975
Net cash provided by (used for) non-capital related and financing activities	<u>447,535</u>	<u>126,767</u>	<u>574,302</u>
Cash flows from investing activities-interest income	<u>14,981</u>	<u>16,625</u>	<u>31,606</u>
Net increase (decrease) in cash and investments	665,042	(473,680)	191,362
Cash and investments, beginning of year	<u>3,824,584</u>	<u>4,438,930</u>	<u>8,263,514</u>
Cash and investments, end of year	<u>\$ 4,489,626</u>	<u>\$ 3,965,250</u>	<u>\$ 8,454,876</u>
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 4,438,846	\$ 3,965,250	\$ 8,404,096
Restricted cash and investments	50,780	-	50,780
Total cash, cash equivalents, and investments	<u>\$ 4,489,626</u>	<u>\$ 3,965,250</u>	<u>\$ 8,454,876</u>
Reconciliation of operating income (loss) to net cash used for operating activities:			
Operating income (loss)	\$ 182,615	(194,203)	(11,588)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	104,162	191,694	295,856
(Increase) decrease in accounts receivable	(127,957)	12,452	(115,505)
Increase (decrease) in customer deposits	-	1,600	1,600
Increase (decrease) in accounts payable and other liabilities	-	239,543	239,543
Increase (decrease) in due to other governments	87,838	-	87,838
Decrease in net pension liability, net of deferred outflows and inflows	<u>(39,537)</u>	<u>(29,266)</u>	<u>(68,803)</u>
Net cash provided by (used for) operating activities	<u>\$ 207,121</u>	<u>\$ 221,820</u>	<u>\$ 428,941</u>

	For Comparative Purposes Only		
	2016		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers and others	\$ 2,482,600	\$ 2,079,710	\$ 4,562,310
Cash payments to suppliers for goods and services	(1,218,122)	(860,236)	(2,078,358)
Cash payments to employees for services	(1,232,711)	(1,120,155)	(2,352,866)
Net cash provided by (used for) operating activities	<u>31,767</u>	<u>99,319</u>	<u>131,086</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(35,699)	(879,318)	(915,017)
Net cash provided by (used for) capital related and financing activities	<u>(35,699)</u>	<u>(879,318)</u>	<u>(915,017)</u>
Cash flows from non-capital related and financing activities:			
Cash received from (paid to) other funds	(354,997)	(341,235)	(696,232)
Taxes, special assessments, and other revenues	40,008	492,421	532,429
Net cash provided by (used for) non-capital related and financing activities	<u>(314,989)</u>	<u>151,186</u>	<u>(163,803)</u>
Cash flows from investing activities-interest income	<u>7,568</u>	<u>27,920</u>	<u>35,488</u>
Net increase (decrease) in cash and cash equivalents	(311,353)	(600,893)	(912,246)
Cash and cash equivalents, beginning of year	<u>4,135,937</u>	<u>5,039,823</u>	<u>9,175,760</u>
Cash and cash equivalents, end of year	<u>\$ 3,824,584</u>	<u>\$ 4,438,930</u>	<u>\$ 8,263,514</u>
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 3,773,804	\$ 4,438,930	\$ 8,212,734
Restricted cash and investments	50,780	-	50,780
Total cash, cash equivalents, and investments	<u>\$ 3,824,584</u>	<u>\$ 4,438,930</u>	<u>\$ 8,263,514</u>
Reconciliation of operating income (loss) to net cash used for operating activities:			
Operating income (loss)	\$ 198,713	78,434	277,147
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	104,278	191,694	295,972
(Increase) decrease in accounts receivable	(103,941)	(85,687)	(189,628)
Increase (decrease) in customer deposits	-	(1,522)	(1,522)
Increase (decrease) in accounts payable and other liabilities	(143,065)	(1,419)	(144,484)
Increase (decrease) in due to other governments	43,803	-	43,803
Decrease in net pension liability, net of deferred outflows and inflows	(68,021)	(82,181)	(150,202)
Net cash provided by (used for) operating activities	<u>\$ 31,767</u>	<u>\$ 99,319</u>	<u>\$ 131,086</u>

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County Service Area No. 64, Spring Valley Lake (District) 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 District was established on December 30, 1968 by an act of the Board of Supervisors of the County of San Bernardino (the County) to provide sewer and water services. CSA 64 currently provides sewer services to approximately 4,200 equivalent dwelling units (EDU's) and maintains 3 lift stations. CSA 64 also provides water services to approximately 3,800 customers and maintains 5 wells, 1 booster station and 3 water tanks.

The District is a component unit of the County. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the County has the ability to impose its will on the organization, or (2) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The accompanying financial statements reflect only the accounts of the County Service Area No. 64 Spring Valley Lake of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

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

Measurement focus, basis of accounting, and financial statements presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the District's enterprise funds are charges to customers for water sales and sanitation services. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The County of San Bernardino Special Districts Department allocates the cost of salaries and benefits, compensated absences, administrative services, and management services to the District. These costs are presented on the financial statements as professional services, an operating expense.

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

The government reports the following types of major funds:

The *enterprise fund* labeled "Sewer" currently provides sewer services to approximately 4,200 equivalent dwelling units (EDU's) and maintains 3 lift stations.

The *enterprise fund* labeled "Water" currently provides water services to approximately 3,800 customers and maintains 5 wells, 1 booster station and 3 water tanks.

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

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

Receivables

No allowance for uncollectibles was recorded at June 30, 2017 based on management's expectation that all accounts receivable will be collected through the property tax roll.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of one year. 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>
Infrastructure	10-100
Structure and improvements	up to 45
Equipment and vehicles	5-15

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contribution of capital. Net position is classified in the following three components:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.
- *Unrestricted* – This component of net position consists of net position of the District that are not restricted for any project or other purpose.

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.

Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt and Interest Payable

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are immediately expensed when incurred in the Government- Wide Financial Statements in addition to the Proprietary and Fiduciary Fund Statements in accordance with GASB No. 65. In the Fund Financial Statements, with the exception of advances from other funds, long-term liabilities are not presented. Consequently, long term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position. In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities. In the Fund Financial Statements, only propriety fund types recognize the interest payable when the liability is incurred.

Net Position Flow Assumption

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

In the Government-Wide Financial Statements, net position is 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. External creditors, grantors, contributors, laws, or regulations of other governments restrict restricted Net position. Unrestricted Net position is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

Pensions

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

Note 2: CASH AND INVESTMENTS

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

Interest income and realized gains and losses earned on pooled investments are deposited quarterly to the District's accounts based upon the District's average daily deposit balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the District annually. Cash and cash equivalents are shown at fair value. As of June 30, 2017, Cash and cash equivalents are reported in the District's financial statement as unrestricted cash of \$8,333,592 and restricted cash of \$50,780 for a total amount of \$8,384,372.

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

Note 3: RESTRICTED CASH

The District issued bonds under the authority of California Government Code Section 25210.1 to finance certain water and sewer improvement. The District reports the bonds according to the provisions of Governmental Accounting Standards Board Codification Section S40. All the District's bonds matured as of the fiscal year ending June 30, 2004. The portion of the matured Bonds and interest held by the Auditor-Controller/Treasurer/Tax-Collector of the County of San Bernardino amounting to \$50,780 is reported as restricted cash as of June 30, 2017.

Note 4: CAPITAL ASSETS

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

Sewer:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Development in progress	<u>35,699</u>	<u>4,595</u>	<u>-</u>	<u>40,294</u>
Total capital assets, not being depreciated	<u>45,699</u>	<u>4,595</u>	<u>-</u>	<u>50,294</u>
Capital assets, being depreciated:				
Improvements to land	4,054,874	-	(4,651)	4,050,223
Structures and improvements	218,810	-	-	218,810
Equipment and vehicles	<u>110,322</u>	<u>-</u>	<u>-</u>	<u>110,322</u>
Total capital assets, being depreciated	<u>4,384,006</u>	<u>-</u>	<u>(4,651)</u>	<u>4,379,355</u>
Less accumulated depreciation for:				
Improvements to land	(3,376,360)	(91,945)	4,400	(3,463,905)
Structures and improvements	(63,617)	(4,862)	-	(68,479)
Equipment and vehicles	<u>(50,258)</u>	<u>(7,355)</u>	<u>-</u>	<u>(57,613)</u>
Total accumulated depreciation	<u>(3,490,235)</u>	<u>(104,162)</u>	<u>4,400</u>	<u>(3,589,997)</u>
Total capital assets, being depreciated, net	<u>893,771</u>	<u>(104,162)</u>	<u>(251)</u>	<u>789,358</u>
Total capital assets, net	<u>\$ 939,470</u>	\$ (99,567)	\$ (251)	\$ 839,652

Note 4: CAPITAL ASSETS (continued)

Water:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 71,000	\$ -	\$ -	\$ 71,000
Development in progress	<u>977,033</u>	<u>838,892</u>	<u>-</u>	<u>1,815,925</u>
Total capital assets, not being depreciated	<u>1,048,033</u>	<u>838,892</u>	<u>-</u>	<u>1,886,925</u>
Capital assets, being depreciated:				
Improvements to land	5,775,230	-	-	5,775,230
Structures and improvements	56,290	-	-	56,290
Equipment and vehicles	19,991	-	-	19,991
Utility plant in-service	<u>369,760</u>	<u>-</u>	<u>-</u>	<u>369,760</u>
Total capital assets, being depreciated	<u>6,221,271</u>	<u>-</u>	<u>-</u>	<u>6,221,271</u>
Less accumulated depreciation for:				
Improvements to land	(2,050,341)	(183,477)	-	(2,233,818)
Structures and improvements	(56,290)	-	-	(56,290)
Equipment and vehicles	(19,991)	-	-	(19,991)
Utility plant in-service	<u>(156,141)</u>	<u>(8,217)</u>	<u>-</u>	<u>(164,358)</u>
Total accumulated depreciation	<u>(2,282,763)</u>	<u>(191,694)</u>	<u>-</u>	<u>(2,474,457)</u>
Total capital assets, being depreciated, net	<u>3,938,508</u>	<u>(191,694)</u>	<u>-</u>	<u>3,746,814</u>
Total capital assets, net	<u>\$ 4,986,541</u>	\$ 647,198	\$ -	\$ 5,633,739

Development in progress at June 30, 2017 represents the following projects:

	Final Budget	Capital Outlay		Projected Year Completion
		Through June 30, 2017	Remaining Commitment	
Archway renovations	\$ 150,000	\$ 49,981	\$ 64,241	2018
Chlorinators	180,000	0	180,000	2019
Pebble Beach reservoir #1	30,000	94	24,362	2018
Sewer line replacement	381,116	475	344,942	2019
Well pump #1	87,150	57,098	29,743	2018
Well #7	1,985,471	731,719	319,026	2018
Lakeview lift station	<u>330,000</u>	<u>4,120</u>	<u>325,880</u>	2019
Total	\$ 3,143,737	\$ 843,487	\$ 1,288,194	

The District has entered into several contractual agreements for the development and/or improvement of the capital projects listed above.

Note 5: MATURED AND UNREDEEMED BONDS AND INTEREST PAYABLE

The schedule of changes in short-term debt is as follows:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Matured unredeemed bonds	\$30,000	-	-	\$ 30,000
Matured interest	<u>20,780</u>	<u>-</u>	<u>-</u>	<u>20,780</u>
Total short-term debt	<u>\$ 50,780</u>	<u>-</u>	<u>-</u>	<u>\$ 50,780</u>

In 1972, 1974, 1982, and 1990 the County's Board of Supervisors approved the issuance of Series A, Series B, Series C, and Series D General Obligation Bonds, respectively, to finance the acquisition of water and sewer facilities within the County Service Area 64. Authority for the issuance of the bonds is provided under the County Service Area Law, Section 2521.1 et seq. of the California Government Code.

Series A bonds matured in the fiscal year ending June 30, 2002, Series B bonds matured in the fiscal year ending June 30, 2004, Series C Bonds matured in the fiscal year ending June 30, 1997, and Series D bonds matured in the fiscal year ending June 30, 2000. At June 30, 2017, the District had Matured and Unredeemed Bonds Payable of \$30,000 and Interest Payable of \$20,780 from the Series A, Series C, and Series D issuances.

Note 6: WATER REPLACEMENT EXPENDITURES

For purposes of defining and implementing a physical solution to the high desert's overdraft of the Mojave Basin Area, a Watermaster was appointed by Riverside County Superior Court in 1996 to oversee the adjudicated area. The District is within a subarea included in the 1996 judgment. If the downstream subarea obligation is not met, producers of water in the upstream Mojave Basin Area then must provide supplemental water to the downstream subarea. To maintain proper water balances within each subarea, the judgment established a Free Production Allowance (FPA) and provides for the Court to review as appropriate. All water produced in excess of the FPA must be replaced through supplemental water, or by transfer of unused FPA from another producer at a cost per acre foot. This action has resulted in quarterly reports that are verified by the Watermaster. This action also resulted in makeup and replacement obligations determined annually by the Watermaster. All makeup and replacement obligations result in supplemental water purchases from the Mojave Water Agency and private Water Purveyors.

Note 7: RELATED-PARTY TRANSACTIONS

The Victor Valley Wastewater Reclamation Authority (VWVRA) is a Joint Powers Authority, and the District is represented on the VWVRA board by the First Supervisorial District. The District collects fees on behalf of VWVRA from new development to connect to the sewer system, and pays the VWVRA for sewage treatment fees. For fiscal year 2017, sewage treatment fees incurred were \$601,619. As of June 30, 2017, \$131,641 of treatment fees was due to the VWVRA and was recorded as due to other governments on the statement of net position.

Note 8: 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.

Note 8: RETIREMENT PLAN (continued)

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 based on 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

Note 8: RETIREMENT PLAN (continued)

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

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

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

Actuarial Assumptions and Discount Rates

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

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

At June 30, 2017, the CSA reported a liability of \$1,688,382 which represents 22.38% of the County of San Bernardino Special District's proportionate share of the County's net pension liability. The CSA's proportion was allocated based on FY 2017 total salaries and benefits relative to the total salaries and benefits of the County of San Bernardino Special Districts as a whole.

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

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

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

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

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 2,820,295	\$1,688,382	\$ 750,418

Pension benefits recognized amounted to \$68,803 for the year ended June 30, 2017.

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

<u>Deferred Outflows of Resources*</u>	<u>Deferred Inflows of Resources**</u>
<u>\$ 833,109</u>	<u>\$ (379,410)</u>

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

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

The deferred outflows of resources related to pensions, resulting from the CSA's contributions to the plan subsequent to the measurement date of \$241,345, will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30,	
2018	\$ (12,235)
2019	\$ 47,023
2020	\$ 107,954
2021	\$ 75,238
2022	\$ (5,996)

Thereafter	\$	370
Total	\$	<u>212,354</u>

Note 9: RISK MANAGEMENT

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

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

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

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

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

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

Note 10: CONTINGENCIES

The District is subject to other legal proceedings, claims, and assessments that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the CSA's financial position, changes in net position and cash flows.

Note 11: SUBSEQUENT EVENTS

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

Note 12: PRIOR-PERIOD ADJUSTMENT

The net position as of the beginning of the year was adjusted to correct an error made in recording the pension expense for the year ended June 30, 2016. The deferred outflow of resources for pension contributions of \$260,098 made subsequent to the measurement date was not recognized. Had the error not been made, the change in net position would have decreased by \$260,098.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 64
SPRING VALLEY LAKE
FINANCIAL STATEMENTS
June 30, 2016**

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 64
SPRING VALLEY LAKE
FINANCIAL STATEMENTS
June 30, 2016

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An Independent CPA Firm

Board of Supervisors
County of San Bernardino Special
District County Service Area
No. 64 – Spring Valley Lake

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. 64 Spring Valley Lake (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.

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 of San Bernardino Special District County Service Area No. 64, 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.

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Board of Supervisors
County of San Bernardino Special
District County Service Area No. 64
– Spring Valley Lake Page Two

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 28, 2016

Statement of Net Position
Proprietary Funds June
30, 2016

	Enterprise Funds		Total
	Sewer	Water	
Assets:			
Cash and investments (note 2)	\$ 3,773,804	\$ 4,438,930	\$ 8,212,734
Restricted Cash and investments (notes 2 and 3)	50,780	-	50,780
Accounts receivable	349,197	292,552	641,749
Taxes receivable	-	11,047	11,047
Special assessment receivable	1,070	493	1,563
Due from other governments	-	-	-
Due from County of San Bernardino	-	-	-
Due from other funds	-	-	-
Interest receivable	65,860	49,435	115,295
Capital assets (note 4):			
Capital assets not being depreciated	45,699	1,048,033	1,093,732
Capital assets being depreciated, net of accumulated depreciation	<u>893,772</u>	<u>3,938,508</u>	<u>4,832,280</u>
Total assets	<u>5,180,182</u>	<u>9,778,998</u>	<u>14,959,180</u>
<u>Deferred outflows of resources</u>			
Pension	<u>83,524</u>	<u>76,998</u>	<u>160,522</u>
Liabilities:			
Current:			
Accounts payable and accrued liabilities	-	27,468	27,468
Matured unredeemed bonds payable	30,000	-	30,000
Interest payable on matured unredeemed bonds	20,780	-	20,780
Due to other governments	43,803	-	43,803
Due to other funds	121	19,419	19,540
Customer Deposits	-	11,622	11,622
Long-term:			
Net pension liability	<u>664,566</u>	<u>612,642</u>	<u>1,277,208</u>
Total liabilities	<u>759,270</u>	<u>671,151</u>	<u>1,430,421</u>
<u>Deferred inflows of resources</u>			
Pension	<u>232,533</u>	<u>214,365</u>	<u>446,898</u>
Net position:			
Net investment in capital assets	939,471	4,986,541	5,926,012
Unrestricted	<u>3,332,432</u>	<u>3,983,939</u>	<u>7,316,371</u>
Total net position	<u>\$ 4,271,903</u>	<u>\$ 8,970,480</u>	<u>\$ 13,242,383</u>

See accompanying notes to basic financial statements.

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year ended June 30, 2016

	Enterprise Funds		Total
	Sewer	Water	
<u>Operating Revenues:</u>			
Sanitation services	\$ 2,497,245	\$ -	\$ 2,497,245
Water sales	-	2,095,658	2,095,658
Connection fees	53,793	20,687	74,480
Permit and inspection fees	1,200	2,550	3,750
Penalties	33,679	29,908	63,587
Other services	624	16,594	17,218
	<hr/>		
Total operating revenues	2,586,541	2,165,397	4,751,938
<hr/>			
<u>Operating Expenses:</u>			
Professional services	1,164,690	1,037,974	2,202,664
Services and supplies	1,106,949	577,926	1,684,875
Water replacement (note 7)	-	137,340	137,340
Utilities	11,911	142,029	153,940
Depreciation	104,278	191,694	295,972
	<hr/>		
Total operating expenses	2,387,828	2,086,963	4,474,791
Operating income (loss)	198,713	78,434	277,147
<hr/>			
<u>Non-operating Revenues (Expenses)</u>			
Property taxes	285	414,028	414,313
Special assessment and other taxes	23,102	23,859	46,961
State aid	-	-	-
Investment earnings	31,664	36,857	68,521
Transfers in	-	-	-
Transfers outs	-	-	-
Other revenues (expenses)	16,623	55,176	71,799
	<hr/>		
Total nonoperating revenues	71,674	529,920	601,594
Change in net position	270,387	608,354	878,741
Net position at beginning of year	4,001,516	8,362,126	12,363,642
	<hr/>		
Net position at end of year	\$ 4,271,903	\$ 8,970,480	\$ 13,242,383
	<hr/>		

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2016

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<u>Cash flows from operating activities:</u>			
Cash received from customers and others	\$ 2,482,600	\$ 2,079,710	\$ 4,562,310
Cash payments to suppliers for goods and services	(1,218,122)	(860,236)	(2,078,358)
Cash payments to employees for services	<u>(1,232,711)</u>	<u>(1,120,155)</u>	<u>(2,352,866)</u>
Net cash provided by (used for) operating activities	<u>31,767</u>	<u>99,319</u>	<u>131,086</u>
<u>Cash flows from capital and related financing activities:</u>			
Acquisition of capital assets	<u>(35,699)</u>	<u>(879,318)</u>	<u>(915,017)</u>
Net cash provided by (used for) capital related and financing activities	<u>(35,699)</u>	<u>(879,318)</u>	<u>(915,017)</u>
<u>Cash flows from non-capital related and financing activities:</u>			
Cash received from (paid to) other funds	(354,997)	(341,235)	(696,232)
Taxes, special assessments, and other revenues	<u>40,008</u>	<u>492,421</u>	<u>532,429</u>
Net cash provided by (used for) non-capital related and financing activities	<u>(314,989)</u>	<u>151,186</u>	<u>(163,803)</u>
Cash flows from investing activities-interest income	<u>7,568</u>	<u>27,920</u>	<u>35,488</u>
Net increase (decrease) in cash and cash equivalents	(311,353)	(600,893)	(912,246)
Cash and cash equivalents, beginning of year	<u>4,135,937</u>	<u>5,039,823</u>	<u>9,175,760</u>
Cash and cash equivalents, end of year	<u>\$ 3,824,584</u>	<u>\$ 4,438,930</u>	<u>\$ 8,263,514</u>
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 3,773,804	\$ 4,438,930	\$ 8,212,734
Restricted cash and investments	50,780	-	50,780
Total cash, cash equivalents, and investments	<u>\$ 3,824,584</u>	<u>\$ 4,438,930</u>	<u>\$ 8,263,514</u>
Reconciliation of operating income (loss) to net cash used for operating activities:			
Operating income (loss)	\$ 198,713	78,434	277,147
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	104,278	191,694	295,972
(Increase) decrease in accounts receivable	(103,941)	(85,687)	(189,628)
Increase (decrease) in customer deposits	-	<u>(1,522)</u>	<u>(1,522)</u>
Increase (decrease) in accounts payable and other liabilities	(143,065)	(1,419)	(144,484)
Increase (decrease) in due to other governments	43,803	-	43,803
Decrease in net pension liability, net of deferred outflows and inflows	<u>(68,021)</u>	<u>(82,181)</u>	<u>(150,202)</u>
Net cash provided by (used for) operating activities	<u>\$ 31,767</u>	<u>\$ 99,319</u>	<u>\$ 131,086</u>

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County Service Area No. 64, Spring Valley Lake (District) 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 District was established on December 30, 1968 by an act of the Board of Supervisors of the County of San Bernardino (the County) to provide sewer and water services. CSA 64 currently provides sewer services to approximately 4,200 equivalent dwelling units (EDU's) and maintains 3 lift stations. CSA 64 also provides water services to approximately 3,800 customers and maintains 5 wells, 1 booster station and 3 water tanks.

The District is a component unit of the County. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the County can impose its will on the organization, or (2) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The accompanying financial statements reflect only the accounts of the County Service Area No. 64 – Spring Valley Lake of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the District meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the District'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 statements presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the District's enterprise funds are charges to customers for water sales and sanitation services. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Department of Special Districts allocates the cost of salaries and benefits, compensated absences, administrative services, and management services to the District. These costs are presented on the financial statements as professional services, an operating expense.

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

The government reports the following types of major funds:

The *enterprise fund* labeled "Sewer" currently provides sewer services to approximately 4,200 equivalent dwelling units (EDU's) and maintains 3 lift stations.

The *enterprise fund* labeled "Water" currently provides water services to approximately 3,800 customers and maintains 5 wells, 1 booster station and 3 water tanks.

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

Receivables

The District sends any delinquent accounts receivable to property tax to be included on the customer's property tax bills, hence, an allowance for doubtful accounts were \$0 were recorded for both the sewer and water fund which was determined by management to be sufficient. As of June 30, 2016, accounts receivable were \$349,197 for the sewer function and \$292,552 for the water function.

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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges,

sidewalks, and similar items) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of one year. 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:

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Assets</u>	<u>Years</u>
Infrastructure	10-100
Structure and improvements	up to 45
Equipment and vehicles	5-15

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contribution of capital. Net position is classified in the following three components:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.
- *Unrestricted* – This component of net position consists of net position of the District that are not restricted for any project or other purpose.

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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In the Government-Wide Financial Statements, net position is 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. External creditors, grantors, contributors, laws, or regulations of other governments restrict restricted Net position. 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.”

Pensions

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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*.

Note 2: CASH AND INVESTMENTS

Cash, cash equivalents, and investments include balances of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash, 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.

Interest income and realized gains and losses earned on pooled investments are deposited quarterly to the District's accounts based upon the District's average daily deposit balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the District annually. Cash and cash equivalents are shown at fair value. As of June 30, 2016, Cash and cash equivalents are reported in the District's financial statement as unrestricted cash of \$8,212,734 and restricted cash of \$50,780 for a total amount of \$8,263,514.

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: RESTRICTED CASH

The District issued bonds under the authority of California Government Code Section 25210.1 to finance certain water and sewer improvement. The District reports the bonds according to the provisions of Governmental Accounting Standards Board Codification Section S40. All the District's bonds matured as of the fiscal year ending June 30, 2004. The portion of the matured Bonds and interest held by the Auditor-Controller/Treasurer/Tax-Collector of the County of San Bernardino amounting to \$50,780 is reported as restricted cash as of June 30, 2016.

Note 4: CAPITAL ASSETS

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

Sewer:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Construction in process	<u>-</u>	<u>35,699</u>	<u>-</u>	<u>35,699</u>
Total capital assets not being depreciated	<u>10,000</u>	<u>35,699</u>	<u>-</u>	<u>45,699</u>
Capital assets being depreciated:				
Land improvements	4,019,471	35,404	-	4,054,875
Structures and improvements	218,810	-	-	218,810
Infrastructure	35,404	-	(35,404)	-
Equipment and vehicles	<u>110,322</u>	<u>-</u>	<u>-</u>	<u>110,322</u>
Total capital assets being depreciated	<u>4,384,007</u>	<u>35,404</u>	<u>(35,404)</u>	<u>4,384,007</u>
Less accumulated depreciation for:				
Land improvements	(3,278,595)	(97,765)	-	(3,376,360)
Structures and improvements	(58,755)	(4,862)	-	(63,617)
Infrastructure	(5,704)	-	5,704	-
Equipment and vehicles	<u>(42,903)</u>	<u>(7,355)</u>	<u>-</u>	<u>(50,258)</u>
Total accumulated depreciation	<u>(3,385,957)</u>	<u>(109,982)</u>	<u>5,704</u>	<u>(3,490,235)</u>
Total capital assets being depreciated, net	<u>998,050</u>	<u>(74,578)</u>	<u>(29,700)</u>	<u>893,772</u>
Total capital assets, net	<u>\$ 1,008,050</u>	<u>(38,879)</u>	<u>(29,700)</u>	<u>939,471</u>

Water:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 71,000	-	-	71,000
Construction in process	<u>97,715</u>	<u>889,885</u>	<u>(10,567)</u>	<u>977,033</u>
Total capital assets not being depreciated	<u>168,715</u>	<u>889,885</u>	<u>(10,567)</u>	<u>1,048,033</u>
Capital assets being depreciated:				
Land improvements	5,775,230	-	-	5,775,230
Structures and improvements	56,290	-	-	56,290
Equipment and vehicles	19,991	-	-	19,991
Utility plant in service	<u>369,760</u>	<u>-</u>	<u>-</u>	<u>369,760</u>
Total capital assets being depreciated	<u>6,221,271</u>	<u>-</u>	<u>-</u>	<u>6,221,271</u>
Less accumulated depreciation for:				
Land improvements	(1,866,864)	(183,477)	-	(2,050,341)
Structures and improvements	(56,290)	-	-	(56,290)
Equipment and vehicles	(19,991)	-	-	(19,991)
Utility plant in service	<u>(147,924)</u>	<u>(8,217)</u>	<u>-</u>	<u>(156,141)</u>
Total accumulated depreciation	<u>(2,091,069)</u>	<u>(191,694)</u>	<u>-</u>	<u>(2,282,763)</u>
Total capital assets being depreciated, net	<u>4,130,202</u>	<u>(191,694)</u>	<u>-</u>	<u>3,938,508</u>
Total capital assets, net	<u>\$ 4,298,917</u>	<u>698,191</u>	<u>(10,567)</u>	<u>4,986,541</u>

Note 4: CAPITAL ASSETS (continued)

Construction in Progress

Construction in progress at June 30, 2016 represents the following projects:

	Final <u>Budget</u>	Capital Outlay Through <u>June 30, 2016</u>	Remaining Commitment	Projected Year <u>Completion</u>
Archway Renovations	150,000	35,778	114,222	2017
Chlorinators	\$ 180,000	0	180,000	2018
Pebble Beach Reservoir #1	30,000	5,544	24,456	2017
Sewer Line Replacement	381,116	35,697	345,419	2017
Well Pump #1	87,150	309	86,841	2017
Well #7	1,552,768	848,254	704,514	2017
Total	<u>\$ 2,381,034</u>	<u>925,582</u>	<u>1,455,452</u>	

The District has entered into several contractual agreements for the development and/or improvement of the capital projects listed above.

Note 5: MATURED AND UNREDEEMED BONDS AND INTEREST PAYABLE

The schedule of changes in short-term debt is as follows:

	Balance at <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2016</u>
Matured unredeemed bonds	\$30,000	-	-	30,000
Matured interest	<u>20,780</u>	<u>-</u>	<u>-</u>	<u>20,780</u>
Total capital assets being depreciated	<u>\$ 50,780</u>	<u>-</u>	<u>-</u>	<u>50,780</u>

In 1972, 1974, 1982, and 1990 the County's Board of Supervisors approved the issuance of Series A, Series B, Series C, and Series D General Obligation Bonds, respectively, to finance the acquisition of water and sewer facilities within the County Service Area 64. Authority for the issuance of the bonds is provided under the County Service Area Law, Section 2521.1 et seq. of the California Government Code.

Series A bonds matured in the fiscal year ending June 30, 2002, Series B bonds matured in the fiscal year ending June 30, 2004, Series C Bonds matured in the fiscal year ending June 30, 1997, and Series D bonds matured in the fiscal year ending June 30, 2000. At June 30, 2016, the District had Matured and Unredeemed Bonds Payable of \$30,000 and Interest Payable of \$20,780 from the Series A, Series C, and Series D issuances.

Note 6: PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIII B to the State Constitution, established limits on budget appropriations in order to restrict government spending. Management has reviewed the proceeds of taxes received by the District during the 2015-16 fiscal year and believes the revenue to be in accordance with the guidelines established by Proposition 111.

Note 7: WATER REPLACEMENT EXPENDITURES

For purposes of defining and implementing a physical solution to the high desert's overdraft of the Mojave Basin Area, a Watermaster was appointed by Riverside County Superior Court in 1996 to oversee the adjudicated area. The District is within a subarea included in the 1996 judgment. If the downstream subarea obligation is not met, producers of water in the upstream Mojave Basin Area then must provide supplemental water to the downstream subarea. To maintain proper water balances within each subarea, the judgment established a Free Production Allowance (FPA) and provides for the Court to review as appropriate. All water produced in excess of the FPA must be replaced through supplemental water, or by transfer of unused FPA from another producer at a cost per acre foot. This action has resulted in quarterly reports that are verified by the Watermaster. This action also resulted in makeup and replacement obligations determined annually by the Watermaster. All makeup and replacement obligations result in supplemental water purchases from the Mojave Water Agency and private Water Purveyors.

Note 8: RELATED PARTY TRANSACTIONS

The Victor Valley Wastewater Reclamation Authority (VWVRA) is a Joint Powers Authority, and the District is represented on the VWVRA board by the First Supervisorial District. The District collects fees on behalf of VWVRA from new development to connect to the sewer system, and pays the VWVRA for sewage treatment fees. For fiscal year 2016, sewage treatment fees incurred were \$596,046. As of June 30, 2016, \$43,803 of treatment fees was due to the VWVRA and was recorded as due to other governments on the statement of net position.

Note 9: 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,

Note 9: RETIREMENT PLAN (continued)

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 PEPRRA establish benefit terms. Retirement benefits for the General Tier 1 and General Tier 2 Plans are calculated based on age, average final compensation and service credit as follows:

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

Contributions. Participating employers and active members, including the CSA and the CSA's employees, are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions about 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.

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

Note 9: RETIREMENT PLAN (continued)

At June 30, 2016, the District's reported a liability of \$1,277,208 for its proportionate share of the County'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 that date. The District's proportion of the County's net pension liability was based on the District's FY 2015 actual contributions to the County's pension plan relative to the total contributions of the County as a whole.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources *</u>	<u>Deferred Inflows of Resources **</u>
<u>\$ 160,522</u>	<u>\$ (446,898)</u>

* Total deferred outflows include change in assumptions, and change in proportion and differences between share of contributions.

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

The \$160,522 reported as deferred outflows of resources related to pensions, resulting from the District's contributions to the County's plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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 10: FEDERAL AND STATE GRANTS

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

Note 11: 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.
 Note 11: RISK MANAGEMENT (continued)

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

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

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

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, with Berkley Regional Insurance Co. with a \$100 thousand deductible, and excess limit 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 12: CONTINGENCIES

The District is subject to other legal proceedings, claims, and assessments that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect MHAIA's financial position, changes in net position and cash flows.

Note 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 28, 2016, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the CSA.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 64
SPRING VALLEY LAKE
FINANCIAL STATEMENTS
June 30, 2015**

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 64
SPRING VALLEY LAKE
FINANCIAL STATEMENTS
June 30, 2015

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An Independent CPA Firm

Board of Supervisors
County of San Bernardino Special
District County Service Area
No. 64 – Spring Valley Lake

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. 64 Spring Valley Lake (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise CSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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. 64, as of June 30,

2015, 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.

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Board of Supervisors
County of San Bernardino Special
District County Service Area No. 64
– Spring Valley Lake Page Two

Emphasis of Matter

As described in Note 1 to the financial statements, during the year ended June 30, 2014, the CSA implemented GASB No. 68, 69 and 71. 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.

Huntington Beach, California

December 2, 2015

Statement of Net Position
Proprietary Funds June
30, 2015

	Enterprise Funds		Total
	Sewer	Water	
Assets:			
Cash and investments (note 2)	\$ 4,085,157	\$ 5,039,823	\$ 9,124,980
Restricted Cash and investments (notes 2 and 3)	50,780	-	50,780
Accounts receivable	245,256	206,865	452,121
Taxes receivable	-	9,866	9,866
Special assessment receivable	1,068	1,032	2,100
Interest receivable	41,764	40,498	82,262
Capital assets (note 4):			
Capital assets not being depreciated	10,000	168,715	178,715
Capital assets being depreciated, net of accumulated depreciation	<u>998,050</u>	<u>4,130,202</u>	<u>5,128,252</u>
Total assets	<u>5,432,075</u>	<u>9,597,001</u>	<u>15,029,076</u>
<u>Deferred outflows of resources</u>			
Pension	<u>110,800</u>	<u>104,590</u>	<u>215,390</u>
Liabilities:			
Current:			
Accounts payable and accrued liabilities	143,065	28,887	171,952
Matured unredeemed bonds payable	30,000	-	30,000
Interest payable on matured unredeemed bonds	20,780	-	20,780
Due to other funds	355,118	360,654	715,772
Customer Deposits	-	13,144	13,144
Long-term:			
Net pension liability	<u>624,477</u>	<u>589,480</u>	<u>1,213,957</u>
Total liabilities	<u>1,173,440</u>	<u>992,165</u>	<u>2,165,605</u>
<u>Deferred inflows of resources</u>			
Pension	<u>367,919</u>	<u>347,300</u>	<u>715,219</u>
Net position:			
Net investment in capital assets	1,008,050	4,298,917	5,306,967
Unrestricted	<u>2,993,466</u>	<u>4,063,209</u>	<u>7,056,675</u>
Total net position	<u>\$ 4,001,516</u>	<u>\$ 8,362,126</u>	<u>\$ 12,363,642</u>

See accompanying notes to basic financial statements.

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year ended June 30, 2015

	Enterprise Funds		Total
	Sewer	Water	
<u>Operating Revenues:</u>			
Sanitation services	\$ 2,223,664	\$ 4	\$ 2,223,668
Water sales	-	2,061,518	2,061,518
Connection fees	20,088	17,803	37,891
Permit and inspection fees	825	1,800	2,625
Penalties	34,908	28,890	63,798
Other services	76	22,782	22,858
Total operating revenues	2,279,561	2,132,797	4,412,358
<u>Operating Expenses:</u>			
Professional services	1,003,608	925,237	1,928,845
Services and supplies	1,103,829	605,396	1,709,225
Water replacement (note 7)	-	369,310	369,310
Utilities	8,274	172,004	180,278
Depreciation	104,280	176,376	280,656
Total operating expenses	2,219,991	2,248,323	4,468,314
Operating income (loss)	59,570	(115,526)	(55,956)
<u>Non-operating Revenues (Expenses)</u>			
Property taxes	173,090	223,783	396,873
Special assessment and other taxes	23,773	28,252	52,025
Investment earnings	15,263	20,952	36,215
Other revenues (expenses)	15,861	56,968	72,829
Total nonoperating revenues	227,987	329,955	557,942
Change in net position	287,557	214,429	501,986
Net position at beginning of year, as restated (noted 13)	3,713,959	8,147,697	11,861,656
Net position at end of year	\$ 4,001,516	\$ 8,362,126	\$ 12,363,642

Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2015

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<u>Cash flows from operating activities:</u>			
Cash received from customers and others	\$ 2,331,550	\$ 2,265,563	\$ 4,597,113
Cash payments to suppliers for goods and services	(1,028,421)	(1,141,509)	(2,169,930)
Cash payments to employees for services	(1,077,877)	(995,344)	(2,073,221)
Net cash provided by (used for) operating activities	<u>225,252</u>	<u>128,710</u>	<u>353,962</u>
<u>Cash flows from capital and related financing activities:</u>			
Disposition of capital assets	-	(281,072)	(281,072)
Net cash (used for) capital related and financing activities	<u>-</u>	<u>(281,072)</u>	<u>(281,072)</u>
<u>Cash flows from non-capital related and financing activities:</u>			
Cash received from (paid to) other funds	354,359	364,290	718,649
Taxes, special assessments, and other revenues	213,056	310,781	523,837
Net cash provided by (used for) non-capital related and financing activities	<u>567,415</u>	<u>675,071</u>	<u>1,242,486</u>
Cash flows from investing activities-interest income	<u>19,800</u>	<u>32,053</u>	<u>51,853</u>
Net increase (decrease) in cash and cash equivalents	812,467	554,762	1,367,229
Cash and cash equivalents, beginning of year	3,323,470	4,485,061	7,808,531
Cash and cash equivalents, end of year	<u>\$ 4,135,937</u>	<u>\$ 5,039,823</u>	<u>\$ 9,175,760</u>
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 4,085,157	\$ 5,039,823	\$ 9,124,980
Restricted cash and investments	50,780	-	50,780
Total cash, cash equivalents, and investments	<u>\$ 4,135,937</u>	<u>\$ 5,039,823</u>	<u>\$ 9,175,760</u>
Reconciliation of operating income (loss) to net cash used for operating activities:			
Operating income (loss)	\$ 59,570	(115,526)	(55,956)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	104,280	176,376	280,656
(Increase) decrease in accounts receivable	51,989	<u>132,766</u>	<u>184,755</u>
Increase (decrease) in accounts payable and other liabilities	143,065	(7,943)	135,122
Increase (decrease) in due to other governments	(59,383)	13,144	(46,239)
Decrease in net pension liability, net of deferred outflows and inflows	(74,269)	(70,107)	(144,376)
Net cash provided by (used for) operating activities	<u>\$ 225,252</u>	<u>\$ 128,710</u>	<u>\$ 353,962</u>

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County Service Area No. 64, Spring Valley Lake (District) 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 District was established on December 30, 1968 by an act of the Board of Supervisors of the County of San Bernardino (the County) to provide sewer and water services. CSA 64 currently provides sewer services to approximately 4,200 equivalent dwelling units (EDU's) and maintains 3 lift stations. CSA 64 also provides water services to approximately 3,800 customers and maintains 5 wells, 1 booster station and 3 water tanks.

The District is a component unit of the County. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the County can impose its will on the organization, or (2) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The accompanying financial statements reflect only the accounts of the County Service Area No. 64 – Spring Valley Lake of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the District meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the District'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, 2015.

Measurement focus, basis of accounting, and financial statements presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the District's enterprise funds are charges to customers for water sales and sanitation services. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The Department of Special Districts allocates the cost of salaries and benefits, compensated absences, administrative services, and management services to the District. These costs are presented on the financial statements as professional services, an operating expense.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government reports the following types of major funds:

The *enterprise fund* labeled "Sewer" currently provides sewer services to approximately 4,200 equivalent dwelling units (EDU's) and maintains 3 lift stations.

The *enterprise fund* labeled "Water" currently provides water services to approximately 3,800 customers and maintains 5 wells, 1 booster station and 3 water tanks.

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

Receivables

The District sends any delinquent accounts receivable to property tax to be included on the customer's property tax bills, hence, an allowance for doubtful accounts were \$0 were recorded for both the sewer and water fund which was determined by management to be sufficient. As of June 30, 2014, accounts receivable were \$297,245 for the sewer function and \$339,631 for the water function.

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.

Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvement are capitalized as projects are constructed. Property, plant, and equipment of the government are depreciated using straight-line method over the following estimated useful lives:

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Assets</u>	<u>Years</u>
Infrastructure	10-100
Structure and improvements	up to 45
Equipment and vehicles	5-15

New Accounting Pronouncements

The District adopted Statement on Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contribution of capital. Net position is classified in the following three components:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.
- *Unrestricted* – This component of net position consists of net position of the District that are not restricted for any project or other purpose.

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.

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, except for 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. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the Government-Wide Financial Statements, net position is 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. External creditors, grantors, contributors, laws, or regulations of other governments restrict restricted Net position. 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.”

Pensions

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

Note 2: CASH AND INVESTMENTS

Cash, cash equivalents, and investments include balances of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash, cash equivalents, and investments are shown at the fair value as of June 30, 2015. 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.

Interest income and realized gains and losses earned on pooled investments are deposited quarterly to the District's accounts based upon the District's average daily deposit balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the District annually. Cash and cash equivalents are shown at fair value. As of June 30, 2015, Cash and cash equivalents are reported in the District's financial statement as unrestricted cash of \$9,124,980 and restricted cash of \$50,780 for a total amount of \$9,175,760.

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.

Note 3: RESTRICTED CASH

The District issued bonds under the authority of California Government Code Section 25210.1 to finance certain water and sewer improvement. The District reports the bonds according to the provisions of Governmental Accounting Standards Board Codification Section S40. All the District's bonds matured as of the fiscal year ending June 30, 2004. The portion of the matured Bonds and interest held by the Auditor-Controller/Treasurer/Tax-Collector of the County of San Bernardino amounting to \$50,780 is reported as restricted cash.

Note 4: CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2015 was as follows:

Sewer:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 10,000	-	-	10,000
Construction in process	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital assets being depreciated:				
Land improvements	4,019,471	-	-	4,019,471
Structures and improvements	218,810	-	-	218,810
Infrastructure	35,404	-	-	35,404
Equipment and vehicles	<u>110,322</u>	<u>-</u>	<u>-</u>	<u>110,322</u>
Total capital assets being depreciated	<u>4,348,407</u>	<u>-</u>	<u>-</u>	<u>4,348,407</u>
Less accumulated depreciation for:				
Land improvements	(3,188,893)	(89,702)	-	(3,278,595)
Structures and improvements	(53,892)	(4,863)	-	(58,755)
Infrastructure	(3,344)	(2,360)	-	(5,704)
Equipment and vehicles	<u>(35,548)</u>	<u>(7,355)</u>	<u>-</u>	<u>(42,903)</u>
Total accumulated depreciation	<u>(3,281,677)</u>	<u>(104,280)</u>	<u>-</u>	<u>(3,385,957)</u>
Total capital assets being depreciated, net	<u>1,102,330</u>	<u>(104,280)</u>	<u>-</u>	<u>998,050</u>
Total capital assets, net	<u>\$ 1,112,330</u>	<u>(104,280)</u>	<u>-</u>	<u>1,008,050</u>

Water:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ -	71,000	-	71,000
Construction in process	<u>806,706</u>	<u>34,818</u>	<u>(743,809)</u>	<u>97,715</u>
Total capital assets not being depreciated	<u>806,706</u>	<u>105,818</u>	<u>(743,809)</u>	<u>168,715</u>
Capital assets being depreciated:				
Land improvements	4,856,167	919,063	-	5,775,230
Structures and improvements	56,290	-	-	56,290
Equipment and vehicles	19,991	-	-	19,991
Utility plant in service	<u>369,760</u>	<u>-</u>	<u>-</u>	<u>369,760</u>
Total capital assets being depreciated	<u>5,302,208</u>	<u>919,063</u>	<u>-</u>	<u>6,221,271</u>
Less accumulated depreciation for:				
Land improvements	(1,698,705)	(168,159)	-	(1,866,864)
Structures and improvements	(56,290)	-	-	(56,290)
Equipment and vehicles	(19,991)	-	-	(19,991)
Utility plant in service	<u>(139,707)</u>	<u>(8,217)</u>	<u>-</u>	<u>(147,924)</u>
Total accumulated depreciation	<u>(1,914,693)</u>	<u>(176,376)</u>	<u>-</u>	<u>(2,091,069)</u>
Total capital assets being depreciated, net	<u>3,387,515</u>	<u>742,687</u>	<u>-</u>	<u>4,130,202</u>
Total capital assets, net	<u>\$ 4,194,221</u>	<u>848,505</u>	<u>(743,809)</u>	<u>4,298,917</u>

Note 4: CAPITAL ASSETS (continued)

Construction in Progress

Construction in progress at June 30, 2015 represents the following projects:

	Final <u>Budget</u>	Capital Outlay Through <u>June 30, 2015</u>	Remaining Commitment	Projected Year <u>Completion</u>
Chlorinators	\$ 105,000	678	104,322	2016
Meter replacement project	<u>633,330</u>	<u>4,163</u>	<u>629,167</u>	2016
Total	<u>\$ 738,330</u>	<u>4,841</u>	<u>733,489</u>	

The District has entered into several contractual agreements for the development and/or improvement of the capital projects listed above.

Note 5: MATURED AND UNREDEEMED BONDS AND INTEREST PAYABLE

The schedule of changes in short-term debt is as follows:

	Balance at <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2015</u>
Matured unredeemed bonds	\$30,000	-	-	30,000
Matured interest	<u>20,780</u>	<u>-</u>	<u>-</u>	<u>20,780</u>
Total capital assets being depreciated	<u>\$ 50,780</u>	<u>-</u>	<u>-</u>	<u>50,780</u>

In 1972, 1974, 1982, and 1990 the County's Board of Supervisors approved the issuance of Series A, Series B, Series C, and Series D General Obligation Bonds, respectively, to finance the acquisition of water and sewer facilities within the County Service Area 64. Authority for the issuance of the bonds is provided under the County Service Area Law, Section 2521.1 et seq. of the California Government Code.

Series A bonds matured in the fiscal year ending June 30, 2002, Series B bonds matured in the fiscal year ending June 30, 2004, Series C Bonds matured in the fiscal year ending June 30, 1997, and Series D bonds matured in the fiscal year ending June 30, 2000. At June 30, 2015, the District had Matured and Unredeemed Bonds Payable of \$30,000 and Interest Payable of \$20,780 from the Series A, Series C, and Series D issuances.

Note 6: PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIII B to the State Constitution, established limits on budget appropriations in order to restrict government spending. Management has reviewed the proceeds of taxes received by the District during the 2014-2015 fiscal year and believes the revenue to be in accordance with the guidelines established by Proposition 111.

Note 7: WATER REPLACEMENT EXPENDITURES

For purposes of defining and implementing a physical solution to the high desert's overdraft of the Mojave Basin Area, a Watermaster was appointed by Riverside County Superior Court in 1996 to oversee the adjudicated area. The District is within a subarea included in the 1996 judgment. If the downstream subarea obligation is not met, producers of water in the upstream Mojave Basin Area then must provide supplemental water to the downstream subarea. To maintain proper water balances within each subarea, the judgment established a Free Production Allowance (FPA) and provides for the Court to review as appropriate. All water produced in excess of the FPA must be replaced through supplemental water, or by transfer of unused FPA from another producer at a cost per acre foot. This action has resulted in quarterly reports that are verified by the Watermaster. This action also resulted in makeup and replacement obligations determined annually by the Watermaster. All makeup and replacement obligations result in supplemental water purchases from the Mojave Water Agency and private Water Purveyors.

Note 8: RELATED PARTY TRANSACTIONS

The Victor Valley Wastewater Reclamation Authority (VWVRA) is a Joint Powers Authority, and the District is represented on the VWVRA board by the First Supervisorial District. The District collects fees on behalf of VWVRA from new development to connect to the sewer system, and pays the VWVRA for sewage treatment fees. For fiscal year 2015, sewage treatment fees incurred were \$661,184. As of June 30, 2015, \$85,638 of treatment fees was due to the VWVRA and was recorded as due to other governments on the statement of net position.

Note 9: RETIREMENT PLAN

Plan Description. Employees of the District 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 District'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 based on age, average final compensation and service credit as follows:

Note 9: RETIREMENT PLAN (continued)

	General – Tier 1	General – Tier 2
Final Average Compensation	Highest 12 months	Highest 12 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	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 District and the District's employees, are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions about 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, 2015 ranged between 7.07% and 13.52% for Tier 1 General members and between 6.37% and 7.88% for Tier 2 General members.

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

At June 30, 2015, the District's reported a liability of \$1,213,957 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the County's net pension liability was based on the District's FY 2014 actual contributions to the County's pension plan relative to the total contributions of the County.

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources *</u>	<u>Deferred Inflows of Resources **</u>
<u>\$ 215,390</u>	<u>\$ (715,219)</u>

* Total deferred outflows include change in assumptions, and change in proportion and differences between share of contributions.

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

The \$215,390 reported as deferred outflows of resources related to pensions, resulting from the District's contributions to the County's plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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, 2015.

Note 10: FEDERAL AND STATE GRANTS

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

Note 11: 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 \$57 million is provided through a combination of insurance policies as recommended by Arthur J. Gallagher & Co., Broker of Record, as follows: Primary Liability coverage \$6 million excess of \$3.0 million self-insured retention with Lloyd's (Brit Syndicated 2987 – 100%) and Gemini Insurance Co.; Excess Liability coverage for \$11 million, excess of \$6 million with National Casualty Co.; and Excess Liability coverage of \$15 million, excess of \$17 million with Allied World Assurance Co. In addition, Great American Assurance Co. 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.

Note 11: RISK MANAGEMENT (continued)

The Workers' Compensation program was restructured to include a cash flow SIR that applies per accident/per payment year as follows: \$2.0 million 1st year; \$1.25 million 2nd year; \$600 thousand 3rd year and each year thereafter, with coverage provided by State National Insurance Co. for up to \$3 million for employer's liability, and up to \$150 million limits for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25 thousand deductible, and insured through CSAC-EIA (California State Association of Counties – Excess Insurance Authority) and reinsured with Lexington Insurance Co. and with several insurers like AWAC, Ironshore, Partner RE, and Lloyd's of London, among others.

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

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, with Berkley Regional Insurance Co. with a \$100 thousand deductible, and excess limit 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 0.324% and an actuarially-determined 80% confidence level. It is the County's practice to obtain actuarial studies on an annual basis.

The total claims liability of \$232.10 million reported at June 30, 2015 is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated.

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, 2015.

Note 12: CONTINGENCIES

The District is subject to other legal proceedings, claims, and assessments that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect MHAIA's financial position, changes in net position and cash flows.

Note 13: RESTATEMENT OF FINANCIAL POSITION

The following schedule summarizes the effects of the prior period adjustment to the Government-wide Statements.

Government-wide:

	<u>Business-type Activities</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Net position at June 30, 2014, as previously reported	\$ 4,669,824	\$ 9,049,994	\$13,719,818
Adjustment to record GASB 68 pension liability	<u>(955,865)</u>	<u>(902,297)</u>	<u>(1,858,162)</u>
Net position as July 1, 2014, as restated	<u>\$ 3,713,959</u>	<u>\$ 8,147,697</u>	<u>\$11,861,656</u>

Note 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 2, 2015, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the CSA.

SVL CSD Proposed Financials/Budgets

Please find the following reports for our study:

1. Projected budget for Spring Valley Lake CSD
2. Projected Services and Supplies for Spring Valley Lake CSD including contracted services.
3. Projected Administration expenses for Spring Valley Lake CSD.

Spring Valley Lake Community Services District
(County Service Area No. 64 – Spring Valley Lake)

Prospective Financial Information

June 21, 2018

Prepared for:

Spring Valley Lake Exploratory Group
Victorville, California

Contact:

Rory Shannon

Prepared by:



Rogers, Anderson, Malody & Scott, LLP
Certified Public Accountants

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

Accountant's Report

To the Spring Valley Lake Exploratory Group
Victorville, California

The Spring Valley Lake Exploratory Group (the "Group") is the responsible party for the accompanying financial forecast of the Spring Valley Lake Community Services District (County Service Area No. 64- Spring Valley Lake), which comprises the forecasted statement of revenues, expenses and changes in net position for the fiscal years ending June 30, 2020 and 2018 and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have prepared, from information provided by (1) the Group, (2) the County's budget, accounting records, and audit reports, and (3) operating data obtained from three similar and comparable special districts in San Bernardino County that were formerly component units of the County, the accompanying forecasted statements of revenues, expenses and changes in net position of the District for the fiscal years ending June 30, 2020 and 2018 in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this prospective financial information.

The forecasted results may not be achieved as there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
June 21, 2018

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MEMBERS

Victorville Community Services District
County Service Area No. 64- Spring Valley Lake
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Prospective Financial Information
Forecasted Statement of Revenues, Expenses and Changes in Net Position
Years Ending June 30, 2020 and 2018

		Forecasted				
		Spring Valley Lake CSD				
		FY 2019-2020				
	Reference	Sewer	Water	Solid Waste	Admin	Total
Operating Revenues						
Sanitation Services	a	\$ 2,431,000	\$ -	\$ -	\$ -	\$ 2,431,000
Water Sales	a	-	2,081,000	-	-	2,081,000
Connection Fees	d	50,000	50,000	-	-	100,000
Solid Waste Franchise Fees	b	-	-	90,000	-	90,000
Dump Fees / ESFR Fees	b	-	-	330,000	-	330,000
Permit and Inspection Fees	c	1,950	3,300	-	-	5,250
Penalties	c	42,699	37,190	-	-	79,889
Total Operating Revenues		2,525,649	2,171,490	420,000	-	5,117,139
Operating Expenses						
Salaries & Benefits	e	270,000	456,000	-	560,000	1,286,000
Services & Supplies	f	544,000	596,400	50,000	514,600	1,705,000
Water Replacement	g	-	300,000	-	-	300,000
Utilities	h	15,000	155,000	-	13,000	183,000
Depreciation	i	110,000	200,000	-	-	310,000
Administration	j	543,800	543,800	-	(1,087,600)	-
Total Operating Expenses		1,482,800	2,251,200	50,000	-	3,784,000
Operating Income (Loss)		1,042,849	(79,710)	370,000	-	1,333,139
Non-Operating Revenues (Expenses)						
Property Taxes	k	400,000	38,000	-	-	438,000
Special Assessment & Other Taxes	l	23,000	23,000	-	-	46,000
Investment Earnings	m	22,000	24,000	-	-	46,000
Other Revenues (Expenses)	o	23,000	63,000	-	-	86,000
Total Non-Operating Revenues		468,000	148,000	-	-	616,000
Change in Net Position	p	1,510,849	68,290	370,000	-	1,949,139
Net Position Beginning of Year		5,210,731	8,180,844	-	-	13,391,575
Net Position End of Year		\$ 6,721,580	\$ 8,249,134	\$ 370,000	\$ -	\$ 15,340,714

See accompanying Summary of Significant Forecast Assumptions and Accounting Policies.
No assurance is provided on this prospective financial information.

Prospective Financial Information
 Forecasted Statement of Revenues, Expenses and Changes in Net Position (continued)
 Years Ending June 30, 2020 and 2018

	Reference	Forecasted			Comparative Budget Information		
		County CSA 64			County CSA 64		
		FY 2017-2018			FY 2017-2018 (Recommended Budget)		
	Sewer	Water	Total	Sewer	Water	Total	
Operating Revenues							
Sanitation Services	a	\$ 2,431,000	\$ -	\$ 2,431,000	\$ 1,956,492	\$ -	\$ 1,956,492
Water Sales	a	-	2,081,000	2,081,000	-	1,900,041	1,900,041
Connection Fees	d	3,000	-	3,000	2,500	-	2,500
Permit and Inspection Fees	c	1,000	3,000	4,000	1,200	2,550	3,750
Penalties	c	34,000	30,000	64,000	33,679	29,908	63,587
Total Operating Revenues		<u>2,469,000</u>	<u>2,114,000</u>	<u>4,583,000</u>	<u>1,993,871</u>	<u>1,932,499</u>	<u>3,926,370</u>
Operating Expenses							
Salaries & Benefits	e	850,000	850,000	1,700,000	849,926	849,926	1,699,852
Services & Supplies	f	1,269,000	1,105,000	2,374,000	1,268,542	1,105,381	2,373,923
Water Replacement	g	-	300,000	300,000	-	300,000	300,000
Utilities	h	12,000	175,000	187,000	12,000	175,000	187,000
Depreciation	i	110,000	200,000	310,000	-	-	-
Total Operating Expenses		<u>2,241,000</u>	<u>2,630,000</u>	<u>4,871,000</u>	<u>2,130,468</u>	<u>2,430,307</u>	<u>4,560,775</u>
Operating Income (Loss)		<u>228,000</u>	<u>(516,000)</u>	<u>(288,000)</u>	<u>(136,597)</u>	<u>(497,808)</u>	<u>(634,405)</u>
Non-Operating Revenues (Expenses)							
Property Taxes	k	400,000	38,000	438,000	190,036	215,798	405,834
Special Assessment & Other Taxes	l	23,000	23,000	46,000	22,905	23,223	46,128
Investment Earnings	m	22,000	24,000	46,000	3,680	4,571	8,251
Transfers Out	n	(543,000)	(500,000)	(1,043,000)	(543,263)	(500,000)	(1,043,263)
Other Revenues (Expenses)	o	23,000	63,000	86,000	16,569	58,437	75,006
Total Non-Operating Revenues		<u>(75,000)</u>	<u>(352,000)</u>	<u>(427,000)</u>	<u>(310,073)</u>	<u>(197,971)</u>	<u>(508,044)</u>
Change in Net Position	p	<u>153,000</u>	<u>(868,000)</u>	<u>(715,000)</u>	<u>(446,670)</u>	<u>(695,779)</u>	<u>(1,142,449)</u>
Net Position Beginning of Year		<u>5,057,731</u>	<u>9,048,844</u>	<u>14,106,575</u>	<u>5,057,731</u>	<u>9,048,844</u>	<u>14,106,575</u>
Net Position End of Year		<u>\$ 5,210,731</u>	<u>\$ 8,180,844</u>	<u>\$ 13,391,575</u>	<u>\$ 4,611,061</u>	<u>\$ 8,353,065</u>	<u>\$ 12,964,126</u>

See accompanying Summary of Significant Forecast Assumptions and Accounting Policies.
No assurance is provided on this prospective financial information.

Prospective Financial Information
 Forecasted Statement of Revenues, Expenses and Changes in Net Position (continued)
 Years Ending June 30, 2020 and 2018

	Comparative Historical Information								
	County CSA 64			County CSA 64			County CSA 64		
	FY 2016-2017 (per Audit Report)			FY 2015-2016 (per Audit Report)			FY 2014-2015 (per Audit Report)		
	Sewer	Water	Total	Sewer	Water	Total	Sewer	Water	Total
Operating Revenues									
Sanitation Services	\$ 2,431,422	\$ -	\$ 2,431,422	\$ 2,497,245	\$ -	\$ 2,497,245	\$ 2,223,664	\$ 4	\$ 2,223,668
Water Sales	-	2,081,147	2,081,147	-	2,095,658	2,095,658	-	2,061,518	2,061,518
Connection Fees	44,029	42,628	86,657	53,793	20,687	74,480	20,088	17,803	37,891
Permit and Inspection Fees	1,950	3,300	5,250	1,200	2,550	3,750	825	1,800	2,625
Penalties	42,699	37,190	79,889	33,679	29,908	63,587	34,908	28,890	63,798
Other Services	-	54,355	54,355	624	16,594	17,218	76	22,782	22,858
Total Operating Revenues	2,520,100	2,218,620	4,738,720	2,586,541	2,165,397	4,751,938	2,279,561	2,132,797	4,412,358
Operating Expenses									
Salaries & Benefits	1,162,718	1,069,171	2,231,889	1,164,690	1,037,974	2,202,664	1,003,608	925,237	1,928,845
Services & Supplies	1,061,325	711,405	1,772,730	1,106,949	577,926	1,684,875	1,103,829	605,396	1,709,225
Water Replacement	-	301,950	301,950	-	137,340	137,340	-	369,310	369,310
Utilities	9,280	138,603	147,883	11,911	142,029	153,940	8,274	172,004	180,278
Depreciation	104,162	191,694	295,856	104,278	191,694	295,972	104,280	176,376	280,656
Total Operating Expenses	2,337,485	2,412,823	4,750,308	2,387,828	2,086,963	4,474,791	2,219,991	2,248,323	4,468,314
Operating Income (Loss)	182,615	(194,203)	(11,588)	198,713	78,434	277,147	59,570	(115,526)	(55,956)
Non-Operating Revenues (Expenses)									
Property Taxes	400,409	37,785	438,194	285	414,028	414,313	173,090	223,783	396,873
Special Assessment & Other Taxes	23,095	23,002	46,097	23,102	23,859	46,961	23,773	28,252	52,025
Investment Earnings	21,643	23,636	45,279	31,664	36,857	68,521	15,263	20,952	36,215
Transfers In	615,222	446,676	1,061,898	1,112,576	2,364,801	3,477,377	-	-	-
Transfers Out	(615,222)	(446,676)	(1,061,898)	(1,112,576)	(2,364,801)	(3,477,377)	-	-	-
Loss On Disposal of Capital Assets	(252)	-	(252)	-	-	-	-	-	-
Other Revenues (Expenses)	22,982	63,382	86,364	16,623	55,176	71,799	15,861	56,968	72,829
Total Non-Operating Revenues	467,877	147,805	615,682	71,674	529,920	601,594	227,987	329,955	557,942
Change in Net Position	650,492	(46,398)	604,094	270,387	608,354	878,741	287,557	214,429	501,986
Net Position Previous Year	4,271,903	8,970,480	13,242,383	4,001,516	8,362,126	12,363,642	4,669,824	9,049,994	13,719,818
Prior-Period Adjustment	135,336	124,762	260,098	-	-	-	(965,865)	(902,297)	(1,868,162)
Net Position Beg of Year Restated	4,407,239	9,095,242	13,502,481	4,001,516	8,362,126	12,363,642	3,713,959	8,147,697	11,851,656
Net Position End of Year	\$ 5,057,731	\$ 9,048,844	\$ 14,106,575	\$ 4,271,903	\$ 8,970,480	\$ 13,242,383	\$ 4,001,516	\$ 8,362,126	\$ 12,363,642

See accompanying Summary of Significant Forecast Assumptions and Accounting Policies.
 No assurance is provided on this prospective financial information.

Prospective Financial Information
 Forecasted Statement of Revenues, Expenses and Changes in Net Position (continued)
 Years Ending June 30, 2020 and 2018

Schedule of Forecasted Operating Expenses for Year Ending June 30, 2020

	Sewer	Water	Solid Waste	Administration	Total
Salaries & Benefits	\$ 270,000	\$ 456,000	\$ -	\$ 580,000	\$ 1,286,000
Services & Supplies:					
Auditing Services	-	-	-	15,000	15,000
Bank Charges	-	-	-	15,000	15,000
Board Meeting Supplies	-	-	-	1,500	1,500
Community Promotion	-	-	-	6,000	6,000
Connection Costs	50,000	50,000	-	-	100,000
Contractual Services	33,000	12,000	-	50,000	95,000
Directors' Fees	-	-	-	30,000	30,000
Directors' Training & Seminars	-	-	-	15,000	15,000
Dues & Subscriptions	5,000	5,000	-	5,000	15,000
Education and Training	4,000	9,000	-	2,500	15,500
Employment Expense	-	-	-	2,500	2,500
Engineering Services	-	20,000	-	-	20,000
Equipment	100,000	100,000	-	-	200,000
Equipment Maintenance & Supplies	-	-	-	10,000	10,000
GIS Support	2,000	5,400	-	-	7,400
Insurance	15,000	15,000	-	-	30,000
Insurance - Vehicle	5,000	5,000	-	5,000	15,000
Laboratory Analysis	20,000	10,000	-	-	30,000
Legal Services	-	-	-	50,000	50,000
Mileage and Travel Reimbursement	-	-	-	1,000	1,000
Misc. Expense	10,000	10,000	-	-	20,000
Office Supplies	-	-	-	15,000	15,000
Operating Supplies	10,000	10,000	-	10,000	30,000
Operations and Maintenance	50,000	50,000	-	-	100,000
Permits and Fees	20,000	15,000	-	-	35,000
Postage & Delivery	-	-	-	12,000	12,000
Professional Fees	200,000	200,000	-	142,600	542,600
Public Notices	-	-	-	10,000	10,000
Rents and Leases - Admin Office	-	-	-	54,000	54,000
San Bernardino County Fees	-	-	-	8,000	8,000
SB County Disposal Fees	-	-	50,000	-	50,000
Small Tools	4,000	3,000	-	-	7,000
Software Support	-	-	-	50,000	50,000
Street Maintenance	-	50,000	-	-	50,000
Uniforms	3,000	3,000	-	1,000	7,000
Vehicle Fuel	6,000	14,000	-	1,500	21,500
Vehicle Maintenance	7,000	10,000	-	2,000	19,000
Water Replacement	-	300,000	-	-	300,000
Utilities:					
Telephone	5,000	5,000	-	13,000	23,000
Electric	10,000	150,000	-	-	160,000
Depreciation	110,000	200,000	-	-	310,000
Administration	543,800	543,800	-	(1,087,600)	-
	<u>\$ 1,482,800</u>	<u>\$ 2,251,200</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 3,784,000</u>

See accompanying Summary of Significant Forecast Assumptions and Accounting Policies.

No assurance is provided on this prospective financial information.

Note 1: Summary of Significant Forecast Assumptions and Accounting Policies

Members of the community of Spring Valley Lake have decided to investigate the feasibility of creating a “Spring Valley Lake Community Services District” (referred to as SVLCSD, or “the District”) to provide certain municipal level services for the community that are currently being provided by San Bernardino County. The Spring Valley Lake Exploratory Group (the “Group”) was formed to study the financial feasibility of local control over certain services, prepare a study, and provide communication and feedback to the community. One of the responsibilities of the Group is to evaluate the District’s financial feasibility and cost effectiveness. The Group has prepared a financial forecast as part of its evaluation responsibilities.

This financial forecast presents, to the best of the Groups’ knowledge and belief, the District’s expected net position and change in net position (or results of operations) for the forecasted years ending June 30, 2020 and 2018, under the assumptions that the District will continue to be operated by the County for fiscal years 2018 and 2019, and will be operated independent of the County beginning fiscal year 2020. A financial forecast for fiscal year 2019 is not presented as it is expected to be similar and substantially comparable to fiscal year

2018. The Group understands that the County will continue to operate the District for some

portion of fiscal year 2020, but the forecast has been prepared under the hypothetical scenario that the District would operate independently for all fiscal year 2020. Accordingly, the forecast reflects the Group’s judgment as of June 21, 2018, the date of this forecast, of the hypothetical conditions and its hypothetical expected course of action. The assumptions disclosed herein are those that the Group believe are significant to the forecast. The summary of assumptions is not an all-inclusive list of the assumptions used in the preparation of the forecasted financial information. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The comparative historical information for fiscal years ended June 30, 2017, 2016, and 2015 are extracted from the County Service Area No. 64 – Spring Valley Lake financial statements for those years. Those financial statements should be read for additional information. The comparative budget information for fiscal year ended June 30, 2018 is extracted from the County Service Area No. 64 – Spring Valley Lake operating budget, as obtained from the County for that year.

Note 1: Summary of Significant Forecast Assumptions and Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statements presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for water sales and sanitation services. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

Summary of Assumptions

a. Sanitation Services and Water Sales

- FY 2018 – Revenue was forecasted based on the FY 2017 actual amounts, which were higher than the FY 2018 budget.
- FY 2020 – Revenue was forecasted based on the FY 2017 actual amounts, which assumes the same number of connections, rates, and usage.

b. Solid Waste Fees

- FY 2018 – No amount was forecasted since the service is not anticipated to be included in District activities for that year.
- FY 2020 – The forecasted revenue is based on similar activity at other comparable community services districts.

c. Permit and Inspection Fees and Penalties

- FY 2018 – Revenue was forecasted based on the FY 2018 budget amounts.
- FY 2020 – Revenue was forecasted based on the FY 2018 budget and FY 2017 actual amounts.

Note 1: Summary of Significant Forecast Assumptions and Accounting Policies (continued)Summary of Assumptions (continued)**d. Connection Fees and Other Services**

- FY 2018 – Revenue was forecasted based on the FY 2018 budget amounts.
- FY 2020 – Revenue was forecasted based on the FY 2018 budget and FY 2017 actual amounts.

e. Salaries & Benefits

- FY 2018 – Expenses were forecasted based on the FY 2018 budget amounts.
- FY 2020 – Expenses were forecasted based on a comprehensive salaries and benefits schedule based on the estimated number of employees necessary to operate the District independently from the County. The salaries and benefits schedule is based on comparable community services districts, adjusted for the size of the District.

f. Services & Supplies

- FY 2018 – Expenses were forecasted based on the FY 2018 budget amounts.
- FY 2020 – Expenses were forecasted based on a combination of data obtained from the FY 2018 budget and equivalent expenses from comparable community services districts, adjusted for the size of the District, and including additional setup costs such as professional services and information technology.

g. Water Replacement

- FY 2018 – Expenses were forecasted based on the FY 2018 budget and FY 2017 actual amounts.
- FY 2020 – Expenses were forecasted based on the FY 2018 budget and FY 2017 actual amounts.

h. Utilities

- FY 2018 – Expenses were forecasted based on the FY 2018 budget amounts.
- FY 2020 – Expenses were forecasted based on a combination of data obtained from the FY 2018 budget, FY 2017 actual amounts, and equivalent expenses from comparable community services districts, adjusted for the size of the District.

i. Depreciation

- FY 2018 – Expenses were forecasted based on the FY 2017 actual amounts.
- FY 2020 – Expenses were forecasted based on the FY 2017 actual amounts.

Note 1: Summary of Significant Forecast Assumptions and Accounting Policies (continued)Summary of Assumptions (continued)**j. Administration**

- ∕ FY 2018 – Not applicable
- ∕ FY 2020 – Administration expenses were separately forecasted based on a combination of data obtained from the FY 2018 budget, FY 2017 actual amounts, and equivalent expenses from comparable community services districts, adjusted for the size of the District. Administrative expenses are presented in a separate column by natural classification, and allocated 50% to the Sewer function and 50% to the Water function for financial reporting.

k. Property Taxes

- ∕ FY 2018 – Revenue was forecasted based on the FY 2017 actual amounts.
- ∕ FY 2020 – Revenue was forecasted based on the FY 2017 actual amounts.

l. Special Assessment & Other Taxes

- ∕ FY 2018 – Revenue was forecasted based on the FY 2017 actual amounts.
- ∕ FY 2020 – Revenue was forecasted based on the FY 2017 actual amounts.

m. Investment Earnings

- ∕ FY 2018 – Revenue was forecasted based on the FY 2017 actual amounts.
- ∕ FY 2020 – Revenue was forecasted based on the FY 2017 actual amounts.

n. Transfers Out

- ∕ FY 2018 – Transfers out were forecasted based on the FY 2018 budget amounts.
- ∕ FY 2020 – Transfers out were not included in the forecast, since the related expenses were already included in the forecast of operating expenses, and no additional payments to the County would be anticipated.

o. Other Revenues (Expenses)

- ∕ FY 2018 – Revenue was forecasted based on the FY 2017 actual amounts.
- ∕ FY 2020 – Revenue was forecasted based on the FY 2017 actual amounts.

p. Change in Net Position

- ∕ FY 2018 – The most significant differences between the FY 2018 forecast and the 2018 budget are related to Sanitation Services and Water Sales revenues, and Depreciation expense, which wasn't included in the FY 2018 budget.
- ∕ FY 2020 – The most significant differences between the FY 2020 and FY 2018 forecasts are related to the inclusion of the Solid Waste function, the Salaries & Benefits and Services & Supplies expenses, and the elimination of the Transfers Out in FY 2020.

Findings

It is the belief of this group that changing the management to a locally run CSD without the connection and ties to the County will result in significant cost savings. These savings will allow the SVL CSD to mitigate future rate increases for years to come.

In addition, the locally run CSD with a Board of Directors comprised of residents and onsite management of functions will provide the community with more representation relative to services provided.

Expense management at a local level and more accountable to the residents will result in lower costs. Case in point are the Water meters and the Spring Valley Lake Monument entrance projects. We believe that local management would not have approved the monument saving \$250,000 of local resident's money. Local management would likely have chosen different meters saving over \$200,000 in local resident's money. While at a large county level that may not appear to be significant, it would still be close to \$500,000 in savings for our community. These decisions are better made locally (by a locally elected board) where there is more accountability to constituents – those that pay for the services.

Local management will allow the community to look at other services and opportunities that may be better served by a local CSD.

Creating a local municipality directed by members of our community, will give our community a "seat at the municipal" table. An SVL-CSD can leverage the relationship with the local HOA creating a cooperation in representing our residents and meeting our community's needs.

We are concerned that some may look at these numbers and contest the ability to save that much money. Understand that due diligence has been put into creating this revenue/expense model that includes but not limited to:

1. Comparing numbers to other current CSD's. We have met with both the Helendale and Phelan/Pinon Hills CSD's and have confirmations of our beliefs that both costs and services will improve with a locally managed CSD.
2. Creating actual expense models.
3. Consulting with actual local resources for contract work.
4. Having a CPA firm familiar with Special Districts and CSD's review our numbers and provide input.

In looking at the large picture, the residents of the community need to be given the opportunity to choose or not choose local governance.

Transition Plan

The first year of newly created CSD will be a most critical time. A well planned and executed hand off from County departments to local management will be effectuated without impacting service levels to our customers. This can be accomplished in different ways:

- SVL – CSD could contract with the County for a period to continue existing services until such time the SVL – CSD can hire and start providing services.
- SVL – CSD could contract with local private companies and partner with other CSD's for a short period of time.

The transition process will be reviewed by the Local Agency Formation Commission (LAFCO) as well as an evaluation of all the revenues, reserve funds and equipment that will be transferred to the new CSD.

There are assets critical to the operation of a newly created CSD that will need to transfer from the County Special Districts to the newly formed CSD. Current "pooling of assets" by Special Districts will make it difficult to work through this process. But do understand that funds from CSA 64 have been used to purchase those assets and/or those funds have been set aside in reserves. Those assets are clearly the property of CSA64 and will need to transfer to the newly formed SVL-CSD.

- Equipment.
- Cash
- Reserves

Conclusion

In conclusion, we recommend that the San Bernardino County Board of Supervisors and LAFCO let the residents of Spring Valley Lake decide through an election if they want to create a new CSD and assume the services currently provided by various County departments. Please note the following reasons:

Vision for the Spring Valley Lakes CSD

“Self-determination and local control represent the foundation of the American governmental system, and perhaps no form of government is more “local” than the independent special district. Special districts are local government agencies that provide public infrastructure and essential services, including but not limited to, water, fire protection, recreation and parks, and garbage collection. Since California became a state in 1850, voters have established over 2,000 independent special districts to meet their local needs.”

This is a quote from the Special District Formation Guide provided by the California Special Districts Association (CSDA) and California Local Agency Formation Commission (CALAFCO). This statement clearly spells out:

1. Self Determination and local control represent the foundation of the American governmental system. An SVL CSD will bring government and decision making closer to the people that are being governed. A local CSD will clearly provide this foundation and a representative government for services that is focused solely on the constituents of a newly formed SVL-CSD.
2. Government by constituents at a local level will insure decisions based on what is best for this community.
3. County management of services was never the goal for communities of size that can manage their own services. That said, the creation of a local CSD (where possible and feasible) should be the goal of not only the local residents but the management of the county itself. We look forward to the County/Special Districts assisting us with this transition if voted in by the residents.

Financial

As evidenced in the projected financial statements, a local CSD can operate at a much more efficient level. It is not so much a matter of costs at a local level as it is the costs associated with working under the significantly larger county structure with the burden to pay a portion of the mammoth overhead. The costs from that level that are pushed down to the local water and sewer customers are overly cumbersome. Between creating a leaner management model and outsourcing non-critical services costs will be significantly reduced.

Local Control

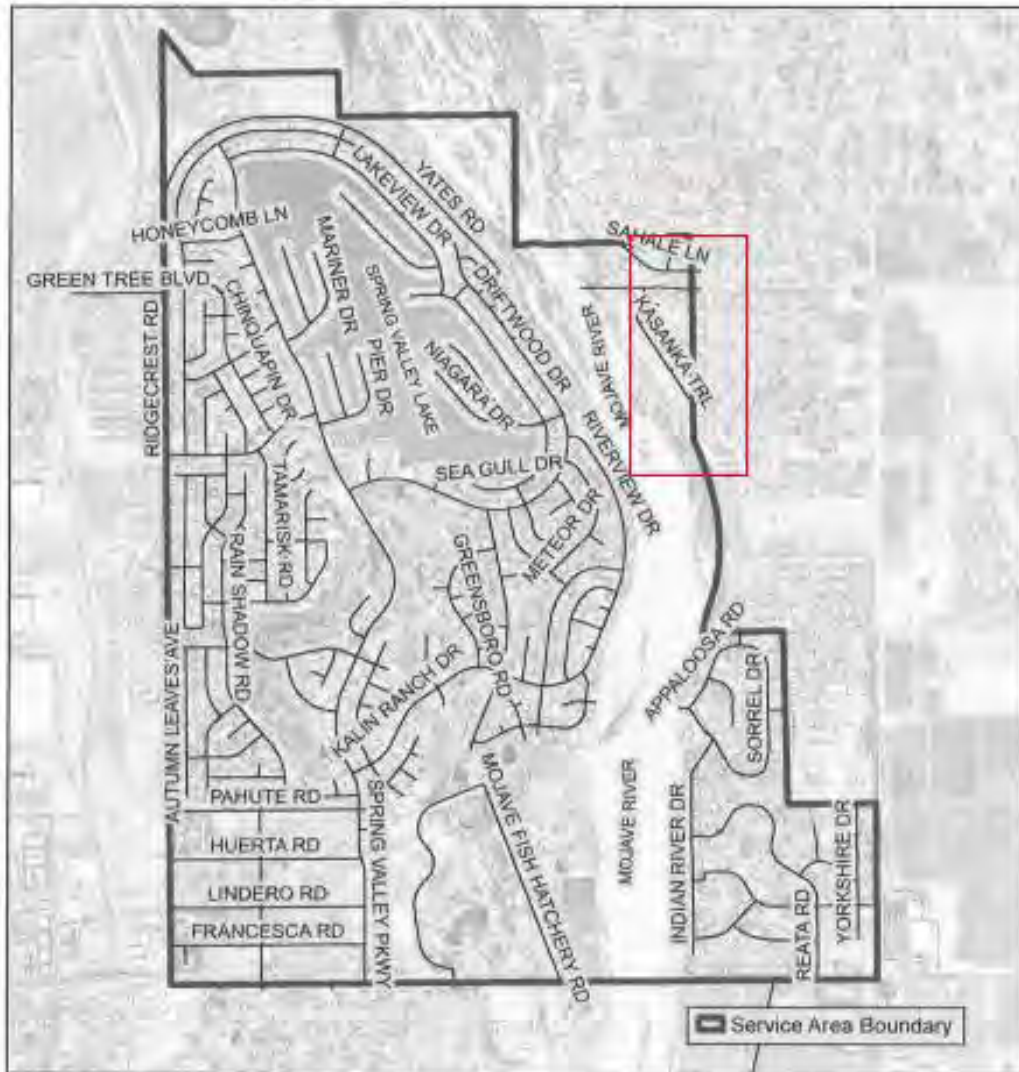
No one can argue that the residents of Spring Valley Lakes will not be better represented by a Board of residents voted in by their peers. That is the foundation of local governance. A locally elected board will clearly make decisions based on what is best for this community without having to consider the operations of Spring Valley Lakes along with the other 90 CSA's. Examples have been spelled out earlier in this document.

Appendix

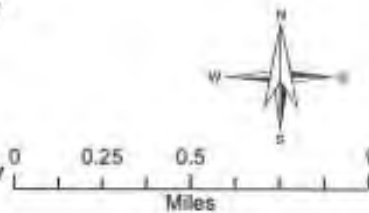
- Existing Boundaries
- Spring Valley Lake Map
- Solid Waste Opportunity
- Personnel Expense Model

EXISTING BOUNDARY – SVL – CSA 64

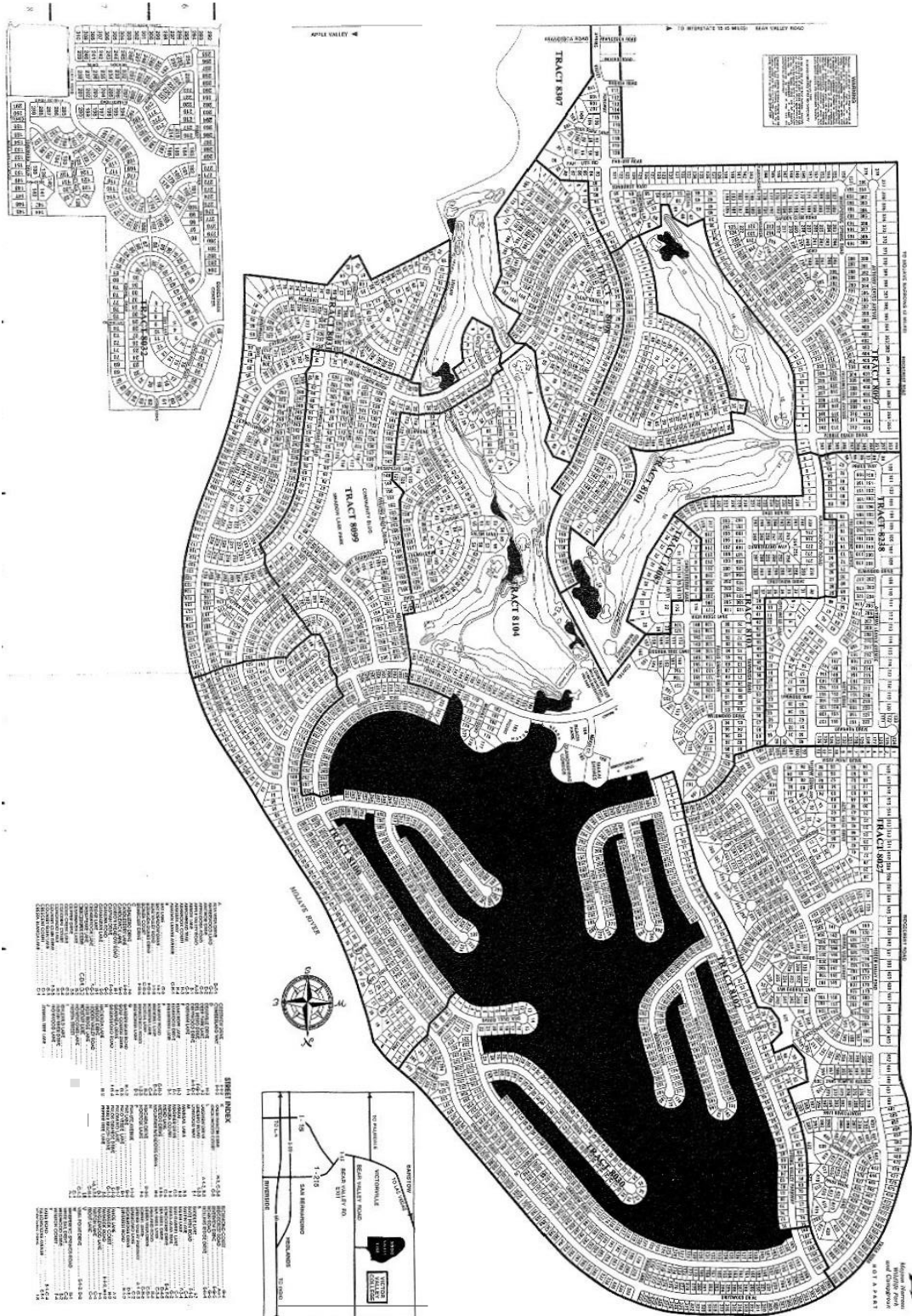
County Service Area 64



County Service Area 64
 12402 Industrial Blvd., Building D, Suite 6
 P.O. Box 5004, Victorville, CA 92395
 (760) 955-9885 phone
 (760) 955-9685 fax
 Emergency after-hours phone:
 (760) 955-9885
customerservice@sdd.sbcounty.gov
www.specialdistricts.org



SPRING VALLEY LAKE MAP



Solid Waste Opportunity

Total Lots	4215
EQ	310
ESFR Lots	3905
Annual Trash Fee	\$252.00
Total Solid Waste Revenue	\$984,060.00
Franchise Fee Rate	10.00%
Franchise Fee	\$98,406.00
Dump Fees	\$85.14
Total	\$332,471.70
% used	5.00%
Reimbursed	\$16,623.59
Net to SVL CSD	\$315,848.12
Total Net to SVL CSD	\$414,254.12
Per Homeowner	\$106.08

Employee Expense Model/Contract Labor

	#	Salary	Benefits	Total per Employee	Total
Administration					
General Manager	1	\$150,000.00	\$60,000.00	\$210,000.00	\$210,000.00
Administrative Staff	4	\$50,000.00	\$20,000.00	\$70,000.00	<u>\$280,000.00</u>
Total Mgmt & Admin	5				\$490,000.00
Water					
Manager	1	\$100,000.00	\$40,000.00	\$140,000.00	\$140,000.00
Staff	3	\$55,000.00	\$22,000.00	\$77,000.00	<u>\$231,000.00</u>
Total Water	4				\$371,000.00
Sanitation					
Manager	1	\$100,000.00	\$40,000.00	\$140,000.00	\$140,000.00
Staff	1	\$55,000.00	\$22,000.00	\$77,000.00	<u>\$77,000.00</u>
Total Sanitation	2				\$217,000.00
Board of Directors					
Stipends	5	\$6,000.00		\$6,000.00	\$30,000.00
Benefits	5	\$12,000.00		\$12,000.00	<u>\$60,000.00</u>
Total Board of Directors	10				\$90,000.00
Total Salaries and Benefits					<u>\$1,138,000.00</u>

Dissolution of CSA-64 and
Spring Valley Lake CSD Resolution

EXHIBIT B

December 30, 1968

RE: COUNTY SERVICE AREA 64, KALIN RANCH; FORMATION APPROVED

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA

On Monday, December 30, 1968, on motion of Supervisor Betterley, duly seconded by Supervisor Backord, and carried, the following resolution is adopted:

SECTION 1. The Board of Supervisors of the County of San Bernardino hereby finds:

(a) That a resolution of application was filed with the Local Agency Formation Commission of the County of San Bernardino by this Board for the formation of COUNTY SERVICE AREA NO. 64, pursuant to the provisions of Chapter 2.2, Part 2, Division 2, Title 3 (commencing at Section 25210.1) and Chapter 6.6, Part 1, Division 2, Title 5 (commencing at Section 54773), all of the Government Code of the State of California;

(b) That the Local Agency Formation Commission assigned to said proposed formation a distinctive short-form designation of "LAFC NO. 665 -- PROPOSED FORMATION OF COUNTY SERVICE AREA NO. 64 (KALIN RANCH)";

(c) That thereafter appropriate proceedings were conducted by the said Local Agency Formation Commission, and the said Commission on November 18, 1968, duly adopted a resolution, being Resolution No. 295, modifying the boundaries and approving the proposed formation as modified;

(d) That the boundaries of the proposed COUNTY SERVICE AREA NO. 64, as approved, are as follows:

OFFICE OF THE
COUNTY COUNSEL
COUNTY CIVIC BUILDING
187 WEST FIFTH STREET
SAN BERNARDINO, CALIFORNIA 92401

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LAFC No. 665

PROPOSED FORMATION OF COUNTY SERVICE AREA NO. 64
(Kslin Service Area)

Portions of Sections 23, 25, 26, 35, and 36, Township 5 North, Range 4 West, San Bernardino Base and Meridian, according to the Official Plat of said land approved by the Surveyor General, dated March 19, 1856, in the County of San Bernardino, State of California, described as follows:

Beginning at the South quarter corner of said Section 35;

Thence along the West line of the Southeast quarter of said Section North 0°51'04" West 71.50 feet to the "TRUE POINT OF BEGINNING";

Thence continuing along the West line of the Southeast quarter of said Section North 0°51'04" West 2573.99 feet to the center of said Section;

Thence along the South line of the Northwest quarter of said Section South 89°17'41" West 2673.35 feet to the West quarter corner of said Section;

Thence along the West line of said Section North 0°50'30" West 2650.02 feet to the Northwest corner of said Section also being the Southwest corner of said Section 26;

Thence along the South line of said Section 26, North 89°27'11" East 667.99 feet to the East line of the West half of the Southwest quarter of the Southwest quarter of said Section 26;

Thence along said East line North 00°30'26" West 1322.20 feet to the Northeast corner of said West half;

Thence along the South line of the Northwest quarter of the Southwest quarter of said Section 26 North 89°21'50" East 663.06 feet to the Southeast corner of said Northwest quarter of the Southwest quarter;

Thence along the East line of said quarter, quarter section North 00°43'13" West 1323.22 feet to the Northeast corner thereof;

Thence along the North line of said quarter, quarter section South 89°16'25" West 1316.29 feet to the West quarter corner of said Section 26;

Thence along the West line of said Section 26 North 00°39'31" West 2648.56 feet to the Northwest corner of said Section also being the Southwest corner of said Section 23;

Thence along the line common to Sections 22 and 23 North 0°55'40" West 2657.15 feet to the West quarter of said Section 23;

Thence continuing along the said common line North 1°00'41" West 1329.95 feet to the Southeast corner of the Northeast quarter of the Northeast quarter of Section 22;

Thence South 36°50'55" East 1641.65 feet to a point on the one quarter Section line running East and West through said Section 23; said point being designated by a two inch pipe in a block of concrete;

ATTORNEY OF THE
COUNTY OF SAN BERNARDINO
COUNTY CIVIC BUILDING
187 WEST FIFTH STREET
SAN BERNARDINO, CALIFORNIA 92401

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- 1 Thence North 88°58'21" East 1818.80 feet along the quarter
- 2 section line to a point, said point being designated by a
- 3 two inch pipe in a block of concrete;
- 4 Thence South 45°34'38" East 2044.85 feet to a point, said
- 5 point being designated by a two inch pipe in a block of
- 6 concrete;
- 7 Thence South 40°12'21" East 1585.36 feet to the Southeast
- 8 corner of said Section 23;
- 9 Thence along the North line of said Section 25 North 89°17'
- 10 17" East 2642.88 feet to the North quarter corner of said
- 11 Section 25;
- 12 Thence along the East line of the West half of said Section 25
- 13 South 0°45'55" West 2389.33 feet, to an intersection with a
- 14 non-tangent curve concave to the West having a radius of 3709.56
- 15 feet;
- 16 Thence Southerly along said curve through a central angle of
- 17 13°02'54" a distance of 844.80 feet to the beginning of a
- 18 compound curve concave to the West having a radius of 3575.00
- 19 feet;
- 20 Thence Southerly along said compound curve through a central
- 21 angle of 34°18'06" a distance of 2140.27 feet to the South
- 22 line of said Section 25;
- 23 Thence along the South line of said Section 25 North 89°13'55"
- 24 East 1244.70 feet to the East line of the West half of the
- 25 Northeast quarter of said Section 36;
- 26 Thence along said East line South 00°47'16" East 2643.59 feet
- 27 to the Southeast corner of said West half;
- 28 Thence along the South line of the Northeast quarter of said
- 29 Section 36 North 89°11'22" East 1320.21 feet to the East
- 30 quarter corner of said Section 36;
- 31 Thence along the East line of said Section 36 South 00°45'46"
- 32 East 2642.36 feet to the Southeast corner of said Section 36;
- Thence along the Southerly line of said Section 36 South 89°09'
- 30" West 3556.11 feet to the East line of the land described
- in the deed to Victor Valley Junior College District of San
- Bernardino County, recorded September 27, 1962 in Book 5775,
- Page 258 of Official Records of said County;
- Thence along the boundary line of said land North 00°51'17"
- West 3572.27 feet;
- Thence North 83°55'41" West 1414.55 feet;
- Thence South 40°14'19" West 446.78 feet;
- Thence South 0°20'22" West 605.89 feet;
- Thence South 19°50'41" East 385.00 feet;
- Thence South 70°09'19" West 460.00 feet;
- Thence North 19°50'41" West 746.00 feet;

COUNTY OF SAN BERNARDINO
 COUNTY CLERK
 COUNTY CIVIC BUILDING
 1ST WEST FIFTH STREET
 SAN BERNARDINO, CALIFORNIA 92401

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- 1 Thence South 68°14'19" West 804.20 feet to the beginning of a
- 2 tangent curve concave to the Southeast having a radius of
- 3 378.81 feet;
- 4 Thence Southwesterly, Southerly, and Southeasterly along said
- 5 curve through a central angle of 115°13'20" a distance of 761.79
- 6 feet to the beginning of a tangent reverse curve concave to
- 7 the West having a radius of 350.00 feet; a tangent line to
- 8 both curves bears North 46°59'01" West;
- 9 Thence Southeasterly, Southerly, and Southwesterly along said
- 10 reverse curve through a central angle of 89°13'20" a distance
- 11 of 545.03 feet;
- 12 Thence tangent to said curve South 42°14'19" West 100.00 feet
- 13 to the beginning of a tangent curve concave to the Southeast
- 14 having a radius of 500.00 feet;
- 15 Thence Southwesterly along said curve through a central angle
- 16 of 32°00'00" a distance of 279.25 feet;
- 17 Thence tangent to said curve South 10°14'19" West 97.96 feet
- 18 to the beginning of a tangent curve concave to the East having
- 19 a radius of 500.00 feet;
- 20 Thence Southerly along said curve through a central angle of
- 21 19°00'00" a distance of 165.81 feet;
- 22 Thence tangent to said curve South 8°45'41" East 701.33 feet
- 23 to the beginning of a tangent curve concave to the West
- 24 having a radius of 500.00 feet;
- 25 Thence Southerly along said curve through a central angle
- 26 of 8°00'00" a distance of 69.81 feet;
- 27 Thence tangent to said curve South 0°45'41" East 168.54 feet
- 28 to an intersection with a line that is parallel with and 71.50
- 29 feet North measured at right angles from the South line of
- 30 said Section 35;
- 31 Thence Westerly along said parallel line, to an intersection
- 32 with the West line of the East half of said Section 35;
- Thence South 0°51'04" West 71.50 feet to the Point of
- Beginning.

COUNTY SURVEYOR'S OFFICE
November 18, 1968.

MEMBER OF THE
COUNSEL
COUNTY CIVIC BUILDING
101 WEST FIFTH STREET
SAN BERNARDINO, CALIFORNIA 92401

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1 (e) That the territory included in the proposed
2 COUNTY SERVICE AREA NO. 64 is inhabited;

3 (f) That the reason for the proposed formation is
4 that the area can, and will be, benefited from water and sewer service,
5 pest abatement, garbage collection, and street lighting service;

6 (g) That this Board, by resolution adopted on
7 November 18, 1968, duly called a public hearing on the matter of the
8 said formation, said hearing to be held on December 23, 1968, at
9 the hour of 2:15 o'clock p.m., in the Chambers of this Board at
10 the County Civic Building, 175 West Fifth Street, San Bernardino,
11 California;

12 (h) That due and proper legal notice of said hearing
13 was ordered given, and was made and given pursuant to said order
14 and resolution, and the same has been duly held at the time and
15 place appointed, and was duly continued to this date;

16 (i) That said hearing has been completed; all
17 parties desiring to be heard have been heard;

18 (j) That all objections have been heard, duly
19 considered, found to be insufficient and denied;

20 (k) That all testimony of all interested persons
21 or taxpayers for or against the establishment of the area, the
22 extent of the area, or the furnishing of specified types of
23 extended services have been heard and duly considered;

24 (l) That the type of extended county service
25 proposed to be provided within the area pursuant to this chapter
26 is described as follows:

27 Water and sewer service, pest abatement, garbage
28 collection, and street lighting services;

29 (m) That no extended county services are already
30 provided in the area described herein;

31 (n) That a tax sufficient to pay for such services
32 which are hereafter furnished on an extended basis will be annually
levied upon all taxable property within the area described herein

OF THE
COUNSEL
COUNTY CIVIC BUILDING
187 WEST FIFTH STREET
SAN BERNARDINO, CALIFORNIA 92401

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1 when such services are provided by this Service Area.

2 SECTION 2. It is, therefore, hereby ordered that the
3 territory described in Section 1, paragraph (d) herein be, and the
4 same is established as COUNTY SERVICE AREA NO. 64.

5 SECTION 3. The Clerk of the Board is hereby directed to
6 certify to the passage of this resolution and a copy of the same
7 to be forwarded to each of the following public bodies and
8 officers:

- 9 (a) Assessor of the County of San Bernardino;
- 10 (b) Registrar of Voters of the County of
11 San Bernardino;
- 12 (c) Board of Equalization of the State of California;
- 13 (d) Secretary of the Advisory Board of COUNTY
14 SERVICE AREA NO. 64;
- 15 (e) Surveyor of the County of San Bernardino.

OF THE
COUNSEL
COUNTY CIVIC BUILDING
187 WEST FIFTH STREET
SAN BERNARDINO, CALIFORNIA 92401

16 -----
17 PASSED AND ADOPTED by the Board of Supervisors of the
18 County of San Bernardino, State of California, by the following
19 vote:

20 AYES: Supervisors: Betterley, Mikesell, Beckord, Ayala, Smith.
21 NOES: Supervisors: None.
22 ABSENT: Supervisors: None.

23 STATE OF CALIFORNIA }
24 COUNTY OF SAN BERNARDINO) ss.

25 I, V. DENNIS WARDLE, County Clerk and ex officio Clerk
26 of the Board of Supervisors of San Bernardino County, California,
27 hereby certify the foregoing to be a full, true and correct copy
28 of the record of the action taken by said Board of Supervisors
29 by vote of the members present as the same appears in the
30 Official Minutes of said Board at its meeting of December 30, 1968.

31 Dated: V. DENNIS WARDLE, County Clerk and
32 ex officio Clerk of said Board

By _____ Deputy

(continued)

December 30, 1968

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MINUTES OF THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA

(cont'd)

By the same motion, the Board hereby approves that certain agreement dated December 30, 1968, by and between the County of San Bernardino, on behalf of County Service Area No. 64, and Neste, Brudin & Stone, Civil Engineers, providing for engineering services on behalf of County Service Area No. 64, and authorizes its Chairman to sign said agreement, indicating this Board's acceptance of the terms and conditions contained therein. The Board further directs the engineering firm of Neste, Brudin & Stone not to commence their services until the fees in the amount of \$8,800.00 have been advanced by the developers, U. S. Land Company.

PASSED AND ADOPTED by the Board of Supervisors of the County of San Bernardino, State of California, by the following vote:

AYES: SUPERVISORS: Betterley, Mikesell, Beckord, Smith, Ayala
NOES: SUPERVISORS: None
ABSENT: SUPERVISORS: None

December 30, 1968

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MINUTES OF THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA

RE: COUNTY SERVICE AREA NO. 64 (KALIN RANCH); APPROVED; AGREEMENT APPROVED

At 10:00 A.M. the Board conducts further public hearing on proposed formation of County Service Area No. 64, LAFCO 665, in the Victorville area. Robert B. Rigney, Assistant Administrative Officer, reminds the Board that on Monday, December 23, 1968, it continued to this date public hearing on the formation of County Service Area No. 64, Kalin Ranch, for further information. Mr. Rigney then submits a report to the Board, a copy of which is on file in the office of the Clerk. He then reviews said report for the Board. He further submits a proposed agreement by and between the Board of Supervisors, in behalf of County Service Area No. 64, and the engineering partnership firm of Neste, Brudin & Stone. The agreement provides for the partnership to provide consulting services as outlined in the agreement, in return for which they will receive approximately \$8,800.00 in fees.

A general discussion with reference to said agreement is held and the Board indicates that it feels that fees in the amount of \$8,800.00 should be paid by the developer before the engineers commence their services. Allan Noble again expresses his opposition to this proposal, indicating that he feels that this is an improper activity and that general obligation bonds should not be issued. He further expresses the feeling that in that this is an expensive project and money might be difficult to obtain, it could cause problems in the future.

Steven Stern, of the law firm of O'Melveny & Myers, expresses the opinion that it is the obligation of the County Service Area to pay for the bonds. There is no legal obligation of the County to pay for the bonds.

Whereupon, after full and complete discussion, the Board approves the formation of County Service Area No. 64 by the following action:

Fifth Floor
Court House Addition
San Bernardino, California

LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO

ROBERT A. COVINGTON
Executive Officer

ROBERT B. RIGNEY
Assistant
Executive Officer

740

LAFC Number

5/22/69

Dated

RESOLUTION NO. 354

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO
MAKING DETERMINATION ON LAFC # 740 AND APPROVING ANNEXATION
TO COUNTY SERVICE AREA 64.

On motion of Commissioner Stewart, duly seconded by Commissioner Butterley, and carried unanimously, the Local Agency Formation Commission adopts the following resolution:

WHEREAS, an application for the proposed annexation

in the County of San Bernardino, was heretofore filed with the Executive Officer of this Local Agency Formation Commission, and said Executive Officer has examined said application, petition, or resolution and executed his certificate in accordance with law, determining and certifying that said filings are sufficient; and

WHEREAS, at the times and in the form and manner provided by law, said Executive Officer has given notice of public hearing by this Commission upon said application, petition or resolution; and

WHEREAS, said Executive Officer has reviewed available information and prepared a report, including his recommendations thereon, said filings and report and related information having been presented to and considered by this Commission; and

WHEREAS, the public hearing by this Commission was held upon the date and at the time and place specified in said notice of public hearing and in any order or orders continuing such hearing; and

WHEREAS, at such hearing, this Commission heard and received all oral and written protests, all plans and proposed changes of organization and reorganization, objections and evidence which were made, presented, or filed, received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved, and all persons present were given an opportunity to hear and be heard in respect to any matter relating to said applications, petition or resolution in evidence presented at the hearing;

NOW, THEREFORE, the Local Agency Formation Commission of the County of San Bernardino does hereby find, determine, resolve and order as follows:

FINDINGS:

1. The territory proposed for annexation is uninhabited.
2. That notice as required by law has been made.
3. That all persons requesting to be heard have been given the opportunity to be heard.
4. That the area can benefit from street lighting, water and sewage disposal.
5. It is necessary to have the entire subdivision within the county service area from a legal point of view if reimbursement is to be made in the future for facilities serving these areas.

DETERMINATIONS:

SECTION 1. The proposal is approved subject to the terms and conditions hereinafter specified:

CONDITIONS:

Condition No. 1. The conducting agency shall not make any changes in the boundaries hereby approved nor shall it impose any new conditions or modify any conditions hereby imposed unless and until it receives the approval of the Local Agency Formation Commission for such changes, modifications, or conditions, pursuant to the procedures prescribed by Section 56275 of the Government Code.

Condition No. 2. The conducting agency shall provide the Local Agency Formation Commission Executive Officer with a copy of the resolution calling the hearing and a copy of the resolution indicating final disposition of the proposal ~~which shall include terms and conditions~~ and which indicate full compliance with this resolution, and shall provide copies of the documents submitted to the State Board of Equalization and the Secretary of State for recording.

Condition No. 3. The boundaries are hereby approved as amended and as approved are set forth in Exhibit A attached hereto.

Condition No. 4. The following distinctive short form designation shall be used throughout this proceeding: LAFCO NO. 740.

Condition No. 5. The conducting agency for this proceeding shall be County of San Bernardino.

Condition No. 6. That the Board of Supervisors initiate proceedings to detach territory overlapping County Service Area 17 at the time that this territory is annexed to County Service Area 64.

SECTION 2. The governing body of the conducting agency is hereby directed to initiate appropriate proceedings in compliance with this resolution and state law.

SECTION 3. The Executive Officer is hereby authorized and directed to mail certified copies of this resolution in the manner and as provided in Section 56272 of the Government Code.

SECTION 4. Approval by the Local Agency Formation Commission is not to be interpreted as indicating that the Commission recommends, requires or advocates that particular proceeding. It should be construed only to mean that if the people--acting by election or through their elected representatives, as required by existing statutory provisions--wish to change the boundaries of a political taxing agency in order to provide a necessary service, the proposal as approved by this Commission would accomplish the service in a reasonable manner with a maximum chance of success and a minimum disruption of service to the functions of other Local Agencies in the area.

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO) ss.

I, Robert A. Covington, Executive Officer of the Local Agency Formation Commission of San Bernardino County, California, hereby certify this record to be a full, true and correct copy of the record of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of 5/28/69.

Dated: 5/29/69

ROBERT A. COVINGTON, Executive Officer
of LOCAL AGENCY FORMATION COMMISSION

By: *R.A. Covington*

LAFCO No. 740
*Revised 5/20/69*ANNEXATION
TO
COUNTY SERVICE AREA No. 64

Being a portion of Sections 23, 24, and 26, Township 5 North, Range 4 West, San Bernardino Meridian, in the County of San Bernardino, State of California described as follows:

Parcel No. 1

The West 44.00 feet of the Southwest 1/4 of said Section 26, Township 5 North, Range 4 West.

Parcel No. 2

A parcel of land lying within the Northwest 1/4 of said Section 23 bounded as follows:

On the North by the North line of the South 1/2 of the South 1/2 of the Northwest 1/4 of said Section 23;

On the South and on the West by the existing District boundary;

And on the East by the North and South center line of said Section 23.

Parcel No. 3

Being a portion of said Sections 23 and 24 of Township 5 North, Range 4 West, described as follows:

Beginning at the South 1/4 corner of said Section 24, said corner being on the existing District boundary;

Thence Northerly along the East line of the Southwest 1/4 to the North line of the South 1/2 of the South 1/2 of the Southwest 1/4 of said Section 24;

Thence Westerly along said North line, to the West line of the

COUNTY SURVEYOR'S OFFICE

-1-

Revised as of
May 20, 1969

Southwest 1/4 of said Section 24;

Thence Northerly along said West line, to the East 1/4 corner of said Section 23;

Thence Westerly along the North line of the Southeast 1/4 of said Section 23, to an intersection with the existing District boundary;

Thence Southeasterly and Easterly along said District boundary, to the Point of Beginning.

Parcel No. 4

The West 40.00 feet of the Southwest 1/4 of Section 35, Township 5 North, Range 4 West.

Saving and Excepting that portion lying South of the North line of Lot 10, Tract No. 4158 as per map recorded in Book 56, of Maps, Page 37, in the office of the Recorder of said County.

COUNTY SURVEYOR'S OFFICE
Revised as of
May 20, 1969

INTER-OFFICE MEMO

DATE: May 7, 1969

FROM: ROBERT B. RIGNEY
Assistant Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: LAFCO 740 - Annexation to County Service Area 64

General area includes the periphery streets and adjacent lands along Ridgecrest Road and Yates Road.

Summary of proponents justification: This county service area was previously approved by the LAFCO and the Board of Supervisors to supply water, sewer and street lighting services to the Service Area to back up the large subdivision, lake, golf course and equestrian complex proposed by Boise Cascade. The Board and the proponents have agreed upon the terms of County-Boise Cascade Cooperation and the contract is attached. In essence, it states that all improvements are to be paid for by Boise Cascade properties and turned over to the County for operation. However, when the assessed valuation reaches specified levels the developer is to be reimbursed a portion of his investment. In no instance may the tax rate exceed \$2.00 of \$100 of the assessed valuation.

The original boundaries of the county service area previously included land which Boise Cascade, or U.S. Land, had under option to purchase the subdivision. The subdivision maps were tentative. Now the subdivision plans have been finalized and it was determined that the exterior boundaries needed to be adjacent to include all of the subdivision within the county service area. As it has not as yet been staked out on the ground, the exact notes and bounds description cannot be used but a description can be written which includes all of the subdivision and perhaps a small amount of additional lands.

It is necessary to have the entire subdivision within the county service area from a legal point of view if reimbursement is to be made in the future for facilities serving these areas.

Staff comments: There are no registered voters within the area. Parcel No. 1 will create an island within the district. Parcel No. 2 is a peninsula 44' wide and over one-half mile long which is primarily the perimeter road around the subdivision. Parcel No. 3 lies partially within County Service Area 17 which provides street lights as does this service area. However, no street lights are in this area at the present time.

*check with Ralph on legal.
legals revised 5/20/69*

There are eight parcel splits, three of them owned by the State of California which are lands to be a part of the County Regional Park. In addition, it splits parcels owned by Ollie and Florence Halstead, Charles Mead, Winifried O'Donnell, Reserve Oil and Gas Company, and Title Insurance and Trust Company. These splits are primarily due to the road which takes portions of boundary sites of section lines for other purposes.

The basic agreements between the developers, the LAFCO and the Board of Supervisors have been accomplished and these small adjustments are necessary to implement those agreements. There are several technical problems but they may be resolved in the future. The island created by the inclusion of the road may be eliminated in the future as the property owners have requested information regarding annexation to the service area. The overlapping with a portion of County Service Area 17 can be resolved by making conditions of this annexation that the Board of Supervisors initiate proceedings to detach the overlapping territory. Separate parcels should go forward as separate annexations in conformance with policy and law.

The parcel splits involving the County Regional Park are not important as no taxes are involved. The parcel splits should be taken care of when the road is installed and if there is any territory not needed for the road included with this annexation, when the subdivision is actually staked out on the ground and surveyed, these territories may be detached and it should be the Board of Supervisors' responsibility to initiate such detachments. Portions of the subdivision road in Section 35 is still not within the proposed annexation.

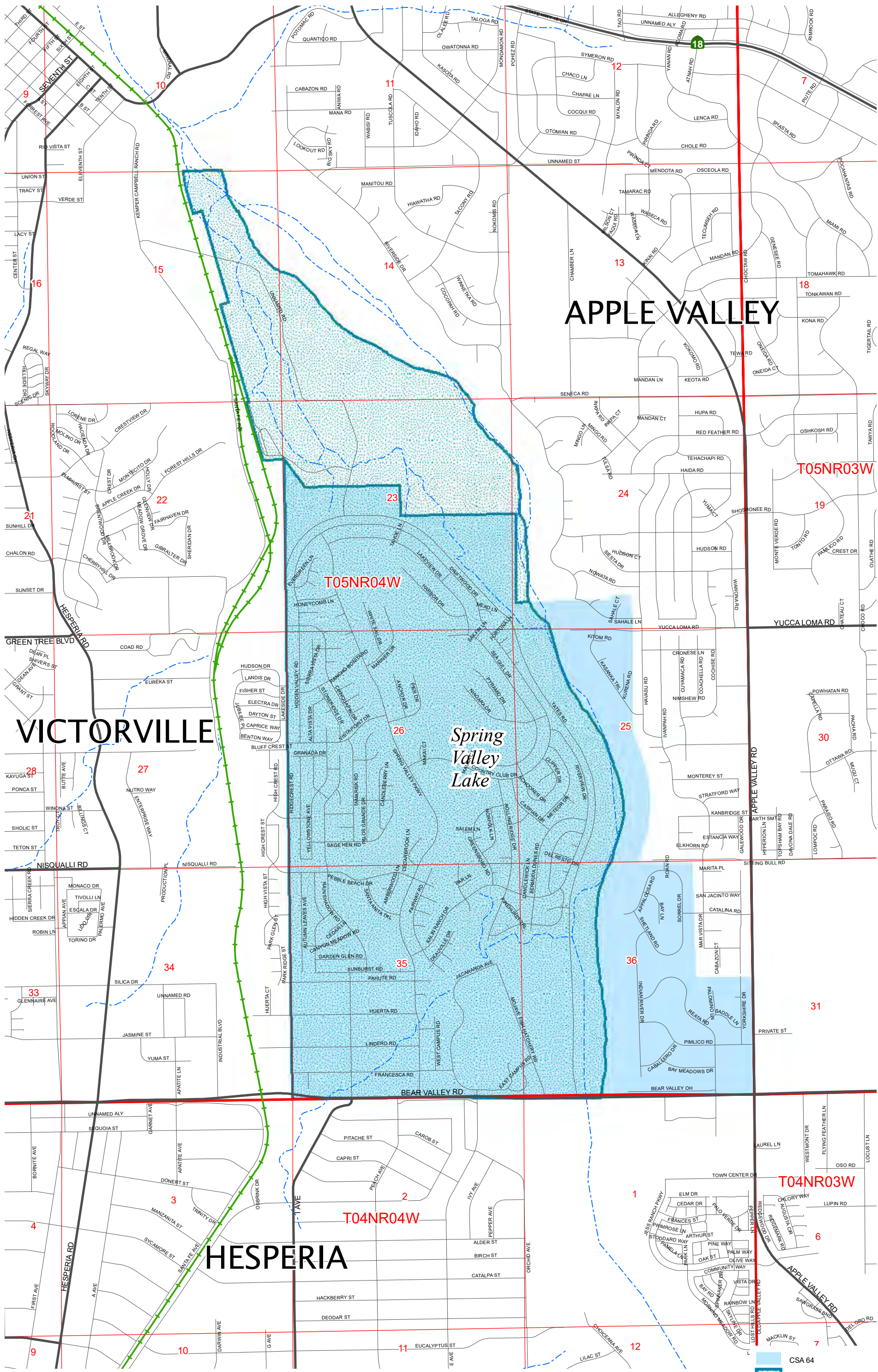
The staff would recommend approval subject to the following conditions:

1. Inclusion of all of Ridgecrest Road within the subdivision or to be approved by the subdivider from Bear Valley Road to Yates Road.
2. Annexation of non-contiguous areas in separate annexation proceedings.

Initiation by the Board of Supervisors of detachment of territory overlapping County Service Area 17 at the time that this territory is annexed to County Service Area 54.

In addition, although it cannot legally be a part of the annexation, the minutes of the Commission should request that the Board of Supervisors initiate proceedings to detach any taxable parcel of land which may not be in the subdivision or the road rights of way when the subdivision is finally surveyed and staked.

RBR/fj



APPLE VALLEY

VICTORVILLE

HESPERIA

Spring Valley Lake
Country Club

T05NR04W

T05NR03W

T04NR04W

T04NR03W

- CSA 64
- CSA 64 Sphere Of Influence
- Water Features
- Railroads
- Water Features

COUNTY SERVICE AREA 64 Service Area and Sphere Boundaries



Date Created: March 5, 2010



Document Name: g:\mapp\lfcos_senedel\1117_map\pics_64.mxd Date Created: June 12, 2012

Dissolution of CSA-64 and
Spring Valley Lake CSD Resolution

EXHIBIT C

MINUTES OF THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA

RE: PARKS, REGIONAL, AGREEMENTS; COOP AG, STATE WILDLIFE BD, MOJAVE NARROWS

Acting upon the recommendation of Regional Park Director, the Board, on motion of Supervisor Betterley, duly seconded by Supervisor Beckord, and carried, hereby approves the Cooperative Agreement dated March 17, 1969, by and between the State of California, Department of Fish and Game and the County of San Bernardino for operation and maintenance of Mojave River Wildlife area to be known as the Mojave Narrows Regional Park; and further authorizes its Chairman to sign said agreement indicating this Board's approval of the terms and conditions therein contained.

PASSED AND ADOPTED by the Board of Supervisors of the County of San Bernardino, State of California, by the following vote:

- AYES: SUPERVISORS: Betterley, Beckord, Ayala, ...
- NOES: SUPERVISORS: None
- ABSENT: SUPERVISORS: Mikesell, Smith.

I, V. DENNIS WARDLE, County Clerk and ex-officio Clerk of the Board of Supervisors of San Bernardino County, Calif., hereby certify this copy to be a full, true and correct copy of the record of the action taken by said Board of Supervisors, by vote of the members present, as the same appears in the minutes of said Board at its meeting of MAR 17, 1969

Dated: 3-16-69

V. DENNIS WARDLE, County Clerk and
ex-officio Clerk of said Board

By: Rena E. Montero.....
Deputy

FILE 5-10.3

WG-464

COOPERATIVE AGREEMENT
between
THE STATE OF CALIFORNIA, DEPARTMENT OF FISH AND GAME
and
THE COUNTY OF SAN BERNARDINO

FOR THE OPERATION AND MAINTENANCE OF MOJAVE RIVER WILDLIFE AREA

THIS AGREEMENT, made and entered into this 17 day of March, 1969, by and between the State of California, acting by and through its duly appointed, qualified, and acting Director of the Department of Fish and Game, hereinafter called the State, and the County of San Bernardino, a political subdivision of the State of California, hereinafter called the County.

WITNESSETH:

WHEREAS, the State has acquired by deeds dated August 20, 1968 and October 21, 1968, from the Kemper Campbell and Litta Belle Campbell Inter Vivos Trust certain real property located in the County of San Bernardino, recorded December 3, 1968, and Document Nos. 144 and 145 in Book 7140, pages 570 and 574, Official Records of San Bernardino County; and

WHEREAS, the County desires to cooperate with the State in the operation and maintenance of said area known as Mojave River Wildlife Area; and

WHEREAS, the State desires to cooperate with the County in the operation and maintenance of said area; and

WHEREAS, the State and the County desire to preserve the beauty of this area and to enhance it by development of fish and wildlife habitat and provide for recreational use related thereto;

NOW, THEREFORE, the parties hereto, for and in consideration of the covenants, agreements, and stipulations hereinafter expressed, do hereby mutually agree as follows:

1. The County will prepare overall plans for development and use of said wildlife area substantially as approved by the Wildlife Conservation Board on September 26, 1967, and will at its sole cost and expense develop planned facilities. The facilities to be developed by the County shall be of the type usually associated with outdoor recreation developments, such as picnic areas, fishing, camping, boating, swimming, equestrian trails, hunting, etc., and are not to include amusement type development or concessions, such as roller coasters, ferris wheels, or those types of amusement commonly found at carnivals.

2. The State reserves the right to review and approve the overall development plans and proposed uses to determine concurrence with the general objectives of said wildlife area and the statutory requirements of the Wildlife Conservation Board. Hunting will

1 be considered as one of the recreational uses of the area. Such hunting, if allowed, shall be
2 compatible with other recreational uses. The State reserves the right to build a
3 production fish hatchery on the area.

4 3. The County will commence development of the property within one year
5 following the date hereof and will complete an access road to County road standards within
6 three years following the date of this agreement.

7 4. The County will, upon completion of said development, provide all
8 necessary maintenance and upkeep of the said wildlife area for the term hereof. Such
9 maintenance shall include, but not be limited to keeping access roads, parking areas,
10 sanitary facilities, and other improvements developed by County in good repair and free from
11 unsightly conditions and debris accumulations.

12 5. It is understood that the public shall have free and unrestricted ingress
13 and egress to said wildlife area except at such times as the maintenance and upkeep operations
14 of the County do not permit it.

15 6. The State hereby permits the County to the exclusion of all other persons,
16 firms, or corporations, to operate or permit others to operate such concessions compatible
17 with the purposes of this project as may enhance and benefit public recreation, to the end
18 that greater use and enjoyment of said area may be provided. Upon the establishing of any
19 such concessions, the rights of the public shall thereupon become subject to the operation of
20 such concessions and to such rules and regulations as may be promulgated by the County
21 relative thereto. All such concessions shall be administered in accordance with the standards
22 prescribed by the State laws applicable to public recreational areas.

23 7. The County may authorize or permit such concessions, special services or
24 accommodations to serve the public as County may deem fit and proper, and all charges, fees,
25 collections, and profits derived by the County therefrom or otherwise under this agreement
26 shall be used by the County solely in the furtherance of the purposes herein set forth. Subject
27 to paragraph 6, the County may at its discretion impose and collect charges or fees for the
28 admission of motor vehicles to said wildlife area. All charges and fees for concessions,
29 special services, or accommodations established by the County shall be subject to prior
30 written approval of the State; and the County shall reserve in the State in any permit,
31 license, contract or lease for concessions, special services, or accommodations the right to
32 audit or examine the records thereof.

8. All earnings received by the County or its successor in interest, as a

1 result of farming or grazing on project lands shall be used exclusively on the area for one or
2 a combination of the following purposes: (1) Construction of recreation facilities,
3 (2) Improvement of wildlife habitat, or (3) undergrounding of utility lines. Accounts and
4 records of such funds received and their disbursement shall be kept by the County and made
5 available for review at the request of the State. Farming shall be limited to the production
6 of forage crops and grazing limited to domestic livestock. The acreage devoted to these
7 uses shall not exceed 300 acres. Such farming and grazing operations shall be conducted in
8 a manner compatible with and in enhancement of, the aesthetic and recreational
9 opportunities provided on the property.

10 9. This agreement shall be for the term commencing with the date hereof and
11 ending December 31, 2018. By mutual agreement of County and State, the term of this
12 agreement may be extended at the end of said period. In the event of a breach of the
13 contract on the part of the County, the State, in addition to any other remedies it may have,
14 may terminate this agreement upon sixty (60) days prior written notice to the County.

15 10. All notices which may be given by either party to the other shall be
16 deemed to have been fully given when made in writing and deposited in the United States
17 mail, certified and postage prepaid, and addressed to the County as follows: Board of
18 Supervisors, County of San Bernardino, Courthouse, San Bernardino, California; and to the
19 State as follows: Department of Fish and Game, Wildlife Conservation Board, 1416 Ninth
20 Street, Sacramento, California 95814. The address to which the notices shall or may be
21 mailed as aforesaid may be changed by written notice by such party to the other as
22 hereinbefore provided, but nothing contained herein shall preclude the giving of any such
23 notice by personal service.

24 11. This agreement is not assignable by the County in whole or in part
25 without written consent of the State first had and obtained and any such assignment without
26 written consent of the State first had and obtained shall be null and void.

27 12. The parties hereto agree that the County and any of its agents and
28 employees, in the performance of this agreement, shall act in an independent capacity and
29 not as officers or employees or agents of the State.

30 13. The County agrees to indemnify and save harmless the State, its officers,
31 agents, and employees from any and all claims and losses to any person, firm or corporation,
32 arising out of the exercise by the County of its rights and obligations under this agreement.

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14. The attached sheet, entitled "Part B, Addendum to General Conditions Applicable only to contracts involving Reimbursement in whole or in part by the United States of America" is made a part of this agreement.

IN WITNESS WHEREOF, this agreement has been executed by and on behalf of the parties hereto the day and year first above written.

COUNTY OF SAN BERNARDINO

By Ruben Ayala
RUBEN AYALA, Chairman
Board of Supervisors

ATTEST:
V. DENNIS WARDLE, County Clerk
and ex-officio clerk of said Board

By Rena E. Montero
Deputy

STATE OF CALIFORNIA
DEPARTMENT OF FISH AND GAME

By R. Guerin
Executive Officer
WILDLIFE CONSERVATION BOARD


POLICY BUDGET
Department of General Services
APPROVED
AUG 15 1969
Andrew R. Loli
By ANDREW R. LOLLI, Director

The officer signing this instrument on behalf of the State of California, Department of Fish and Game, hereby certifies that all conditions for exemption set forth in State Administrative Manual, Section 1201.15, have been complied with and this document is exempt from review by the Department of Finance.

PART "A"
FAIR EMPLOYMENT PRACTICES

In connection with the performance of work under this contract, the Contractor agrees as follows:

(1) The Contractor will not willfully discriminate against any employee or applicant for employment because of race, color, religion, ancestry, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, ancestry, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices, Standard Form 809, to be provided by the awarding authority setting forth the provisions of this Fair Employment Practices section.

(2) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a Notice to Labor Unions (Standard Form 808) to be provided by the awarding authority, advising the said labor union or workers' representative of the Contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(3) The Contractor will permit access to his records of employment, employment advertisements, application forms, and other pertinent data and records by the Fair Employment Practices Commission, the awarding authority or any other appropriate agency of the State of California designated by the awarding authority, for the purposes of investigation to ascertain compliance with the Fair Employment Practices section of this contract.

(4) A finding of willful violation of the Fair Employment Practices section of this contract or of the Fair Employment Practices Act shall be regarded by the awarding authority as a basis for determining the Contractor to be not a "responsible bidder" as to future contracts for which such Contractor may submit bids, for revoking the Contractor's prequalification rating, if any, and for refusing to establish, re-establish or renew a prequalification rating for the Contractor.

The awarding authority shall deem a finding of willful violation of the Fair Employment Practices Act to have occurred upon receipt of written notice from the Fair Employment Practices Commission that it has investigated and determined that the Contractor has violated the Fair Employment Practices Act and has issued an order under Labor Code Section 1426 or obtained an injunction under Labor Code Section 1429.

Upon receipt of such written notice from the Fair Employment Practices Commission, the awarding authority shall notify the Contractor that unless he demonstrates to the satisfaction of the awarding authority within a stated period that the violation has been corrected, his prequalification rating will be revoked at the expiration of such period.

(5) The Contractor agrees, that should the awarding authority determine that the Contractor has not complied with the Fair Employment Practices section of this contract, then pursuant to Labor Code sections 1735 and 1775, the Contractor shall, as a penalty to the awarding authority, forfeit for each calendar day, or portion thereof, for each person who was denied employment as a result of such non-compliance, the penalties provided in the Labor Code for violation of prevailing wage rates. Such monies may be recovered from the Contractor. The awarding authority may deduct any such amounts from any monies due the Contractor from the State of California.

(6) (a) Nothing contained in this Fair Employment Practices section shall be construed in any manner or fashion so as to prevent the awarding authority of the State of California from pursuing any other remedies that may be available at law.

(b) Nothing contained in this Fair Employment Practices section shall be construed in any manner or fashion so as to require or permit the hiring of aliens on public works, as prohibited by the provisions of section 1850 of the California Labor Code, or an employee not permitted by the National Labor Relations Act.

(7) Prior to award of the contract, the Contractor shall certify to the awarding authority that he has or will meet the following standards for affirmative compliance, which shall be evaluated in each case by the awarding authority:

(a) The Contractor shall provide evidence, as required by the awarding authority, that he has notified all supervisors, foremen and other personnel officers in writing of the content of the anti-discrimination clause and their responsibilities under it.

(b) The Contractor shall provide evidence, as required by the awarding authority, that he has notified all sources of employee referrals (including unions, employment agencies, advertisements, Department of Employment) of the content of the anti-discrimination clause.

(c) The Contractor shall file a basic compliance report, Standard Form 810, "Compliance Report" for all contracts in excess of \$5,000.00 and Standard Form 811 for all contracts of \$5,000.00 or less as required by the awarding authority. Willfully false statements made in such reports shall be punishable as provided by law. The compliance report shall also spell out the sources of the work force and who has the responsibility for determining whom to hire, or whether or not to hire.

(d) Personally, or through his representatives, the Contractor shall, through negotiations with the unions with whom he has agreements, attempt to develop an agreement which will:

1. Spell out responsibilities for non-discrimination program in hiring, referrals, upgrading and training.
2. Otherwise implement an affirmative anti-discrimination program in terms of the unions' specific areas of skill and geography, to the end that qualified minority workers will be available and given an equal opportunity for employment.

(a) The Contractor shall notify the contracting agency of opposition to the anti-discrimination clause by individuals, firms or organizations during the period of its prequalification.

(8) The Contractor will include the provisions of the foregoing paragraphs 1 through 7 in every first tier subcontract, so that such provisions will be binding upon each such subcontractor.

(Revised 7/1/66)

Agree. 96-1098

December 10, 1996

FROM: E. JAY ELLINGTON, Director
Department of Community and Cultural Resources - Regional Parks

SUBJECT: AMENDMENT NO. 1 TO COOPERATIVE AGREEMENT WITH THE STATE OF CALIFORNIA DEPARTMENT OF FISH AND GAME (STATE CONTRACT NO. WC464)

RECOMMENDATION: Approve Amendment No. 1 with the State of California, Department of Fish and Game to plan and monitor water production at Mojave River Wildlife Area (also known as Mojave Narrows Regional Park), effective September 22, 1993.

BACKGROUND: On March 17, 1969, the Board of Supervisors approved a cooperative agreement with the State of California, Department of Fish and Game, to operate and maintain the Mojave River Wildlife Area (Mojave Narrows Regional Park) through December 31, 2018. This park annually produces groundwater as well as receiving water outflow from the Mojave State Fish Hatchery for its utilization. The judgment of a civil case City of Barstow v. City of Adelanto et al., Civ. No. 208568, went into effect September 22, 1993 and was affirmed by a Judgment After Trial on January 10, 1996, stipulating that assessments be paid by the park and adjacent private organizations for both groundwater and water from the hatchery in excess of the park's annual allocation levels as defined in the judgment. The judgment also requires reports from the County and the installation of meters to measure inflow, outflow, and production at the park.

The County is obligated to pay any required assessments under this judgment directly to the Mojave Basin Area Watermaster. Assessments are based on fees for over utilization of water known as a Replacement Water Assessment and an Administrative Assessment to cover costs in monitoring annual water production.

Delays in processing this amendment have resulted from legal challenges to the original stipulated judgment.

REASON FOR RECOMMENDATION: The department has prepared this amendment to implement the requirements of the judgment. County Policy 11-10 SP requires approval by the Board of Supervisors for all contracts and amendments, unless otherwise directed by the Board or provided for by law.

cc: CCR-Susan Ramos w/9 agreements
for signature
State Dept of Fish & Game
c/o CCR
Auditor
Contract Compliance
Risk Management
PSG
File

mll

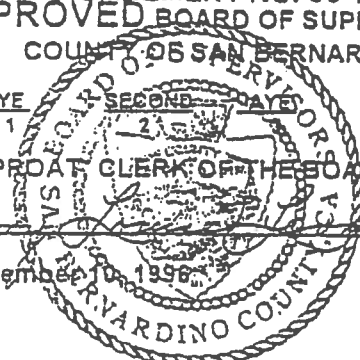
Action of the Board of Supervisors
AGREEMENT NO. 96-1098
APPROVED BOARD OF SUPERVISORS
COUNTY OF SAN BERNARDINO

MOTION AYE SECOND MOVE AYE
 1 2 4 6

EARLENE SPROAT, CLERK OF THE BOARD

BY *[Signature]*

DATED: December 10, 1996



ITEM 022

AMENDMENT NO. 1 COOPERATIVE AGREEMENT WITH THE STATE OF CALIFORNIA

DEPARTMENT OF FISH AND GAME

December 10, 1996

Page 2

REVIEW BY OTHERS: This amendment has been approved as to legal form by Tom Krahelski, Deputy County Counsel, on June 13, 1996, and by Risk Management on October 9, 1996. The item has also been reviewed by staff of the First Supervisorial District and by Ron Bangert, Special Districts.

FINANCIAL DATA: Appropriations of \$11,000 to pay assessments required by the judgment to the Mojave Basin Area Watermaster were included in the Department's FY 1996-97 budget. Estimated cost of \$7,500 for installation of meters will be paid from Capital Improvement Project funds.

PRESENTER: E. JAY ELLINGTON, 387-2577

DECEMBER 10, 1996

ITEM 022

AMENDMENT NO. 1
to
COOPERATIVE AGREEMENT

between

THE STATE OF CALIFORNIA
CALIFORNIA DEPARTMENT OF FISH AND GAME

and the

COUNTY OF SAN BERNARDINO

for the

OPERATION AND MAINTENANCE OF
MOJAVE RIVER WILDLIFE AREA
(Also Known As Mojave Narrows Regional Park)

THIS AGREEMENT TO AMEND, is made and entered into this 10th day of December, 1996, by and between the State of California, acting by and through its duly appointed, qualified Director of the Department of Fish and Game, hereinafter the State, and the County of San Bernardino, hereinafter called the County.

WITNESSETH:

WHEREAS, a Cooperative Agreement was entered into on the 17th day of March, 1969 by and between the State and the County for the operation and maintenance by the County of the Mojave River Wildlife Area, also now known as the Mojave Narrows Regional Park; and

WHEREAS, the Judgment Pursuant to Stipulation in *City of Barstow v. City of Adelanto*, et al., Civ. No. 208568 went into effect on September 22, 1993 and was affirmed by the Judgment After Trial dated January 10, 1996 ("Judgment"); and

WHEREAS, the Judgment sets forth a certain allocation of yearly water production for the Mojave Narrows Regional Park, above which allocated water production, assessments will be made upon Mojave Narrows Regional Park, for payment to the Watermaster; and

WHEREAS, the Judgment sets forth certain assessments based on total Groundwater Production for the subarea in which the Mojave Narrows Regional Park is located, an administrative assessment for all Groundwater Production and a biological resource assessment for most Groundwater Production; and

WHEREAS, the Judgment sets forth certain obligations and responsibilities for the Mojave Narrows Regional Park, including, but not limited to, the installation of measuring devices, and monitoring and reporting obligations; and

WHEREAS, the State and the County hereto desire to amend the Cooperative Agreement to reflect that the County assumes any and all responsibilities and obligations for Mojave Narrows Regional Park under the Judgment, including, but not limited to, the payment of any and all assessments, fees, taxes of any kind resulting from and arising out of the Judgment, including assessments from the Watermaster for Mojave Narrows Regional Park during the term of the original agreement and this amendment through and including December 31, 2018;

NOW, THEREFORE, it is mutually agreed by and between the State and the County as follows:

1. The State and the County understand that the Judgment provides as follows:

(a) The Judgment provides that Mojave Narrows Regional Park has a base annual production of 2,107 acre feet beginning in the first year (10/93-9/94) with a proposed rampdown for the following four water years as follows: 2,001, 1,896, 1,790, 1,685.

(b) The Judgment, at Exhibit F, paragraph 7, provides that together the Spring Valley Lake Country Club, the Spring Valley Lake Association ("Association"), the California Department of Fish and Game ("DFG"), Mojave Narrows Regional Park ("Park") and Kemper Campbell Ranch ("Ranch") comprise a group called the Verde Ranch Producers. The Judgment provides that each producer has the ability physically both to produce ground water and to produce water that originated as tailwater flowing from the DFG Fish Hatchery.

(c) The Judgment provides that Total Production by the Park will be calculated as the sum of Park Groundwater Production plus inflow from the Association minus outflow to the Ranch minus outflow to the Mojave River. The Judgment provides that the Park shall monitor and report to Watermaster as to such Groundwater Production, inflow and outflows.

(d) The Judgment, at Exhibit F, Section 7(e), provides that Fish Hatchery production up to 10,678 acre-feet per year will be permitted free of any assessments against the Hatchery, provided that any production in excess of that amount by the Hatchery is reported as Groundwater Production by one of more of the Verde Ranch Producers in the same year pursuant to operating agreements by and between the Hatchery and such Producers filed with Watermaster, specifying the responsibility for payment of assessments.

2. The County assumes any and all responsibilities and obligations for any and all assessments of any kind resulting from or arising from the Judgment, for the Groundwater Production by the Park, including but not limited to Administrative Assessments and Replacement Water Assessments. It is the understanding of the State and the County that under the terms of the Judgment the Park may not be assessed a Biological Resource Assessment. If there arises a dispute as to this issue, the County assumes responsibility for the Biological Resource Assessment.

3. The County shall enter into such required additional operating agreements referenced hereinabove in paragraph 1(d) with the Hatchery and other Verde Ranch Producers, to additionally set forth its responsibility for payment of assessments.

4. The County assumes any and all responsibilities and obligations for Mojave Narrows Regional Park under the Judgment, including, but not limited to, the installation of all stage recorders, meters, or other measuring devices necessary to determine inflows, outflows and production for the park and monitoring and reporting to the Watermaster. Judgment, Exhibit F.

5. Pursuant to the terms of the Judgment, the Watermaster requires each Producer to submit quarterly reports and an annual report demonstrating total production of such Producer for each reporting period. The County assumes all responsibility for the preparation and timely submission of each report required pursuant to the Judgment. The County agrees to submit to the Department of Fish and Game a draft copy of each report at least seven (7) days prior to the date of the required submission to the Watermaster.

6. Except as amended herein, the Cooperative Agreement dated August 15, 1969 and all the terms and provisions thereof shall remain in full force and effect.

7. This Agreement to Amend is effective on December 10, 1996 and will be retroactive to the effective date of the Judgment, September 22, 1993.

8. Attached as Exhibit A to this Agreement is a resolution passed by the Board of Supervisors, County of San Bernardino, authorizing the chairperson to execute this Agreement on behalf of the County.

IN WITNESS WHEREOF, this Agreement to Amend has been executed by, and on behalf of the parties hereto the day and year first above written.

STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES

STATE OF CALIFORNIA
DEPARTMENT OF FISH AND GAME

By: _____

By: *[Signature]*

Date: _____

Date: 11/25/96

COUNTY OF SAN BERNARDINO

By: *[Signature]*
Vice Chairperson, Board of Supervisors
JERRY EVES

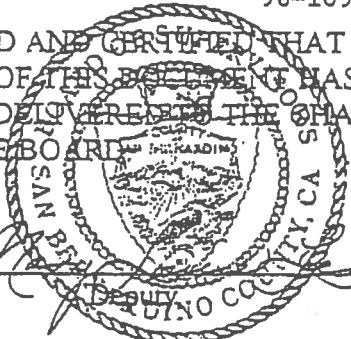
Date: DEC 10 1996

96-1098

Approved as to
legal form and sufficiency

[Signature]
CRAIG MANSON, General Counsel

SIGNED AND CERTIFIED THAT A
COPY OF THIS AGREEMENT HAS
BEEN DELIVERED TO THE CHAIRMAN
OF THE BOARD OF SUPERVISORS



By: *[Signature]*

APPROVED AS TO FORM

ALAN K. MARKS, County Counsel
San Bernardino County, California

By: *[Signature]*

Date: 11/20/96

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

August 22, 2006

FROM: THOMAS A. POTTER, Director
Regional Parks Department

SUBJECT: AMENDMENT NO. 2 TO COOPERATIVE AGREEMENT WITH THE STATE OF CALIFORNIA DEPARTMENT OF FISH AND GAME (STATE CONTRACT NO. WC464)

RECOMMENDATION: Approve Amendment No. 2 to Cooperative Agreement No. 96-1098 with the State of California, Department of Fish and Game (State), extending the contract term through December 31, 2030 for operation and maintenance of the Mojave River Wildlife Area (also known as Mojave Narrows Regional Park) at no cost impact.

BACKGROUND INFORMATION: On March 17, 1969, the Board of Supervisors approved a cooperative agreement with the State that allowed the County to operate and maintain the Mojave River Wildlife Area (Mojave Narrows Regional Park) in Victorville through December 31, 2018. As a condition of the 2002 Resources Bond Act Per Capita Program, California Clean Water, Clean Air, Safe Neighborhood Parks, and coastal Protection Act of 2002 (Proposition 40), all grants exceeding \$100,000 require at least 20 years of land tenure. Since the County will be utilizing Proposition 40 funds in excess of \$100,000 to finance the Front Entry Gate Improvement Project at Mojave Narrows Regional Park, the term of the current cooperative agreement with the State needs to be extended.

The proposed Amendment No. 2 extends the current lease to December 31, 2030, which grants San Bernardino County twenty-four years of land tenure at Mojave Narrows Regional Park and satisfies the conditions for use of Proposition 40 funds. Except as amended, this Cooperative Agreement remains unmodified and in full force and effect. By mutual agreement of the County and State, the term of this agreement may be further extended at the end of Amendment No. 2.

REVIEW BY OTHERS: This item has been reviewed by Deputy County Counsel Fiona Luke (387-5474) and the County Administrative Office (Tom Forster, Administrative Analyst, 387-4635) on August 11, 2006.

FINANCIAL IMPACT: There is no financial impact from this amendment.

SUPERVISORIAL DISTRICT(S): 1st

PRESENTER: Thomas A. Potter, 387-2340

CC: Parks – Potter w/agree
Contractor c/o Parks w/agree
ACR – Mejico w/agree
IDS w/agree
Risk Management
County Counsel – Luke, F.
CAO – Forster

File w/Agreement No. 96-1098

mb (08/25/06)

Record of Action of the Board of Supervisors
AGREEMENT NO. 96-1098 A-2

**APPROVED(CONSENT CALENDAR)
BOARD OF SUPERVISORS
COUNTY OF SAN BERNARDINO**

MOTION	<u>AYE</u>	<u>MOVE</u>	<u>AYE</u>	<u>AYE</u>	<u>SECOND</u>
	1	2	3	4	5

DENA M. SMITH, CLERK OF THE BOARD

BY _____

DATED: August 22, 2006

DUPLICATE

RETURN TO C.O.B.

FOR COUNTY USE ONLY



County of San Bernardino

F A S

CONTRACT TRANSMITTAL

<input type="checkbox"/> New	Vendor Code	SC	Dept.	A	Contract Number 96-1098 A-2	
<input checked="" type="checkbox"/> Change					Contractor's License No.	
<input type="checkbox"/> Cancel					Total Contract Amount	
County Department Regional Parks			Dept. CCP	Orgn. CCP	Contractor's License No.	
County Department Contract Representative Thomas A. Potter, Director			Telephone 387-2340		Total Contract Amount	
Contract Type						
<input type="checkbox"/> Revenue <input type="checkbox"/> Encumbered <input type="checkbox"/> Unencumbered <input checked="" type="checkbox"/> Other: Amendment						
If not encumbered or revenue contract type, provide reason:						
Commodity Code		Contract Start Date	Contract End Date	Original Amount	Amendment Amount	
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
Project Name			Estimated Payment Total by Fiscal Year			
			FY	Amount	I/D	FY
						Amount
						I/D

CONTRACTOR Department of Fish and Game

Federal ID No. or Social Security No. _____

Contractor's Representative Michael Haynie, Deputy Regional Manager Region 6

Address 4665 Lampson Ave, Suite J Los Alamitos CA 90720

Phone 562-596-4215

Nature of Contract: *(Briefly describe the general terms of the contract)*

Amendment 2 with the State of California, Department of Fish and Game for a lease extension of twelve years to December 30, 2030 at Mojave River Wildlife Area (also known as Mojave Narrows Regional Park). The current lease expires December 2019.

THIS IS NOT A CONTRACT
THIS IS A COVER
TRANSMITTAL ONLY

(Attach this transmittal to all contracts not prepared on the "Standard Contract" form.)

Approved as to Legal Form (sign in blue ink)

County Counsel

Date 8/11/06

Reviewed as to Contract Compliance

Department Head

Date 8/14/06

Presented to BOB for Signature

Department Head

Date 8-14-06

Auditor/Controller-Recorder Use Only



AMENDMENT NO. 2

To

COOPERATIVE AGREEMENT

Between

THE STATE OF CALIFORNIA
DEPARTMENT OF FISH AND GAME

And the

COUNTY OF SAN BERNARDINO

For the

OPERATION AND MAINTENANCE OF
MOJAVE RIVER WILDLIFE AREA
(Also Known as Mojave Narrows Regional Park)

THIS AMENDMENT NO. 2 ("Amendment") is made and entered into effective as of the 6th day of June, 2005, by and between the State of California, acting by and through its Department of Fish and Game, hereinafter the "State", and the County of San Bernardino, hereinafter called the "County".

WITNESSETH:

WHEREAS, a Cooperative Agreement was entered into on the 17th day of March, 1969, by and between the State and the County for the operation and maintenance by the County of the Mojave River Wildlife Area, also now known as the Mojave Narrows Regional Park; and

WHEREAS, the Judgment Pursuant to Stipulation in *City of Barstow v. City of Adelanto, et al.*, Civ. No. 208568 went into effect on September 22, 1993 and was affirmed by the Judgment After Trial dated January 10, 1996 ("Judgment"); and

WHEREAS, by Amendment No. 1 to Cooperative Agreement entered into on December 10, 1996 ("Amendment No. 1"), the State and the County amended the Cooperative Agreement as set forth in Amendment No. 1.

WHEREAS, the County has obtained a grant of \$400,000 from the California Department of Parks and Recreation ("DPR") to construct an interpretive center at Mojave Narrows Regional Park (the "Grant"). As a condition of the Grant, the County must certify to DPR that the County has adequate tenure to, and site control of, the property to be improved. The Procedural Guide for the 2002 Resources Bond Act Per Capita Program, California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (July 2003) states that grants exceeding \$100,000 require at least 20 years of land tenure.

WHEREAS, to facilitate the County obtaining the Grant and constructing the interpretive center described above, the State and the County desire to further amend the Cooperative Agreement to extend the term thereof through and including December 31, 2030.


NOW, THEREFORE, it is mutually agreed by and between the State and the County as follows:


1. Paragraph 9 of the Cooperative Agreement made and entered into March 17th, 1969, by and between the State of California and the County of San Bernardino (Cooperative Agreement), as amended by Amendment No. 1, is hereby amended to read as follows:
 9. This agreement shall be for the term commencing with the date of the Cooperative Agreement and ending December 31, 2030. By mutual agreement of County and State, the term of this agreement may be extended at the end of said period. In the event of a breach of the contract on the part of the County, the State, in addition to any other remedies it may have, may terminate this agreement upon sixty (60) days prior written notice to the County.
2. The County hereby agrees that its responsibilities and obligations for Mojave Narrows Regional Park under the Judgment, as set forth in Amendment No. 1, shall remain in full force and effect throughout the term of the Cooperative Agreement, as amended by Amendment No. 1 and this Amendment.
3. Except as amended herein, the Cooperative Agreement, as amended by Amendment No. 1, remains unmodified and in full force and effect.
4. Attached as Exhibit A to this Amendment is a resolution passed by the Board of Supervisors, County of San Bernardino, authorizing the Chairperson to execute this Amendment on behalf of the County.

IN WITNESS WHEREOF, this Amendment No. 2 to Cooperative Agreement has been executed by the State and the County effective as of the date first set forth above.


COUNTY OF SAN BERNARDINO

STATE OF CALIFORNIA
DEPARTMENT OF FISH AND GAME

By: 
Bill Postmus
Title: Chairman, Board of Supervisors
Date: AUG 22 2006

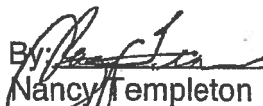
By: 
Steve Linnery
Title: REGIONAL MANAGER
Date: Oct. 3, 2006

AGREE NO. 96-1098 A-2
ITEM# 45

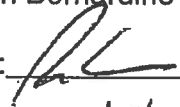
SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD OF SUPERVISORS
Dena M. Smith, Clerk of the Board
By: 
SAN BERNARDINO COUNTY
County, AUG 22 2006



Approved as to legal form and sufficiency

By: 
Nancy Templeton
Staff General Counsel
Department of Fish and Game

APPROVED AS TO FORM
County Counsel
San Bernardino County, California

By: 
Date: 8/11/06

Dissolution of CSA-64 and
Spring Valley Lake CSD Resolution

EXHIBIT D

REPORT AND RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION

LAFCO 3233

Agree. 01-96

February 6, 2001

FROM: EMIL A. MARZULLO, Director
Special Districts Department

KEN MILLER Director
Department of Public Works

**SUBJECT: SEWER SERVICE AGREEMENT BETWEEN SAN BERNARDINO COUNTY
PUBLIC WORKS DEPARTMENT (REGIONAL PARKS DIVISION), VICTOR
VALLEY WASTEWATER RECLAMATION AUTHORITY AND COUNTY
SERVICE AREA 64**

RECOMMENDATION: On behalf of the County and acting as the governing body of County Service Area 64 (Spring Valley Lake), approve Agreement No. 01-96 between the Public Works Department (Regional Parks Division), Victor Valley Wastewater Reclamation Authority and County Service Area 64 for the purpose of providing sewer service billing for Mojave Narrows Regional Park.

BACKGROUND INFORMATION: Mojave Narrows Regional Park (Park) is located north of County Service Area 64 (District), and is receiving sewer service through a direct connection to the Victor Valley Wastewater Reclamation Authority's (VWRA's) interceptor line. In the past, VWRA has been providing this service to the Park at no charge. However, VWRA is now requesting a fee from the Park for use of their inceptor line. The continued use of VWRA's resources is essential to the Park for the disposal of its waste. The proposed Agreement delineates the billing process as it relates to sewer services. As a member entity of the VWRA, the District will be billed for the Park's sewer flow that is ultimately transmitted to VWRA for treatment and disposal. The Public Works Department (PWD) will subsequently reimburse the District for the amount of the sewer fee. PWD will also pay the District a small administrative fee for overseeing the billing process.

REVIEW BY OTHERS: This item has been reviewed by County Counsel (L. Thomas Krahelski) and coordinated with the First Supervisorial District. This item has also been reviewed by County Administrative Office (Tom Forster, Administrative Analyst).

FINANCIAL IMPACT: The estimated annual cost to the Public Works Department from this item is approximately \$4,500. Of this amount, the Department shall pay approximately \$3,930 in sewer fees and \$570 in administrative fees to the District.

SUPERVISORIAL DISTRICT(S): First

PRESENTER: EMIL A. MARZULLO

cc: SDD-Sutton w/2 agrees.
Public Works-Miller
PW/Regional Parks-Potter w/
agree.
Victor Vly. Waste Water
Reclamation Auth. c/o
SDD-Sutton w/agree.
Auditor/Controller w/agree.
SBD w/agree.
ED/PSG-Goss
File w/agree.

Record of Action of the Board of Supervisors
AGREEMENT 01-96

APPROVED BOARD OF SUPERVISORS
SAND COUNTY OF SAN BERNARDINO

MOTION REMOVE AYE SECOND AYE ABSENT
1 2 3 4 5

J. RENEE BASTIAN, INTERIM CLERK OF THE BOARD

BY

DATED: February 6, 2001

Rev 07/97

lw

ITEM 031

Attachment I



M X	<input type="checkbox"/> New	Vendor Code	SC	Dept.	A	Contract Number	
	<input type="checkbox"/> Change					0196	
	<input type="checkbox"/> Cancel					Contractor's License No.	
County Department				Dept.	Orgn.	Contractor's License No.	
SBCO. Public Works Department (Regional Parks Division)							
County Department Contract Representative				Ph. Ext.		Amount of Contract	
Thomas L. Sutton				387-9625		\$	
Fund	Dept.	Organization	Appr.	Obj/Rev Source	Activity	GRC/PROJ/JOB Number	
Commodity Code			Estimated Payment Total by Fiscal Year				
Project Name			FY	Amount	I/D	FY	Amount
			FY	\$			
			FY	\$			

County of San Bernardino
F A S
STANDARD CONTRACT

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino Public Works Department, Regional Parks Division, hereinafter called the County, and

Name
 Victor Valley Wastewater Reclamation Authority hereinafter called VVWRA
 Address
 20111 Shay Rd. County Service Area 64
 P.O. Box 5004
 Victorville, CA 92394 Victorville, CA 92393-5004
 Phone Birth Date
 Federal ID No. or Social Security No.

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

SAN BERNARDINO COUNTY PUBLIC WORKS DEPARTMENT
(REGIONAL PARKS DIVISION),
COUNTY SERVICE AREA 64
AND
VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
SEWER SERVICE AGREEMENT

PURPOSE

This Agreement is entered into by San Bernardino County Public Works Department (Regional Parks Division), on behalf of Mojave Narrows Regional Park (Park), County Service Area 64 (District), and Victor Valley Wastewater Reclamation Authority (VVWRA) for the purpose of providing sewer service billing for Mojave Narrows Regional Park.

SEWER SERVICE

Park is located north of District and is receiving sewer service through a direct connection to VVWRA's interceptor line. Park is not a member entity of VVWRA. As a member entity of VVWRA, District has the ability to bill for sewer flow that is ultimately transmitted to VVWRA for treatment and disposal.

BILLING

The District and VVWRA performed a fixture unit count to determine the current number of Equivalent Dwelling Units (EDU's) to be billed to Park. The District will bill Park for sewer service in arrears, on a bi-monthly basis. All billing relative to this Agreement shall be at a rate determined by VVWRA, with an administration fee to be charged by District. The current sewer use charge is based on 42 EDU's and is calculated as shown on Attachment A, incorporated herein and made a part hereof by this reference.

The sewer use fee will be evaluated annually and adjusted on a fiscal year basis (July 1st). Park agrees that VVWRA may make annual adjustments to the fee as prescribed in VVWRA's fee ordinance. Park further agrees that District may make annual adjustments to the administration fee as adopted by the Board of Supervisors in District's fee resolution.

PAYMENT

Any sewer use charge remaining unpaid after the due date printed on the bill will be subject to a delinquent fee of as adopted in the District's fee resolution.

OPERATION AND MAINTENANCE

Park shall be responsible for the operation and maintenance of its on-site sewer system. VVWRA will be responsible for the Operation and Maintenance of it's sewer collection system that the parks on-site sewer connects to.

AMENDMENTS

This Agreement contains all the terms and conditions agreed to by the parties hereto and may only be amended in writing and with the consent of the parties to this Agreement.

INDEMNIFICATION

The parties to this Agreement agree to indemnify, hold harmless, and defend the other parties, their officers, agents, employees, and elective boards, in any action with respect to a claim, loss, damage or injury asserted by a third party against the party entitled to indemnification hereunder, arising out of a negligent act, error or omission, or willful misconduct, of an employee or agent of the party whose actions under this Agreement gave rise to such third party claim.

NOTICES

Any and all notices, communications, billings, requests, and/or demands of any kind which any party to this Agreement may wish or be required to give or serve on the other party shall be made in writing, attention: General/District Manager or their designee, and sent postage paid to the following addresses:

PARK

San Bernardino County Public Works Department
Regional Parks Division
Mojave Narrows Regional Park
Facilities Manager
200 So. Lena
San Bernardino, CA 92355

DISTRICT

County of San Bernardino
Special Districts Department
Division Chief Water and Sanitation
County Service Area 64
P. O. Box 5004
Victorville, CA 92393-5004

VWRA

Victor Valley Wastewater Reclamation Authority
General Manager
20111 Shay Road
Victorville, CA 92394

This Agreement may be terminated only upon 90 days prior written notice and only after careful consideration by the parties of any consequences, which may apply to the parties, affected by the termination of this Agreement.

SAN BERNARDINO COUNTY PUBLIC WORKS DEPARTMENT (REGIONAL PARKS DIVISION)

Fred Aguilar
Chairman, Board of Supervisors

DATE: FEB 6 2001

COUNTY SERVICE AREA 64

Fred Aguilar
Chairman, Board of Supervisors

DATE: FEB 6 2001

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY

Robert G. Sagona
Robert G. Sagona, Chairman, VVWRA Board

DATE: 1-10-01

///
///
///

COUNTY OF SAN BERNARDINO

Fred Aguilar
Chairman, Board of Supervisors

(State if corporation, company, etc.)

Dated FEB 6 2001 #01-96

By _____
(Authorized Signature)

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD.

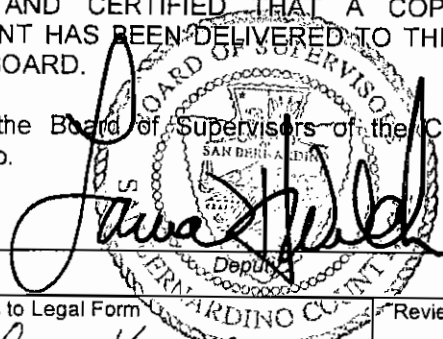
Dated _____

Clerk of the Board of Supervisors of the County of San Bernardino.

Title _____

Address _____

By Jawa Wild



Approved as to Legal Form

Reviewed as to Contract Compliance

Reviewed for Processing

A. Thomas Krabelski
County Counsel

Greg Brown

Kam
Agency Administrator/CAO

Date 1/30/01

Date 1/30/01

Date 1-18-01



County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY U		NLY		LAFCO 3233	
E	<input checked="" type="checkbox"/>	New	Vendor Code	Dept.	Contract Number
M	<input type="checkbox"/>	Change		SC	A
X	<input type="checkbox"/>	Cancel			01-96
County Department				Dept.	Orgn.
SBCO. Public Works Department (Regional Parks Division)					Contractor's License No.
County Department Contract Representative				Ph. Ext.	Amount of Contract
Thomas L. Sutton				387-9625	\$
Fund	Dept.	Organization	Appr.	Obj/Rev Source	Activity
					GRC/PROJ/JOB Number
Commodity Code			Estimated Payment Total by Fiscal Year		
Project Name			FY	Amount	I/D
			FY	\$	
			FY	\$	

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino Public Works Department, Regional Parks Division, hereinafter called the County, and

Name
 Victor Valley Wastewater Reclamation Authority

Address
 20111 Shay Rd.

Victorville, CA 92394

Phone _____ Birth Date _____

Federal ID No. or Social Security No. _____

hereinafter called VVWRA

County Service Area 64
 P.O. Box 5004

Victorville, CA 92393-5004

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

SAN BERNARDINO COUNTY PUBLIC WORKS DEPARTMENT
(REGIONAL PARKS DIVISION),
COUNTY SERVICE AREA 64

AND

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY
SEWER SERVICE AGREEMENT

PURPOSE

This Agreement is entered into by San Bernardino County Public Works Department (Regional Parks Division), on behalf of Mojave Narrows Regional Park (Park), County Service Area 64 (District), and Victor Valley Wastewater Reclamation Authority (VVWRA) for the purpose of providing sewer service billing for Mojave Narrows Regional Park.

SEWER SERVICE

Park is located north of District and is receiving sewer service through a direct connection to VVWRA's interceptor line. Park is not a member entity of VVWRA. As a member entity of VVWRA, District has the ability to bill for sewer flow that is ultimately transmitted to VVWRA for treatment and disposal.

BILLING

The District and VVWRA performed a fixture unit count to determine the current number of Equivalent Dwelling Units (EDU's) to be billed to Park. The District will bill Park for sewer service in arrears, on a bi-monthly basis. All billing relative to this Agreement shall be at a rate determined by VVWRA, with an administration fee to be charged by District. The current sewer use charge is based on 42 EDU's and is calculated as shown on Attachment A, incorporated herein and made a part hereof by this reference.

The sewer use fee will be evaluated annually and adjusted on a fiscal year basis (July 1st). Park agrees that VVWRA may make annual adjustments to the fee as prescribed in VVWRA's fee ordinance. Park further agrees that District may make annual adjustments to the administration fee as adopted by the Board of Supervisors in District's fee resolution.

PAYMENT

Any sewer use charge remaining unpaid after the due date printed on the bill will be subject to a delinquent fee of as adopted in the District's fee resolution.

OPERATION AND MAINTENANCE

Park shall be responsible for the operation and maintenance of its on-site sewer system. VVWRA will be responsible for the Operation and Maintenance of its sewer collection system that the parks on-site sewer connects to.

AMENDMENTS

This Agreement contains all the terms and conditions agreed to by the parties hereto and may only be amended in writing and with the consent of the parties to this Agreement.

INDEMNIFICATION

The parties to this Agreement agree to indemnify, hold harmless, and defend the other parties, their officers, agents, employees, and elective boards, in any action with respect to a claim, loss, damage or injury asserted by a third party against the party entitled to indemnification hereunder, arising out of a negligent act, error or omission, or willful misconduct, of an employee or agent of the party whose actions under this Agreement gave rise to such third party claim.

NOTICES

Any and all notices, communications, billings, requests, and/or demands of any kind which any party to this Agreement may wish or be required to give or serve on the other party shall be made in writing, attention: General/District Manager or their designee, and sent postage paid to the following addresses:

PARK

San Bernardino County Public Works Department
Regional Parks Division
Mojave Narrows Regional Park
Facilities Manager
200 So. Lena
San Bernardino, CA 92355

DISTRICT

County of San Bernardino
Special Districts Department
Division Chief Water and Sanitation
County Service Area 64
P. O. Box 5004
Victorville, CA 92393-5004

VVWRA

Victor Valley Wastewater Reclamation Authority
General Manager
20111 Shay Road
Victorville, CA 92394

This Agreement may be terminated only upon 90 days prior written notice and only after careful consideration by the parties of any consequences, which may apply to the parties, affected by the termination of this Agreement.

SAN BERNARDINO COUNTY PUBLIC WORKS DEPARTMENT (REGIONAL PARKS DIVISION)

Fred Aguilar
Chairman, Board of Supervisors

DATE: FEB 6 2001

COUNTY SERVICE AREA 64

Fred Aguilar
Chairman, Board of Supervisors

DATE: FEB 6 2001

VICTOR VALLEY WASTEWATER RECLAMATION AUTHORITY

Robert G. Sagona
Robert G. Sagona, Chairman, VVWRA Board

DATE: 1-10-01

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///
///

COUNTY OF SAN BERNARDINO

Fred Aguilar
Chairman, Board of Supervisors

(State if corporation, company, etc.)

Dated FEB 6 2001 #0196

By _____
(Authorized Signature)

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD.

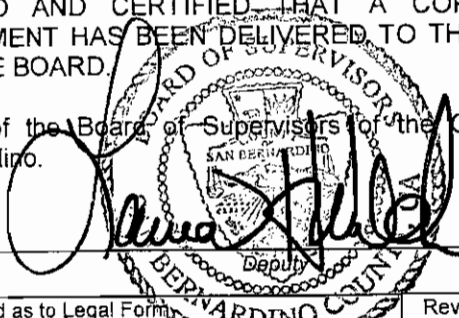
Dated _____

Clerk of the Board of Supervisors for the County of San Bernardino.

Title _____

Address _____

By Ava Hill



Approved as to Legal Form

A. Thomas Krakelske
County Counsel

Date 1/30/01

Reviewed as to Contract Compliance

Greg Bo

Date 1/30/01

Reviewed for Processing

Kam
Agency Administrator/CAO

Date 1-18-01

ATTACHMENT A**CALCULATION OF SEWER USE FEE**

42 EDU's x 245 Gallons Per Day (GPD)/EDU = 10,290 GPD or 3.7558 Million Gallons (MG)/year. $3.7558 \times \$1,032.57/\text{MG} = \$3,878/\text{year}$ or \$646.35 every two months.

\$646.35 plus \$95.00 administration = \$741.35 per two month cycle.

\$95.00 administration fee is

1 hour (\$30) per billing cycle for billing

1 hour (\$30) per billing cycle for payment verification

\$35.00 cost for remittance, 1 check per billing cycle