

370 SP-2
.2

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

May 20, 1985

m file

3043 ✓
Cameron

FROM: VERNON G. KNOUREK, Assistant Administrative
Officer for SPECIAL DISTRICTS

SUBJECT: PUBLIC HEARING FOR FORMATION OF COUNTY SERVICE
AREA 70, IMPROVEMENT ZONE SP-2 (PIONEER VILLAGE,
HESPERIA)

RECOMMENDATION:

1. Conduct a public hearing on the proposed formation of County Service Area 70, Improvement Zone SP-2 (Pioneer Village, Hesperia).
2. Adopt Resolution to approve the formation of County Service Area 70, Improvement Zone SP-2 and advise the Clerk of the Board to file a Notice of Determination.

BACKGROUND:

The owner/developer of Tentative Tract 11954 has requested the formation of an improvement zone for the ownership, operation and maintenance of a Package Sewer System to provide sewer service to the tract. Tentative Tract 11954 is a 226 lot subdivision of approximately 65 acres. A negative declaration (attached) for Tentative Tract 11954 was made with an effective date of June 16, 1982.

A condition of approval for Tentative Tract 11954 was that sewer service be provided through a public entity owned Package Sewer System. County Ordinance #82-2 and Resolution #83-275 regulate the construction, ownership and operation of proposed County Package Sewer Systems. This Board action will establish Improvement Zone SP-2 (map and legal attached) as the public entity to own and operate the Package Sewer System for Tentative Tract 11954.

On call of the Chairman, no testimony, for or against the proposed formation, is presented.

REVIEW:
County Counsel, Betsy Hanna

Resolution to:

Resolution No. 85-268

Special Districts
 Assessor
 St. Bd. Equalization w/check
 Recorder to record res.
 Registrar of Voters
 Surveyor
 Auditor
 County Counsel
 File

Action of the Board of Supervisors

APPROVED BOARD OF SUPERVISORS
COUNTY OF SAN BERNARDINO

MOTION	M	Abs	S	X	Abs
	1	2	3	4	5

MARTHA M. SEKERAK, CLERK OF THE BOARD

BY *Betsy Hanna*
DATED: MAY 20 1985

ITEM 77

RESOLUTION NO. 85- 268

RESOLUTION OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN BERNARDINO, STATE
OF CALIFORNIA, APPROVING FORMATION OF
IMPROVEMENT ZONE SP-2 (PIONEER VALLEY,
HESPERIA) OF COUNTY SERVICE AREA 70

On Monday, May 20, 1985, on motion of
Supervisor Joyner, duly seconded by Supervisor
Riordan, and carried, the following resolution is
adopted:

SECTION 1. The Board of Supervisors of the County of
San Bernardino, as the governing body of County Service Area
No. 70, hereby finds and determines:

(a) That County Service Area No. 70 is organized and
operated under the authority of Chapter 2.2 of Division 2,
Title 3 of the Government Code (commencing with Section 25210.1)
of the State of California, and is authorized to provide sewer
services, among other services;

(b) That proceedings for formation of certain described
territory into an Improvement Zone of County Service Area No. 70
to be known as Improvement Zone SP-2 were initiated by the
affected property owners;

(c) That the exterior boundaries of the territory
proposed to be formed into the said Improvement Zone are as set
forth in Exhibit "A", attached hereto and incorporated herein by
reference;

(d) That the territory hereinabove described is in need
of sewer services and will benefit thereby, that said services
should be extended to such territory, and that said services
should be extended to such territory, and that said services can
most conveniently be provided to such territory by formation of
said Improvement Zone;

(e) That the County Surveyor and the County Assessor
have reviewed the proposed boundary description pursuant to
Chapter 3 of Division 2 of Title 6 of the Government Code
(commencing with Section 58850) of the State of California.

1 Their report states that the boundaries are definite and certain
2 as described in the attached legal description; boundaries do not
3 split any lines of ownership as shown on the last equalized
4 assessment roll or by documents of record.

5 SECTION 2. The Board proceeded as follows:

6 (a) On April 22, 1985, the Board adopted a resolution
7 which called for a public hearing on the proposed formation to be
8 held on May 20, 1985, at 10:00 a.m., at the Chambers of the Board
9 of Supervisors, County Government Center, 385 North Arrowhead
10 Avenue, San Bernardino, CA 92415, and directed the Clerk of the
11 Board of Supervisors to give proper legal notice of the hearing;

12 (b) That required notice was duly and properly given;
13 that said hearing was held before the Board of Supervisors on
14 May 20, 1985; that all persons desiring to be heard were heard;
15 and that testimony and evidence for and against the proposed
16 formation were duly considered.

17 (c) That the Environmental Hearing Officer of the
18 County of San Bernardino properly found and determined that the
19 proposed formation will not have a significant adverse effect on
20 the environment and the Negative Declaration issued by said
21 officer is hereby approved and adopted and the Clerk of the Board
22 of Supervisors is hereby directed to file a Notice of
23 Determination in connection herewith.

24 SECTION 3. The Board of Supervisors of the County of
25 San Bernardino, as the governing body of County Service Area
26 No. 70, therefore hereby resolves and orders:

27 (a) That the territory hereinbefore described should
28 be, and it hereby is, ordered formed into Improvement Zone SP-2
29 with the power to provide sewer services therein;

30 (b) The Clerk of the Board of Supervisors is hereby
31 ordered to certify to the passage of this resolution and to file
32 copies of this resolution and a map or plat indicating the
33 boundaries with the County Assessor and the State Board of
34 Equalization as required by Section 54902 of the Government Code;
35 to request the recordation of this resolution in the official
36 records of San Bernardino County; and to forward copies of this

1 resolution and a map or plat indicating the boundaries to the
2 following: Registrar of Voters, Surveyor, Auditor, and Special
3 Districts Department of the County of San Bernardino;

4 (c) There will be no exchange of property tax revenue
5 between the affected taxing agencies as a result of this
6 formation.

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

9 AYES: SUPERVISORS: Joyner, Riordan, Townsend
10

11 NOES: SUPERVISORS: None
12

13 ABSENT: SUPERVISORS: McElwain, Hammock
14

15 I, MARTHA M. SEKERAK, Clerk of the Board of Supervisors
16 of the County of San Bernardino, California, hereby certify the
17 foregoing to be a full, true and correct copy of the record of
18 the action as the same appears in the official minutes of said
19 Board at its meeting of May 20, 1985.

20
21 MARTHA M. SEKERAK, Clerk of
22 the Board of Supervisors of
23 San Bernardino County

24 BY *Debbie Maloney*
25
26
27
28
29
30
31
32
33
34
35
36

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

FORMATION OF IMPROVEMENT ZONE "SP-2"

TO

COUNTY SERVICE AREA 70

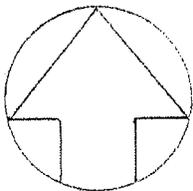
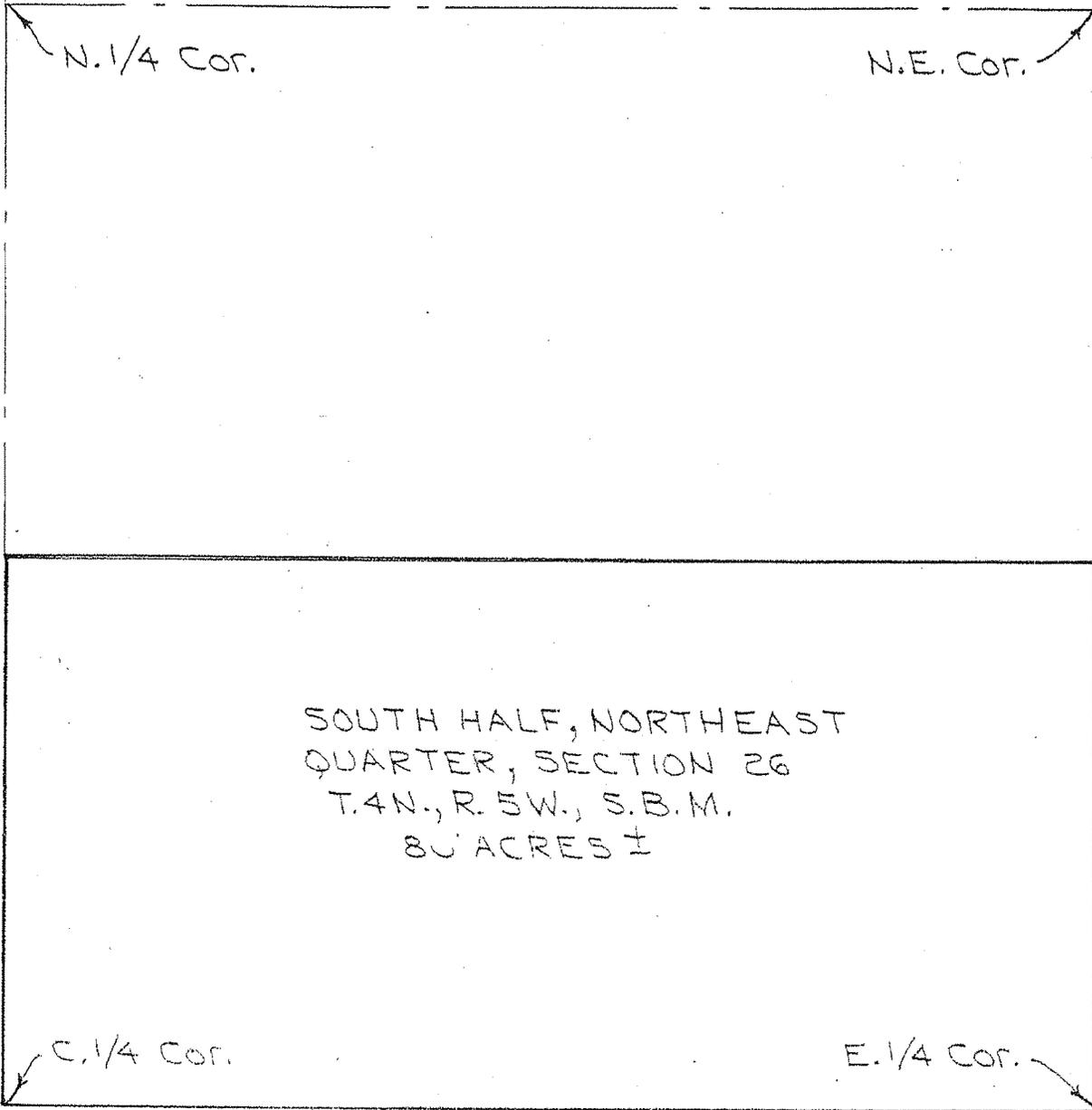
The South half of the Northeast quarter of Section 26, Township 4 North, Range 5 West, San Bernardino Meridian, in the County of San Bernardino, State of California.

Contains 80 acres.

COUNTY SURVEYOR'S OFFICE

April 15, 1985

EXHIBIT "A"



SCALE 1" = 400'

SAN BERNARDINO COUNTY SURVEYOR	
385 N. ARROWHEAD, S.B., CA 92415	
FORMATION OF	DATE 4-13-85
IMPROVEMENT ZONE "SP-2" TO	
COUNTY SERVICE AREA 70	
<u>GENERAL LOCATION</u>	HESPERIA

CSA 70 SP-2 HIGH COUNTRY (EFA-490)
ACTIVITY: SANITATION

DESCRIPTION OF MAJOR SERVICES

County Service Area (CSA) 70, Improvement Zone SP-2 was established by an act of the County of San Bernardino Board of Supervisors on May 20, 1985 and is located 1.5 miles west of Hesperia. The District owns and operates a sewer collection system that provides service to 507 Equivalent Dwelling Units (EDUs) in the High Country Development tract of homes. The District does not utilize an Advisory Commission or MAC. Meetings are held with residents as needed in the Rick Novack Community Center.

BUDGET AND ACTUAL HISTORY

	<u>2006-07</u> <u>Actuals</u>	<u>2007-08</u> <u>Year-End</u> <u>Estimates</u>	<u>2007-08</u> <u>Adopted</u> <u>Budget</u>	<u>2008-09</u> <u>Proposed</u> <u>Adjustments</u>	<u>2008-09</u> <u>Proposed</u> <u>Budget</u>
Appropriations:					
Salaries and Benefits	-	-	-	-	-
Services and Supplies	40,957	55,615	62,537	33,750	96,287
Central Computer	-	-	-	-	-
Travel and Related Charges	-	-	-	-	-
Other Charges	-	-	-	-	-
Land/Structures/Improvements	-	-	-	-	-
Equipment/Vehicles	-	-	-	-	-
Lease/Purchases	-	-	-	-	-
Transfers Out	101,880	104,281	104,281	6,978	111,259
Reimbursements	-	-	-	-	-
Operating Transfers Out	18,802	38,261	38,261	2,000	40,261
Reserves & Contingencies	-	-	108,768	(14,271)	94,497
Total Appropriations	<u>161,639</u>	<u>198,157</u>	<u>313,847</u>	<u>28,457</u>	<u>342,304</u>
Revenue:					
Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Use of Money and Property	4,818	8,655	2,058	3,789	5,847
State, Fed or Gov't Aid	-	-	-	-	-
Current Services	179,399	178,056	165,177	25,548	190,725
Other Revenue	32,002	10,566	-	-	-
Operating Transfers In	-	-	-	-	-
Total Revenue	<u>216,219</u>	<u>197,277</u>	<u>167,235</u>	<u>29,337</u>	<u>196,572</u>
Fund Balance			146,612	(880)	145,732
Budgeted Staffing			-	-	-

CSA 70 SP-2 HIGH COUNTRY (EFA-490)

2008-09 PROPOSED BUDGET

	<u>Budgeted Staffing</u>	<u>Amount</u>
APPROPRIATIONS:		
Salaries and Benefits	-	-
Services and Supplies		96,287
* \$80,240 Other Professional and Spec Services for waste treatment		
* \$ 6,600 Gen Maint-Struct, Imp & Grounds for manhole repairs and collection system maintenance		
* \$ 9,447 Other Services and Supplies accounts		
Change from prior year: \$33,750 increase primarily for professional and specialized services and general maintenance		
Central Computer	-	-
Travel and Related Charges	-	-
Other Charges	-	-
Land/Structures/Improvements	-	-
Equipment/Vehicles	-	-
Lease/Purchases	-	-
Transfers Out		111,259
* \$65,256 Salaries and Benefits to SKV 105 (CSA 70 Countywide) to provide for management and support services		
* \$46,003 Services and Supplies to SKV 105 (CSA 70 Countywide) to provide for management and support services		
Reimbursements	-	-
Operating Transfers Out		40,261
* \$21,459 Transfer out to replacement reserves for future projects		
* \$18,802 Depreciation		
Reserves & Contingencies		94,497
* 94,497 Contingencies		
Change from prior year: \$14,271 decrease to fund current year operations		
Total Appropriation and Budgeted Staffing	<u>-</u>	<u>342,304</u>

CSA 70 SP-2 HIGH COUNTRY (EFA-490)

2008-09 PROPOSED BUDGET (Continued)

REVENUE:	Amount
Taxes	-
Licenses and Permits	-
Fines and Forfeitures	-
Use of Money and Property	5,847
* Interest	
Change from prior year: \$3,789 increase due to higher anticipated cash balances	
State, Fed or Gov't Aid	-
Current Services	190,725
* \$188,840 Sanitation services	
* \$ 1,885 Penalties	
Change from prior year: \$25,548 increase primarily due to additional expected Equivalent Dwelling Units (EDUs)	
Other Revenue	-
Operating Transfers In	-
 Total Revenue	 196,572

Fiscal Year 2008-09 Proposed Reserves

DISTRICT TYPE	DISTRICT NAME and PROJECT NAME	FUND DEPT	08/09 APPROP	FUND BALANCE	FINANCING SOURCES OPERATING TRANSFER				
					LOCAL FUNDS	LOAN or GRANT	CDH	OTHER	
GENERAL DISTRICTS									
CSA 70 Countywide Special Districts									
	Termination Benefits Reserve	SKW	105	1,292,444	1,266,014	26,430	0	0	0
	Equipment & Vehicle Reserve	CMT	105	159,372	144,372	15,000	0	0	0
	Capital Replacement Reserve	SKU	105	651,583	635,583	16,000	0	0	0
	District Totals			2,103,399	2,045,969	57,430	0	0	0
TOTAL FOR GENERAL RESERVES				2,103,399	2,045,969	57,430	0	0	0
PARK DISTRICTS									
NO RESERVES FOR THIS DISTRICT TYPE									
ROAD DISTRICTS									
NO RESERVES FOR THIS DISTRICT TYPE									
SANITATION DISTRICTS									
CSA 42 Oro Grande									
	Capital Replacement Reserve	EAW	310	36,376	25,007	11,369	0	0	0
	District Totals			36,376	25,007	11,369	0	0	0
CSA 53 B Fawnskin									
	Capital Replacement Reserve	EAE	365	332,828	189,112	143,716	0	0	0
	Capital Expansion Reserve	EAK	365	240,845	224,613	16,232	0	0	0
	District Totals			573,673	413,725	159,948	0	0	0
CSA 64 Spring Valley Lake									
	Capital Replacement Reserve	EBR	420	766,607	522,147	244,460	0	0	0
	Capital Expansion Reserve	EBU	420	1,033,590	985,590	48,000	0	0	0
	District Totals			1,800,197	1,507,737	292,460	0	0	0
CSA 70 GH Glen Helen									
	Capital Replacement Reserve	ELI	306	815,342	415,980	399,362	0	0	0
	District Totals			815,342	415,980	399,362	0	0	0
CSA 70 S-3 Lytle Creek									
	Capital Replacement Reserve	ECM	305	257,830	220,076	37,754	0	0	0
	Capital Expansion Reserve	EFN	305	186,122	180,942	5,180	0	0	0
	District Totals			443,952	401,018	42,934	0	0	0
CSA 70 SP-2 High Country									
	Capital Replacement Reserve	EFU	490	151,501	108,020	43,481	0	0	0
	Capital Expansion Reserve	EFX	490	295,728	286,987	8,741	0	0	0
	District Totals			447,229	395,007	52,222	0	0	0

Reserves include estimated Transfers In and Out, interest earnings and miscellaneous non-operating revenue.

BERNARDINO COUNTY OF
SPECIAL DISTRICT DEPARTMENT
SUMMARY OF PROPOSED FEE CHANGES FY 2008/09

District Location	Supv District	District Name	FY 2007/08 Ordinance/Resolution	Fee Title	Description	Fees			Change	%
						Current	Proposed	\$		
SANITATION DISTRICTS										
Oro Grande	1	CSA 42	Resolution No. 2007-268 Ordinance No. 07-10	Sanitation Services User Charges - per EDU Connection Fee	\$	41.24	\$	42.48	1.24	3.0%
Fawnskin	3	CSA 53B	Resolution No. 2007-268 Ordinance No. 07-10	User Charges - per EDU Connection Fee	\$	376.11	\$	387.06	10.95	2.9%
Spring Valley Lake	1	CSA 64	Resolution No. 2007-268 Ordinance No. 07-10	User Charges - per EDU Connection Fee	\$	48.15	\$	49.59	1.44	3.0%
Lyle Creek	2	CSA 70 S-3	Resolution No. 2007-268 Ordinance No. 07-10	User Charges - per EDU Connection Fee	\$	1,392.41	\$	1,432.96	40.55	2.9%
High Country		CSA 70 SP-2	Ordinance No. 05-09	User Charges - per EDU Connection Fee	\$	23.24	\$	23.94	0.70	3.0%
Green Valley Lake	3	CSA 79	Resolution No. 2007-268 Ordinance No. 07-10	User Charges - per EDU Connection Fee	\$	1,452.94	\$	1,495.25	42.31	2.9%
Seatas Valley	1	CSA 82	Resolution No. 2007-268 Ordinance No. 07-10	User Charges - per EDU Connection Fee	\$	51.91	\$	53.47	1.56	3.0%
Crestline Sanitation	2		Ordinance No. 07-08	User Charges - per EDU Connection Fee	\$	8,870.92	\$	9,125.25	258.33	2.9%
				Connection Fee	\$	819.22	\$	843.08	23.86	2.9%
				Connection Fee	\$	54.54	\$	56.18	1.64	3.0%
				Connection Fee	\$	4,245.49	\$	4,369.12	123.63	2.9%
				Connection Fee	\$	25.25	\$	30.30	5.05	20.0%
				Connection Fee	\$	3,447.23	\$	3,547.62	100.39	2.9%
				Connection Fee	\$	33.88	\$	34.90	1.02	3.0%
				Connection Fee	\$	3,399.15	\$	3,498.14	98.99	2.9%

Sanitation user fees are adjusted yearly to meet operational increases and to adequately fund capital replacement needs. The increase covers MOU increases for salaries and benefits, operations and maintenance of the system, depreciation, and equipment purchases.

RECREATION AND PARK DISTRICTS

District	Supv District	District Name	FY 2007/08 Ordinance/Resolution	Fee Title	Description	Current	Proposed	Change	%	
Phelan	1	CSA 9	Ordinance No. 07-06	DELETE All - Due to dissolution and formation of Phelan Pinon Hills CSD						
Joshua Tree	3	CSA 20	Ordinance No. 07-06							
SUNBURST PARK										
				Community Center Conference/Meeting Room - Non Profit Groups, Civic Groups, Public Agencies (2 Hour Minimum)						
				1. C. Non-Refundable Portion of Total Deposit (ADD)space rented						
				5. C. Cleaning/Security/Equipment Deposit						
				Non-Refundable Portion of Total Deposit (ADD) space rented						
				4. Outdoor Facilities/Reservations (ADD)(Sunburst Park, Friendly Hills, and Community Park)						
				C. Annual Key Fee	\$	2.00	\$	8.00	400.0%	
				D. Ball Fields						
				1. Diamond/Field Rental	\$	-	\$	15.00	new	
				Team Practice(3 hr session)	\$	-	\$	18.00	new	
				Weekday League Games(3 hr session)	\$	-	\$	25.00	new	
				Weekend League Games/day	\$	-	\$	50.00	new	
				Tournament and Holiday Play/day	\$	-	\$	50.00	new	
				3. Lighting (ADD) per hour						

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70
ZONE SP-2 - HIGH COUNTRY**

REPORT ON AUDIT

JUNE 30, 2007

**County of San Bernardino Special Districts
County Service Area No. 70
Zone SP-2 - High Country
Table of Contents**

	<u>Exhibit</u>	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT		1
BASIC FINANCIAL STATEMENTS		
Statement of Net Assets	A	2
Statement of Revenues, Expenses and Changes in Net Assets	B	3
Statement of Cash Flows	C	4
Notes to Financial Statements		5 - 11



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

JAY H. ZERCHER, C.P.A.
 ROBERT B. MEMORY, C.P.A.
 PHILLIP H. WALLER, C.P.A.
 BRENDA L. OOLE, C.P.A.
 TERRY P. SHEA, C.P.A.
 KIRK A. FRANKS, C.P.A.
 MATTHEW B. WILSON, C.P.A.

LEENA SHANBHAG, C.P.A.
 NANCY O'RAFFERTY, C.P.A.
 SCOTT W. MANNO, C.P.A.
 BRAD A. WELEBIR, C.P.A.
 LYNN W. JENKINS, C.P.A.
 MARION M. HABERKORN, C.P.A.

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the County of San Bernardino Special District County Service Area No. 70 - Zone SP-2 - High Country (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the CSA's management. Our responsibility is to express an opinion 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 State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of San Bernardino Special District County Service Area No. 70 - Zone SP-2 - High Country, as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity 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.

The County of San Bernardino Special District County Service Area No. 70 - Zone SP-2 - High Country has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Rogers, Anderson, Malody & Scott, LLP

September 26, 2007

MEMBERS

AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

PCPS THE AICPA ALLIANCE FOR CPA FIRMS

CALIFORNIA SOCIETY OF
 CERTIFIED PUBLIC ACCOUNTANTS

County of San Bernardino Special Districts
County Service Area No. 70 - Zone SP-2 - High Country
Statement of Net Assets
June 30, 2007

ASSETS

Cash and cash equivalents	\$ 671,710
Accounts receivable, net	32,523
Interest receivable	<u>4,524</u>
Total Assets	<u>708,757</u>

LIABILITIES

Accounts payable	236,873
Due to other governments	<u>3,708</u>
Total Liabilities	<u>240,581</u>

NET ASSETS

Unrestricted	<u>468,176</u>
Total Net Assets	<u><u>\$ 468,176</u></u>

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone SP-2 - High Country
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007**

OPERATING REVENUES	
Sanitation services	\$ 169,596
Connection fees	52,760
Other	5,969
Total Operating Revenues	<u>228,325</u>
OPERATING EXPENSES	
Professional services	58,862
Salaries and benefits	69,955
Services and supplies	36,103
Total Operating Expenses	<u>164,920</u>
Operating Income	<u>63,405</u>
NONOPERATING REVENUES	
Investment earnings	19,318
Penalties	1,709
Other	11,500
Total Nonoperating Revenues	<u>32,527</u>
Change in Net Assets	95,932
Net Assets - beginning	<u>372,244</u>
Net Assets - ending	<u>\$ 468,176</u>

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

County of San Bernardino Special Districts
County Service Area No. 70 - Zone SP-2 - High Country
Statement of Cash Flows
For the Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 247,344
Payments to suppliers	125,453
Payments to employees	<u>(69,955)</u>
Net Cash Provided by Operating Activities	<u>302,842</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Penalties	1,709
Other nonoperating revenue	<u>11,500</u>
Net Cash Provided by Noncapital Financing Activities	<u>13,209</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>17,878</u>
Net Cash Provided by Investing Activities	<u>17,878</u>
Net Increase in Cash and Cash Equivalents	333,929
Cash and Cash Equivalents - beginning of the year	<u>337,781</u>
Cash and Cash Equivalents - end of the year	<u><u>\$ 671,710</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 63,405
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts receivable, net	19,019
Increase in accounts payable	<u>220,418</u>
Net Cash Provided by Operating Activities	<u><u>\$ 302,842</u></u>

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone SP-2 - High Country
Notes to Financial Statements
June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area (CSA) No. 70 - Zone SP-2, was established on May 20, 1985 by an act of the Board of Supervisors of the County of San Bernardino (the County) to service a sewer collection system to 451 Equivalent Dwelling Units (EDUs) in the High Country Development tract of homes. The CSA also provides sanitation service to a portion of CSA 70 - Zone J.

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

The accompanying financial statements reflect only the accounts of the County Service Area No. 70 Zone SP-2 of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2007.

Measurement focus, basis of accounting, and financial statement presentation

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

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone SP-2 - High Country
Notes to Financial Statements
June 30, 2007**

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.

Deposits and investments

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

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All accounts receivable are shown net of an allowance for uncollectibles when applicable. The accounts receivable balance at June 30, 2007 is net of an allowance for doubtful accounts of \$32,523.

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 the March 1 lien date and become delinquent with penalties on August 31.

Inventories and prepaid items

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

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

Capital assets

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

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

County of San Bernardino Special Districts
County Service Area No. 70 - Zone SP-2 - High Country
Notes to Financial Statements
June 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Currently, the CSA does not have any capital assets.

Use of estimates

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

Stewardship, compliance and accountability

A. Budgetary information

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

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents include the cash balance 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 District's account based upon the District's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2007.

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.

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone SP-2 - High Country
Notes to Financial Statements
June 30, 2007**

NOTE 3: ACCOUNTS RECEIVABLE

At June 30, 2007, the accounts receivable balance was composed of the following:

	Sewer
Accounts receivable	\$ 33,007
Less: allowance for uncollectibles	(484)
Total accounts receivable, net	\$ 32,523

NOTE 4: RETIREMENT PLAN

Plan Description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (the "Plan") operating under the California County Employees Retirement Act of 1937 ("1937 Act"). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan, the City of Big Bear Lake, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (MDAQMD) and the South Coast Air Quality Management District (the "AQMD"), were later included, along with the County of San Bernardino (the "County"), and are collectively referred to as the "Participating Members." The plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. 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.

Fiduciary Responsibility

The Retirement Association is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes the Retirement Association pension trust fund as of June 30, 2007.

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone SP-2 - High Country
Notes to Financial Statements
June 30, 2007**

NOTE 4: RETIREMENT PLAN (continued)

Funding Policy

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.97% - 12.84% for general members and 11.14% - 15.09% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follows: County General 12.03%, County Safety 24.84%. All employers combined are required to contribute 14.46% of the current year covered payroll. For 2007, the County's annual pension cost of \$194,130,000 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Sections 31453 of the 1937 Act.

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2007, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 194,130
Interest on Pension Assets	(33,738)
Adjustment to the Annual Required Contribution	44,069
Annual Pension Cost	<u>204,461</u>
Annual Contributions Made	194,130
Increase/(Decrease) in Pension Assets	<u>(10,331)</u>
Pension Assets, Beginning of Year	838,933
Pension Assets, End of Year	<u><u>\$ 828,602</u></u>

The following table shows the County's required contributions and percentage contributed, for the current year and two preceding years:

<u>Year Ended June 30,</u>	<u>Annual Contributions Made (in thousands)</u>		<u>Percentage Contributed</u>
	<u>SBCERA</u>	<u>County</u>	
2005	\$ 161,906	\$ 141,450	100%
2006	\$ 197,343	\$ 166,614	100%
2007	\$ 239,857	\$ 194,130	100%

The County, along with the AQMD, issued Pension Refunding Bonds (the "Bonds") in November 1995 with an aggregate amount of \$420,527,000. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266,000. The current amount outstanding at June 30, 2007 is \$438,668,000.

County of San Bernardino Special Districts
County Service Area No. 70 - Zone SP-2 - High Country
Notes to Financial Statements
June 30, 2007

NOTE 4: RETIREMENT PLAN (continued)

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in respective aggregate principal amounts of \$189,070,070, \$149,825,000 and \$125,000,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the S.B.C.E.R.A. The current amount outstanding at June 30, 2007 is \$459,930,000.

NOTE 5: FEDERAL AND STATE GRANTS

From time to time the CSA 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 6: RISK MANAGEMENT

The CSA is insured through the County's 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 \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$25 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority ("EIA") Liability Program II. Workers' compensation claims are self-insured up to \$2 million per occurrence and covered by CSAC EIA for up to \$10 million for employer's liability and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program.

The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with an SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$10 million in limits provided by the CSAC EIA General Liability II Program.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the County's Risk Management Fund (an Internal Service Fund) except for unemployment insurance and employee dental insurance, which are accounted for in the County's General Fund. The IBNR and IBNS liabilities stated on the Risk Management Fund's balance sheet are based upon 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 4.75%. It is the County's practice to obtain actuarial studies on an annual basis.

**County of San Bernardino Special Districts
County Service Area No. 70 - Zone SP-2 - High Country
Notes to Financial Statements
June 30, 2007**

NOTE 6: RISK MANAGEMENT (continued)

The County has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation and medical malpractice programs. The County's investment in the agreement totaled \$50.3 million at June 30, 2007.

The total claims liability of \$129.7 million reported at June 30, 2007 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.

Changes in the claims liability amount in fiscal years 2006 and 2007 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability (in thousands)</u>	<u>Current Year Claims and Changes in Estimates (in thousands)</u>	<u>Claims Payments (in thousands)</u>	<u>End of Fiscal Year Liability (in thousands)</u>
2005-06	\$ 115,714	\$ 46,926	\$ (35,407)	\$ 127,233
2006-07	\$ 127,233	\$ 34,312	\$ (31,862)	\$ 129,683

NOTE 7: CONTINGENCIES

As of June 30, 2007, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

