

COUNTY OF SAN BERNARDINO
CALIFORNIA
SPECIAL DISTRICTS
AUDIT REPORT
COUNTY SERVICE AREA 64 – SPRING VALLEY LAKE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared by:
Internal Audits Section
Office of the Auditor-Controller/Treasurer/Tax Collector
June 29, 2012

**County of San Bernardino Special Districts
County Service Area 64 – Spring Valley Lake**

Table of Contents

	<u>Page</u>
Independent Auditor’s Report	1-2
Basic Financial Statements	
Fund Financial Statements	
<i>Proprietary Fund:</i>	
Statement of Net Assets	3
Statement of Revenues, Expenses, and Changes in Fund Net Assets	4
Statement of Cash Flows	5
 Notes to Financial Statements	 6-13

AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



COUNTY OF SAN BERNARDINO

- 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830
- 172 West Third Street, First Floor
San Bernardino, CA 92415-0360 • (909) 387-8308 • Fax (909) 387-6716

LARRY WALKER
Auditor-Controller/
Treasurer/Tax Collector

Independent Auditor's Report

June 29, 2012

Jeffrey O. Rigney, Director
Office of Special Districts
157 W. Fifth Street, Second Floor
San Bernardino, CA 92415-0450

**SUBJECT: AUDIT OF COUNTY SERVICE AREA 64 FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

Introductory Remarks

In compliance with Section 26909 of the California Government Code, we have completed an audit of County Service Area (CSA) 64 for the fiscal year ended June 30, 2011.

Auditor's Report

We have audited the accompanying financial statements of the business-type activities of CSA 64 (District), a component unit of the County of San Bernardino, California, as of and for the year ended June 30, 2011, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 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.

AudRpt/Jeffrey O. Rigney, Director
Office of Special Districts
June 29, 2012
Page 2

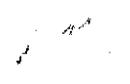
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2011, and the respective changes in its financial position and cash flows thereof for the year then ended 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 the state regulations governing Special Districts.

The District has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Respectfully submitted,

Larry Walker
Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:



Mary Ethel Barber, CPA
Internal Audits Manager

Quarterly copies to:

County Administrative Office
Board of Supervisors
Grand Jury (2)

Date Report Distributed: 10-29-12

MWC:MEB:mah

County of San Bernardino
County Service Area 64 – Spring Valley Lake
Statement of Net Assets
June 30, 2011

	Enterprise Fund		Total
	Sewer	Water	
ASSETS			
Current assets:			
Cash and cash equivalents - unrestricted (Note 2)	\$ 2,586,511	\$ 3,684,908	\$ 6,271,419
Cash and cash equivalents - restricted (Notes 2 and 3)	50,780	-	50,780
Accounts receivable (net) (Note 1)	251,406	299,356	550,762
Taxes receivable	-	15,018	15,018
Special assessments receivable	740	556	1,296
Interest receivable	5,079	8,374	13,453
Due from other funds	-	8,074	8,074
Total current assets	<u>2,894,516</u>	<u>4,016,286</u>	<u>6,910,802</u>
Noncurrent assets:			
Capital Assets (Note 4)			
Land	10,000	-	10,000
Construction in progress	-	2,322,912	2,322,912
Improvement to land	4,019,471	1,959,143	5,978,614
Structures and improvements	218,810	56,290	275,100
Equipment and vehicles	110,322	19,991	130,313
Utility plant-in-service	-	369,760	369,760
Less accumulated depreciation	(2,956,952)	(1,606,968)	(4,563,920)
Total noncurrent assets	<u>1,401,651</u>	<u>3,121,128</u>	<u>4,522,779</u>
Total assets	<u>4,296,167</u>	<u>7,137,414</u>	<u>11,433,581</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	9,767	93,042	102,809
Retentions payable	-	44,246	44,246
Matured unredeemed bonds payable (Notes 5 and 8)	30,000	-	30,000
Interest payable on matured unredeemed bonds (Notes 5 and 8)	20,780	-	20,780
Due to other funds	8,074	-	8,074
Due to other governments	108,668	11,646	120,314
Compensated absences - due within one year (Notes 1 and 7)	45,278	84,465	129,743
Total current liabilities	<u>222,567</u>	<u>233,399</u>	<u>455,966</u>
Noncurrent liabilities:			
Compensated absences - due after one year (Notes 1 and 7)	24,861	46,376	71,237
Total noncurrent liabilities	<u>24,861</u>	<u>46,376</u>	<u>71,237</u>
Total liabilities	<u>247,428</u>	<u>279,775</u>	<u>527,203</u>
NET ASSETS			
Invested in capital assets	1,401,651	3,121,128	4,522,779
Restricted for:			
Matured unredeemed bonds and interest payable	50,780	-	50,780
Unrestricted	2,596,308	3,736,511	6,332,819
Total net assets	<u>\$ 4,048,739</u>	<u>\$ 6,857,639</u>	<u>\$ 10,906,378</u>

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

County of San Bernardino
County Service Area 64 – Spring Valley Lake
Statement of Revenues, Expenses and, Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2011

	Enterprise Fund		Total
	Sewer	Water	
OPERATING REVENUES			
Charges for services:			
Sanitation services	\$ 1,682,706	\$ -	\$ 1,682,706
Water sales	-	1,804,071	1,804,071
Permit and inspection fees	369	495	864
Penalties	18,579	19,030	37,609
Special assessment	33,280	16,490	49,770
Other services	-	150	150
Total operating revenues	<u>1,734,934</u>	<u>1,840,236</u>	<u>3,575,170</u>
OPERATING EXPENSES			
Professional services	1,184,860	1,017,436	2,202,296
Services and supplies	442,478	531,359	973,837
Water replacement (Note 8)	-	355,006	355,006
Utilities	10,428	169,448	179,876
Rents and leases	-	232	232
Depreciation	108,169	36,060	144,229
Total operating expenses	<u>1,745,935</u>	<u>2,109,541</u>	<u>3,855,476</u>
Operating income (loss)	<u>(11,001)</u>	<u>(269,305)</u>	<u>(280,306)</u>
NONOPERATING REVENUES (EXPENSES)			
Property taxes	93,164	263,904	357,068
Other taxes	-	3,206	3,206
State aid	-	4,800	4,800
Investment earnings	21,204	33,730	54,934
Connection fees	4,720	3,624	8,344
Interest	(908)	-	(908)
Other revenues (expenses)	3,696	90,214	93,910
Total nonoperating revenues (expenses)	<u>121,876</u>	<u>399,478</u>	<u>521,354</u>
Change in net assets	110,875	130,173	241,048
Net assets - beginning	<u>3,937,864</u>	<u>6,727,466</u>	<u>10,665,330</u>
Net assets - ending	<u>\$ 4,048,739</u>	<u>\$ 6,857,639</u>	<u>\$ 10,906,378</u>

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

**County of San Bernardino
County Service Area 64 – Spring Valley Lake
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011**

	Enterprise Fund		Total
	Sewer	Water	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,703,465	\$ 1,812,445	\$ 3,515,910
Payments to suppliers of goods and services	(1,589,196)	(1,965,952)	(3,555,148)
Other revenues	3,696	90,214	93,910
Net cash provided (used) by operating activities	<u>117,965</u>	<u>(63,293)</u>	<u>54,672</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Taxes received	93,646	276,416	370,062
State aid	-	4,800	4,800
Net cash provided (used) by noncapital financing activities	<u>93,646</u>	<u>281,216</u>	<u>374,862</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(79,323)	(603,997)	(683,320)
Connection fees for future expansion	4,720	3,624	8,344
Net cash provided (used) by capital and related financing activities	<u>(74,603)</u>	<u>(600,373)</u>	<u>(674,976)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	22,712	38,519	61,231
Interest	(908)	-	(908)
Net cash provided (used) by investing activities	<u>21,804</u>	<u>38,519</u>	<u>60,323</u>
Net increase (decrease) in cash and cash equivalents	158,812	(343,931)	(185,119)
Cash and cash equivalents, beginning of the year	2,478,479	4,028,839	6,507,318
Cash and cash equivalents, end of the year	<u>\$ 2,637,291</u>	<u>\$ 3,684,908</u>	<u>\$ 6,322,199</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (11,001)	\$ (269,305)	\$ (280,306)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Compensated absences	70,139	130,841	200,980
Depreciation expense	108,169	36,060	144,229
Other revenues	3,696	90,214	93,910
Change in assets and liabilities:			
Accounts receivable and other receivables	(31,469)	(27,791)	(59,260)
Accounts payable and other payables	(21,569)	(23,312)	(44,881)
Net cash provided (used) by operating activities	<u>\$ 117,965</u>	<u>\$ (63,293)</u>	<u>\$ 54,672</u>

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

**County of San Bernardino
County Service Area 64 – Spring Valley Lake
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County Service Area No. 64 – Spring Valley Lake (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 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, 2011.

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

**County of San Bernardino
County Service Area 64 – Spring Valley Lake
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011**

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.

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 District has elected not to follow subsequent private-sector guidance.

Receivables

The District sends any delinquent accounts receivable to property tax to be included on the customers' property tax bills. As of June 30, 2011, accounts receivable were \$261,549 for the sewer function and \$312,724 for the water function, less an allowance for doubtful accounts of \$10,143 and \$13,368, respectively.

Revenues

The District reports revenues net of the change in the allowance for doubtful accounts. In the current fiscal year the allowance was reduced, which resulted in a \$5,825 increase to revenues in sewer function and a \$2,720 decrease to revenues in water function.

Property taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties after 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 after August 31.

Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the enterprise fund. 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

**County of San Bernardino
County Service Area 64 – Spring Valley Lake
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

an estimated useful life in excess of one (1) 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 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	10-100
Structures and Improvements	up to 45
Equipment and Vehicles	5-15

Employee Compensated Absences

Liabilities for vacation, holiday benefits, sick pay and compensatory time are accrued when incurred. In the event of retirement or termination, an employee is paid 100% of accumulated vacation pay, and those with ten or more years of continuous services are paid approximately 30% to 60% of their accumulated sick leave. Up to two times the annual vacation accrual rate may be carried over from one year to the next.

Net assets

Net assets comprise the various net earnings from operating and nonoperating revenues, expenses and contribution of capital. Net assets are classified in the following three components:

- Invested in capital assets, net of related debt – This component of net assets 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 assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consists of net assets of the District that are not restricted for any project or other purpose.

**County of San Bernardino
County Service Area 64 – Spring Valley Lake
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Use of estimates

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents include the cash balances of all funds, which are pooled and invested by the County Treasurer to increase interest earnings through investment activities. Investment activities are governed by the California Government Code Sections 53601, 53635, and 53638 and the County's Investment Policy. Authorized investments include U. S. Government Treasury and Agency securities, bankers' acceptances, commercial paper, medium-term notes, mutual funds, repurchase agreements, and reverse repurchase agreements.

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, 2011, Cash and cash equivalents are reported in the District's financial statement as unrestricted cash of \$6,271,419 and restricted cash of \$50,780 for a total amount of \$6,322,199.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of the County's investment policy and disclosures related to the 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 improvements. 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.

County of San Bernardino
County Service Area 64 – Spring Valley Lake
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4: CAPITAL ASSETS

Capital asset activities during the year were as follows:

Sewer	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
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
Equipment and vehicles	110,322	-	-	110,322
Total capital assets, being depreciated	<u>4,348,603</u>	<u>-</u>	<u>-</u>	<u>4,348,603</u>
Less accumulated depreciation for:				
Land improvements	(2,808,212)	(95,952)	-	(2,904,164)
Structures and improvements	(34,442)	(4,862)	-	(39,304)
Equipment and vehicles	(6,129)	(7,355)	-	(13,484)
Total accumulated depreciation	<u>(2,848,783)</u>	<u>(108,169)</u>	<u>-</u>	<u>(2,956,952)</u>
Total capital assets, being depreciated, net	<u>1,499,820</u>	<u>(108,169)</u>	<u>-</u>	<u>1,391,651</u>
Capital assets, net	<u>\$ 1,509,820</u>	<u>\$ (108,169)</u>	<u>\$ -</u>	<u>\$ 1,401,651</u>

Water	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, not being depreciated:				
Construction in Progress	\$ 1,783,973	\$ 538,939	\$ -	\$ 2,322,912
Total capital assets, not being depreciated	<u>1,783,973</u>	<u>538,939</u>	<u>-</u>	<u>2,322,912</u>
Capital assets, being depreciated:				
Land improvements	1,898,301	60,842	-	1,959,143
Structures and improvements	56,290	-	-	56,290
Equipment and vehicles	19,991	-	-	19,991
Utility Plant In-Service	369,760	-	-	369,760
Total capital assets, being depreciated	<u>2,344,342</u>	<u>60,842</u>	<u>-</u>	<u>2,405,184</u>
Less accumulated depreciation for:				
Land improvements	(1,418,614)	(19,802)	-	(1,438,416)
Structures and improvements	(25,464)	(8,041)	-	(33,505)
Equipment and vehicles	(19,991)	-	-	(19,991)
Utility Plant In-Service	(106,839)	(8,217)	-	(115,056)
Total accumulated depreciation	<u>(1,570,908)</u>	<u>(36,060)</u>	<u>-</u>	<u>(1,606,968)</u>
Total capital assets, being depreciated, net	<u>773,434</u>	<u>24,782</u>	<u>-</u>	<u>798,216</u>
Capital assets, net	<u>\$ 2,557,407</u>	<u>\$ 563,721</u>	<u>\$ -</u>	<u>\$ 3,121,128</u>

**County of San Bernardino
County Service Area 64 – Spring Valley Lake
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 4: CAPITAL ASSETS - *Continued*

Construction in Progress

Construction in progress at June 30, 2011 represents the following projects:

Project Title	Final Budget	Capital Outlay as of June 30, 2011	Projected Fiscal Year of Completion
Service Line Replacement	\$ 2,234,691	\$ 1,787,433	2012
Two 3M Gallon Reservoirs	2,653,747	473,878	2012
Well #7	815,049	61,601	2012
Total	<u>\$ 5,703,487</u>	<u>\$ 2,322,912</u>	

The District has entered into several contractual agreements for the development and/or improvement of the capital projects listed above. The balance of the FY10/11 commitment is \$359,562 as of June 30, 2011.

NOTE 5: SHORT-TERM DEBT

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

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Matured unredeemed bonds	\$ 30,000	\$ -	\$ -	\$ 30,000
Matured interest	20,780	-	-	20,780
Revolving loan	79,323	-	79,323	-
Total	<u>\$ 130,103</u>	<u>\$ -</u>	<u>\$ 79,323</u>	<u>\$ 50,780</u>

In November 2009 the District obtained a loan from the County Service Area Revolving Loan Program in the amount of \$79,323 for additional funding needed for the purchase of a street sweeper. The loan was to be repaid no later than ten years after the loan was received and would accrue interest on the unpaid principal balance at the current rate per annum received by the County of San Bernardino on similar types of transactions, as determined by the County Treasurer as of the date of the loan. The loan was repaid with interest of \$908 in October 2010.

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. We have reviewed the proceeds of taxes received by the District during the 2010-2011 fiscal year and have found the revenue to be within the guidelines established by Proposition 111.

**County of San Bernardino
County Service Area 64 – Spring Valley Lake
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 7: COMPENSATED ABSENCES

The schedule of changes in compensated absences is as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amount due</u> <u>within one year</u>
Compensated absences - Sewer	\$ -	\$ 113,286	\$ 43,147	\$ 70,139	\$ 45,278
Compensated absences - Water	\$ -	\$ 211,330	\$ 80,489	\$ 130,841	\$ 84,465

NOTE 8: MATURED AND UNREDEEMED BONDS AND INTEREST PAYABLE

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 25210.1 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, 2011, 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 9: 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 10: 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

**County of San Bernardino
County Service Area 64 – Spring Valley Lake
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 10: RELATED PARTY TRANSACTIONS - *Continued*

connect to the sewer system, and pays the VVWRA for sewage treatment fees. For fiscal year 2011, sewage treatment fees incurred were \$618,138. \$103,526 of treatment fees was due to the VVWRA as of June 30, 2011.

NOTE 11: SELF INSURANCE

The District is insured through the County's self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, and workers' compensation claims.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of the County's Self Insurance.