

EXECUTIVE OFFICER'S REPORT

To The

Local Agency Formation Commission

TO:

Commissioner	MARIA NAVA-FROELICH	[City]	Commissioner	MICHAEL KELLEY (Chair)	[Supervisor]
Commissioner	JASON JACKSON	[City]	Commissioner	RAY CASTILLO	[Supervisor]
Commissioner	DAVID WEST (Vice-Chair)	[Public]			
			Alt Commissioner	JACK TERRAZAS	[Supervisor]
			Alt Commissioner	JIM PREDMORE	[City]
			Alt Commissioner	RALPH MENVIELLE	[Public]

REPORT DATE: May 1, 2016

FROM: Jurg Heuberger, AICP, CEP, Executive Officer 

PROJECT: Bombay Beach Community Service (BBCSD) District Sphere of Influence (SOI) update and Service Area Plan (SAP)/Municipal Services Review (MSR)

HEARING DATE: May 26, 2016 **TIME:** 9:10 AM

AGENDA ITEM NO: 17

HEARING LOCATION: El Centro City Council Chambers, 1275 Main Street, El Centro, CA

RECOMMENDATION(S)	BY THE EXECUTIVE OFFICER	<small>(In Summary & Order)</small>
OPTION #1:	Approve the proposed Sphere of Influence (SOI) and the Service Area Plan/MSR update as presented by the Executive Officer.	
OPTION #2:	Approve the proposed Sphere of Influence (SOI) and Service Area Plan/MSR update as requested with modifications, following the hearing by the Commission.	
OPTION # 3:	Continue the hearing for not to exceed 70 days, (end date August 15, 2016).	
OPTION # 4:	Deny the Sphere of Influence and Service Area Plan update, and provide direction to the District and EO for corrections.	

Project Data:

DATA & FACTS:

Project ID	BBSCD 1-16
Project Name:	Bombay Beach Community Service District Sphere of Influence and Service Area Plan Update (SAP)/MSR
Applicant/Proponent:	Bombay Beach Community Service District
Application Type:	LAFCO requested update
Application Filed:	N/A (LAFCO Direction)
Certificate of Filing:	N/A
Area/Size:	See Plan
Location/Legal:	Maps of the District Boundary and the SOI are included in this report.
Population:	NA
Proposed Project:	Service Area Plan (SAP) / Municipal Services Review (MSR) Update.
MSR/SAP:	The most recent version of the Bombay Beach Community Service District MSR/SAP is 2006.

TAX AGREEMENT:

Board of Supervisors Action:	N/A
City Resolution:	N/A (will be required upon notification by LAFCO)
Tax Split:	N/A

CEQA:

Lead Agency:	LAFCO
Documentation:	Exempt

ANALYSIS

I: Legal Requirements (Historical information):

Cortese-Knox-Hertzberg Reorganization Act of 2000 (CKH), also referred to as Government Code 56000 et Seq., provides the legal basis for the requirement of the Sphere of Influence and the Service Area Plan or Municipal service Review (MSR) being considered within the scope of this hearing.

G.C. § 56425 (a) states in part; *“In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies so as to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each local governmental agency with the county and enact policies designed to promote the logical and orderly development of areas within the sphere.”*

G.C. § 56425 (b - i) provide the frame work within which the Commission may approve the sphere of influence and the process that needs to be followed.

G.C. § 56425 (e) states in part; *“In determining the sphere of influence of each local agency, the commission shall consider and prepare a written statement of its determination with respect to each of the following:*

- (1) *The present and planned land uses in the area.*
- (2) *The present and probable need for public facilities and services in the area.*
- (3) *The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
- (4) *The existence of any social or economic communities' of interest in the area if the commission determines that they are relevant to the agency.*

G.C. § 56425 (f) is a critical new section that changed the parameters of the prior review insofar that this section now requires that; *“ Upon determination of a sphere of influence, the commission shall adopt that sphere, and shall review and update, **as necessary**, the adopted sphere **not less than once every five years”.***

There appears to be a misconception that the agencies will have to prepare a full new plan every five years, however the intent here is to “review” the prior plan and to amend it if necessary. If there have been significant changes, or if there has been explosive growth, then certainly the amendment will be much more comprehensive.

G.C. § 56428 (a) provides the mechanism for anyone to file a request with the executive officer for an amendment to the sphere of influence. It states in part; *“Any person or local agency may file a written request with the Executive Officer requesting amendments to a sphere of influence or urban service area adopted by the commission...”*

Again there may be some confusion in this area as there have been numerous questions about the “limitations” of the sphere and the process to amend.

It appears clear that the mandate is to review the plan at least every five years but there is no apparent restriction on the number of times that it may be amended nor is there a restriction on who can request such an amendment, there is only a process that needs to be followed. It goes without saying however that for an amendment to work it need the consensus of the City/District, the County and the Commission.

Just as there are provisions for the addition of areas to a sphere of influence there are provisions for a process to remove an area from an approved sphere boundary. This is found in G.C. 56429.

In addition to the SOI process G.C. § 56430 (a - d) now addresses the requirement for the review of municipal services which in our case has been referred to for nearly a decade as the Service Area Plan (SAP).

G.C. § 56430 (a) states; *“In order to prepare and to update spheres of influence in accordance with Section 56425, the Commission shall conduct a service review of the municipal services provide in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the sub region, or any other geographic area as its appropriate for an analysis of the service or service to be reviewed and shall prepare a written statement of its determination with respect to each of the following:*

- 1) *Infrastructure needs or deficiencies.*
- 2) *Growth and population projections for the affected area.*
- 3) *Financing constraints and opportunities.*
- 4) *Cost avoidance opportunities.*
- 5) *Opportunities for rate restructuring.*
- 6) *Opportunities for shared facilities*
- 7) *Governmental structure options, including advantages and disadvantages of consolidation or reorganization of service providers.*
- 8) *Evaluation of management efficiencies*
- 9) *Local accountability and governance.”*

G.C. § 56430 (d) also required that the Office of Planning and Research of the State, in consultation with the commissions, and the California Association of LAFCO's and other governmental agencies, SHALL prepare a comprehensive set of guidelines for service reviews by July 1, 2001. Since these guidelines are voluminous a full text copy is not attached to the report however there is a PDF copy on the CD rom that has been provided to each commissioner and every interested party. Furthermore, the Executive Officer has urged the various entities to utilize the “draft final” version as a guide to preparing the SOI and SAP.

II: The PLAN as submitted:

The District is a Community Service District that provides specific services to a very small area within Imperial County, primarily the town site of Bombay Beach. The review in this case as is/was the case in a number of other smaller districts pursuant to the direction of LAFCO focused primarily on the financial viability of the District. Insofar as this is a limited purpose District the services provided appear to be and have been provided adequately for the most part. The financials for the District as per the attached also show that it is financially stable.

III: District Approvals:

The District will need to accept the LAFCO approval of the SOI/MSR/SAP via a resolution to include any and all recommendations.

IV: CEQA:

It is argued and it is the Executive Officers opinion that the Service Area Plan fit within one or more “exemptions” under the provisions of CEQA, not the least of which is the possible determination that this process is “not a project”.

V: Analysis by the Executive Officer / Determinations by the COMMISSION:

G.C. § 56425 (e) states in part; *"In determining the sphere of influence of each local agency, the Commission shall consider and prepare a written statement of its determination with respect to each of the following:*

- (1) The present and planned land uses in the area.*
- (2) The present and probable need for public facilities and services in the area.*
- (3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
- (4) The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.*

Proposed findings by the Commission:

- 1) The present land use within the boundaries of the proposed SOI/SAP includes residential, some commercial but little or no industrial. The District provides limited service.**
- 2) Currently the services provided are according to the audited financial information being supplied in a financially stable and adequate manner. (See audited financial information attached).**
- 3) There are no known social or economic communities of interest relevant to this review..**

VI: Public Notice:

Public notice for the proposed project hearing before the Imperial County Local Agency Formation Commission has been given, according to Section § 56427. Notice was issued in the form of a publication in the IV Press at least twenty-one (21) days prior or said hearing, and posted on our webpage.

VII: Report:

In accordance with Section § 56665, the Executive Officer has prepared a report, and presented said report to your Commission and to any public member requesting such report. In addition, a copy of said report has been issued to the Bombay Beach Community Service District and any party requesting a copy.

VIII: Conflict of Interest Statement:

To date (at the writing of this report, May 1, 2016) no Commissioner has indicated that there is any conflict of interest with regard to this project, nor has any Commissioner reported any communications with the Applicant, Proponent or Opponent. The Commissioners will be asked to declare that during and prior to the public hearing.

The Executive Officer does not have any type of known conflict of interest or financial gain as a result of this project and owns no property in the vicinity.

EXECUTIVE OFFICERS RECOMMENDATION

RECOMMENDATION:

It is the recommendation of the Executive Officer that LAFCO conduct a public hearing and consider all information presented in both written and oral form. The Executive Officer then recommends, assuming no significant public input warrants to the contrary, that LAFCO take the following action;

- I: Certify that the Service Area Plan is exempt from CEQA.
- II: Make the finding that this Sphere of Influence and Service Area Plan (SAP)/ Municipal Service Review (MSR) is in substantial compliance with the provisions of the Cortese-Knox-Hertzberg Reorganization Act of 2000 and the Imperial LAFCO Policy and Procedures.
- III: Make the findings pursuant to Government Code Section § 56425 that:
 - a. The Service Area Plan has been reviewed by the Executive Officer and the Commission and the District has the capacity and ability to provide services within the area.
 - b. The Service Area Plan for the District shows it to be operating its service in a financially sound manner.
 - c. The Sphere of Influence currently adopted remains adequate for the District and no annexations or changes to the boundary have occurred since the prior SAP review.
- IV: The Commission finds that, the present land uses within the boundaries of the District are predominately agricultural with urban and the services are strictly for providing limited services, currently authorized to be provided are, wastewater collection/treatment, fire protection & recreation.

The Commission finds that, there are no known social or economic communities of interest in the areas.
- V: Since there have been no protests received, the Commission adopts and approves the current Sphere of Influence Boundary as previously reviewed and approved.

LAFCO Policy:

The proposed Sphere of Influence and Service Area Plan appears to be consistent with the Cortese-Knox-Hertzberg Reorganization Act of 2000, the Imperial LAFCO Policies and Procedures and the County of Imperial General Plan (Chapter IV. B. of LAFCO's Policies, Standards and Procedures). Furthermore, the District has (according to the Service Area Plan) the ability to supply the necessary public service, and has assured LAFCO that it has the capacity to service the areas.

NOTE: All "cc" submittals are the Executive Officer's Report only. Attachments are generally too voluminous and are only supplied on CD. Information about the project may also be found on the LAFCO web page at www.iclafco.com.

CC: Bombay Community Service District

ATTACHMENTS:

EXHIBIT A – Audited Financial Information
EXHIBIT B – Current Sphere of Influence Boundary Map

EXHIBIT A

RECEIVED

APR 12 2016

*Imperial County
Local Agency Formation Commission*

BOMBAY BEACH COMMUNITY
SERVICES DISTRICT

FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT)

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014



George J. Woo
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bombay Beach Community Services District
Niland, California 92257

I have audited the accompanying financial statements of Bombay Beach Community Services District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the financial statements.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's minimum audit requirements for California Special District. Those standards require that I 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 I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental and business type activities of Bombay Beach Community Services District as of June 30, 2014, and the changes in financial position and 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

November 10, 2014

A handwritten signature in black ink, appearing to read "James J. Wood", is written over the date.

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The discussion and analysis of the financial performance of the Bombay Beach Community Services District (the "District") provides an overview of the District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; users of these financial statements should read this discussion.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the 2013-2014 fiscal year \$ 207,015 (Net Assets) and \$ 203,815 in Unrestricted Net Assets.
- The District's net assets from governmental activities decreased by \$ 1,100, net assets from proprietary activities increased by \$ 19,416 during the current fiscal year.
- As of June 30, 2014, the District's governmental funds reported total ending fund balance of \$ 1,395, a decrease of 44% in comparison with the prior year. \$ 1,395 is available for spending.

Overview of the Financial Statements

The Discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These statements are organized so that readers can understand the District as a financial whole or as an entire operating entity. The District's basic financial statements are comprised of three components: 1) Government-wide financial statements 2) Fund financial statements and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Districts assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event takes place regardless of when cash is received or paid. Thus, some revenues and expenses are reported in this statement that will only result in cash inflows and outflows in future fiscal years.

Both the Statement of Net Assets and the Statement of Activities distinguishes between activities that are primarily financed with taxes and revenues (governmental activities). These financial statements are presented on pages 10 and 11 on this report.

2. Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. A fund is a fiscal and accounting entity designated to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. All of the District's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for activities that are similar in nature to the governmental activities in the government-wide financial statements. However, unlike the government wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resource available at the end of the fiscal year. Such information may be used in evaluating the District near-term financing requirements and available resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will allow readers to get a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements and the government-wide financial statements are presented on pages 10 through 14 of this report.

Proprietary funds are reported as enterprise funds. Enterprise funds are reported as functions presented as business-type activities in the government-wide financial statements. The district used enterprise funds to account for the Community Fund

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

(lease), Community Center (pancake breakfast) and Bombay North (savings and rentals).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Community Fund (lease), Community Center (pancake breakfast) and Bombay North (savings and rentals).

The basic proprietary fund financial statements are presented on pages 15 through 17 of this report.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. The notes to the financial statements are presented on pages 18 through 23 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities \$ 267,037 (see table 1) at the close of the current fiscal year.

A portion of the District's net assets, \$ 61,827, reflects its investments in capital assets (e.g. land, structures and improvements, vehicles, furniture and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of total net assets is comprised of unrestricted net assets of \$ 205,210 and restricted net assets for impress cash in the amount of \$ 100.

At the end of the current fiscal year, the District as a whole and for its governmental activities reported positive balances in net assets.

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

**Table 1 – District's Net Assets
Governmental Activities
For the Years Ended June 30, 2014 and 2013**

	2014	2013
Current Assets and Other Assets	\$ 1,395	\$ 2,495
Non current assets	58,627	58,627
Total Assets	60,022	61,122
Current and Other Liabilities	-0-	-0-
Total Liabilities	-0-	-0-
Net Assets		
Invested in Capital Assets, Net of accumulated depreciation	58,627	58,627
Restricted	100	100
Unrestricted	1,295	2,395
Total Net Assets	\$ 60,022	\$ 61,122

**Table 1 – District's Net Assets
Business Type Activities
For the Years Ended June 30, 2014 and 2013**

	2014	2013
Current Assets and Other Assets	\$ 205,840	\$ 179,774
Non current assets	3,200	8,375
Total Assets	209,040	188,149
Current and Other Liabilities	2,025	550
Total Liabilities	2,025	550
Net Assets		
Invested in Capital Assets, Net of accumulated depreciation	3,200	8,000
Restricted	-0-	-0-
Unrestricted	203,815	179,599
Total Net Assets	\$ 207,015	\$ 187,599

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

As shown in Table 2, the District's net assets increased by \$ 18,316 during the current fiscal year.

**Table 2 – District's Changes in Net Assets
Governmental Activities
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Charges for Services	\$ -0-	\$ -0-
General Revenues		
Property Taxes	3,622	3,996
Interest	10	14
Total Revenue	<u>3,632</u>	<u>4,010</u>
Expenses		
Other administration	331	-0-
Utilities	<u>4,401</u>	<u>4,189</u>
Total Expenses	<u>4,732</u>	<u>4,189</u>
Increase (decrease) in Net Assets	<u>\$ (1,100)</u>	<u>\$ (179)</u>

**District's Changes in Net Assets
Business Type Activities
For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Charges for Services	\$ 47,829	\$ 51,475
General Revenues		
Interest	400	663
Donations	1,362	1,000
Total Revenue	<u>49,591</u>	<u>53,138</u>
Expenses		
Material and Supplies	25,375	24,387
Depreciation	<u>4,800</u>	<u>4,800</u>
Total Expenses	<u>30,175</u>	<u>29,187</u>
Increase in Net Assets	<u>\$ 19,416</u>	<u>\$ 23,951</u>

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Governmental Activities

Governmental activities decreased the District's net assets by \$ 1,100 for the fiscal year ended June 30, 2014.

Business Activities

Business activities increased the District's net assets by \$ 19,416 for the fiscal year ended June 30, 2014.

Budgetary Analysis

Budget to actual analysis provides the reader with useful information regarding the District's use of budgets and a sense of what management was attempting to achieve during the year. Budget to actual comparisons can be found on page 26.

Table 3
District's Capital Assets (Net of Accumulated Depreciation)
Governmental Activities
For the Years Ended June 30, 2014 and 2013

	2014	2013
Building and structures	\$ -0-	\$ -0-
Land	58,627	58,627
Total	\$ 58,627	\$ 58,627

District's Capital Assets (Net of Accumulated Depreciation)
Business Type Activities
For the Years Ended June 30, 2014 and 2013

	2014	2013
Building and structures	\$ 3,200	\$ 8,000
Land	-0-	-0-
Total	\$ 3,200	\$ 8,000

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have any questions about this report or need additional financial information, you may contact Mr. Frank Raymond at (760) 354-1351. Written requests for information should be addressed to the Office of the Secretary, 9590 Avenue "C", Niland, CA 92257.

FINANCIAL SECTION

BOMBAY BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2014

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash	\$ 1,395	\$ 205,840	\$ 207,235
Accounts receivable	-0-	-0-	-0-
Inventory	-0-	-0-	-0-
Capital assets, net of accumulated depreciation	<u>58,627</u>	<u>3,200</u>	<u>61,827</u>
Total Assets	<u>\$ 60,022</u>	<u>\$ 209,040</u>	<u>\$ 269,062</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Accounts payable	<u>\$ -0-</u>	<u>\$ 2,025</u>	<u>\$ 2,025</u>
Total Liabilities	<u>\$ -0-</u>	<u>\$ 2,025</u>	<u>\$ 2,025</u>
NET ASSETS			
Investments in capital assets net of related debt and accumulated depreciation	\$ 58,627	\$ 3,200	\$ 61,827
Unrestricted	<u>1,395</u>	<u>203,815</u>	<u>205,210</u>
Total net assets	<u>\$ 60,022</u>	<u>\$ 207,015</u>	<u>\$ 267,037</u>

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

BOMBAY BEACH COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Governmental Activities					
Materials and Supplies	\$ 4,732	\$ -0-	\$ (4,732)	\$ -0-	\$ (4,732)
Total Governmental activities	<u>4,732</u>	<u>-0-</u>	<u>(4,732)</u>	<u>-0-</u>	<u>(4,732)</u>
Business Activities					
Community Fund	26,941	43,446	-0-	16,505	16,505
Community Center	3,234	1,083	-0-	(2,151)	(2,151)
Bombay Beach North	-0-	3,300	-0-	3,300	3,300
Total Business Activities	<u>30,175</u>	<u>47,829</u>	<u>-0-</u>	<u>17,654</u>	<u>17,654</u>
Total primary government	\$ <u>34,907</u>	\$ <u>47,829</u>	\$ <u>(4,732)</u>	\$ <u>17,654</u>	\$ <u>12,922</u>
General Revenues					
Donations			-0-	1,362	1,362
Property Taxes			3,622	-0-	3,622
Interest income			10	400	410
Total general revenues			<u>3,632</u>	<u>1,762</u>	<u>5,394</u>
Change in Net Assets			<u>(1,100)</u>	<u>19,416</u>	<u>18,316</u>
Fund Balance July 1, 2013			<u>61,122</u>	<u>187,599</u>	<u>248,721</u>
Fund Balance June 30, 2014			\$ <u>60,022</u>	\$ <u>207,015</u>	\$ <u>267,037</u>

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT

BALANCE SHEET
GOVERNMENTAL FUND

AS OF JUNE 30, 2014

ASSETS

Cash	\$	<u>1,395</u>
Total assets	\$	<u><u>1,395</u></u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts Payable	\$	<u>-0-</u>
Total Liabilities		<u>-0-</u>
Fund Balances		
Reserve for imprest cash		100
Fund balance - unreserved		<u>1,295</u>
Total fund balances		<u>1,395</u>
Total Liabilities and Fund Balances	\$	<u><u>1,395</u></u>

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUND TO THE STATEMENT OF NET ASSETS

AS OF JUNE 30, 2014

Amounts reported for Governmental Activities in the Statements of Net Assets are different because:

Total Fund Balance - Governmental Fund	\$ 1,395
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. The cost of assets is \$ 494,046 and accumulated depreciation is \$ 435,419.	<u>58,627</u>
Total Net Assets - Governmental Activities	<u>\$ 60,022</u>

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

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>
REVENUES	
Property Taxes	\$ 3,622
Interest Earnings	10
Total Revenues	<u>3,632</u>
EXPENDITURES	
Other administration	331
Utilities	4,401
Total Expenditures	<u>4,732</u>
Excess of revenue over (under) expenditures	(1,100)
Fund Balance July 1, 2013	<u>2,495</u>
Fund Balance June 30, 2014	<u>\$ 1,395</u>

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

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	<u>General Fund</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 5,350	\$ 3,622	\$ (1,728)
Interest	50	10	(40)
	<u>5,400</u>	<u>3,632</u>	<u>(1,768)</u>
Expenditures			
Other administration	1,000	331	669
Utilities	4,400	4,401	(1)
	<u>5,400</u>	<u>4,732</u>	<u>668</u>
Excess of revenue over expenditures	-0-	(1,110)	(1,110)
Fund Balance July 1, 2013	<u>2,495</u>	<u>2,495</u>	<u>-0-</u>
Fund Balance June 30, 2014	<u>\$ 2,495</u>	<u>\$ 1,385</u>	<u>\$ (1,110)</u>

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
 STATEMENT OF ACTIVITIES - PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Community Fund</u>	<u>Bombay Beach North</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 152,282	\$ 53,558	\$ 205,840
Accounts receivable	-0-	-0-	-0-
Inventory	-0-	-0-	-0-
	<u>152,282</u>	<u>53,558</u>	<u>205,840</u>
Total Current Assets			
Non Current Assets			
Capital Assets	24,000	-0-	24,000
Accumulated depreciation	(20,800)	-0-	(20,800)
	<u>3,200</u>	<u>-0-</u>	<u>3,200</u>
Total Non Current Assets			
	<u>\$ 155,482</u>	<u>\$ 53,558</u>	<u>\$ 209,040</u>
Total Asset			
LIABILITIES			
Accounts payable	\$ 1,475	\$ 550	\$ 2,025
NET ASSETS			
Investments in capital assets net of accumulated depreciation	3,200	-0-	3,200
Unrestricted	150,807	53,008	203,815
	<u>154,007</u>	<u>53,008</u>	<u>207,015</u>
Total net assets			

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Community Fund</u>	<u>Community Center</u>	<u>Bombay Beach North</u>	<u>TOTAL</u>
Operating Revenues				
Charges for services	\$ 43,446	\$ 1,083	\$ 3,300	\$ 47,829
Total Operating revenues	<u>43,446</u>	<u>1,083</u>	<u>3,300</u>	<u>47,829</u>
Operating Expenditures				
Donations	1,780	862	-0-	2,642
Dues	120	-0-	-0-	120
Utilities	5,135	-0-	-0-	5,135
Office Expense	773	-0-	-0-	773
Insurance	3,005	-0-	-0-	3,005
Legal & Accounting	7,650	-0-	-0-	7,650
Repairs and Maintenance	3,605	992	-0-	4,597
Community Breakfast	15	1,380	-0-	1,395
Supplies	58	-0-	-0-	58
Depreciation	4,800	-0-	-0-	4,800
Total operating expenses	<u>26,941</u>	<u>3,234</u>	<u>-0-</u>	<u>30,175</u>
Operating income	16,505	(2,151)	3,300	17,654
Non Operating Revenues				
Donations	862	500	-0-	1,362
Interest income	164	-0-	236	400
Total non operating revenue	<u>1,026</u>	<u>500</u>	<u>236</u>	<u>1,762</u>
Change in net assets	<u>17,531</u>	<u>(1,651)</u>	<u>3,536</u>	<u>19,416</u>
Net Assets July 1, 2013	<u>136,476</u>	<u>1,651</u>	<u>49,472</u>	<u>187,599</u>
Net Assets June 30, 2014	<u>\$ 154,007</u>	<u>\$ -0-</u>	<u>\$ 53,008</u>	<u>\$ 207,015</u>

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2014

Cash Flows from Operating Activities

Cash received from users	\$	753
Cash received from leases		47,076
Cash received from donations		1,362
Cash paid to suppliers		<u>(23,525)</u>
Net Cash Provided by Operating Activities		<u>25,666</u>

Cash Flows from Investing Activities

Interest payments received	\$	<u>400</u>
Net cash provided by investing activities		400

Cash Flows from Capital and Related Financing Activities

Equipment Purchase		<u>-0-</u>
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Increase in Cash and Cash Equivalents 26,066

Cash and Cash Equivalents - Beginning of Year 179,774

Cash and Cash Equivalents - End of Year \$ 205,840

Cash Flows from Operating Activities

Operating Income	\$	19,416
Adjustments to Reconcile Net Income to Net Cash Activities:		
Depreciation		4,800
Increase (decrease) in:		
Accounts receivable		-0-
Accounts payable		1475
Inventory		<u>375</u>

Net Cash Provided by Operating Activities \$ 26,066

The notes to financial statements are an integral part of these statements

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

General

The Bombay Beach Community Services District (the District) was formed August 11, 1961. The District was formed to provide services for the Bombay Beach Community. The District is governed by a Board of Directors consisting of five members who are elected or appointed for a four year term.

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government.

The statement of activities presents a comparison between direct expenses and program revenues for the District's proprietary activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Accounting

The accounts of the District are organized on the basis of funds.

Governmental Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

Proprietary Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The District has two proprietary funds whose net asset balances as of June 30, 2014, were:

The Community Fund	\$ 154,007
Bombay Beach North	<u>53,008</u>
	<u>\$ 207,015</u>

The Community Fund accounts for the income and expenses of the community building and cellular tower. The Community Fund also accounts for the Memorial Fund and Park.

The Community Center Fund accounted for the income and expenses of the monthly pancake breakfast. Income from the breakfast was used to support the cost of maintaining the community building in part. This community service was transferred to the community fund during the current fiscal year.

The Bombay Beach North Fund accounts for the income and expenses of Bombay Beach North. Income from rent on a sign located on this land and rent from a building is used to support the cost of the land.

Basis of Accounting

The accounting records are maintained on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized when the related fund liability is incurred.

Cash

Cash is considered to be cash on hand and cash in bank. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase have an original maturity of three months or less.

Cash in the treasury is held by the District at the Imperial County Treasurer's office. Demands are required to draw money to pay accounts payable. The District treasury pays interest on funds held.

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The District prepares a budget for the General Fund. Upon adoption by the Board of Directors, the budget is filed with the Board of Supervisors of the County of Imperial. Budgets are not prepared for the Proprietary Funds. All appropriations lapse at year end.

Principles Determining Scope of Reporting Entity

The financial statements consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled or dependent on the District.

Capital Assets

Capital assets, including infrastructure, are recorded at historical costs or at estimated historical cost if historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general fixed assets, which consist of certain improvement including roads, bridges, pavements in progress, and right of way. The District defines capital assets as assets with initial, individual costs of more than \$ 2,500 and an estimated useful life in excess of one year. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

The estimated useful lives are as follows:

Buildings	40 years
Equipment	5-15 years
Office furniture	5 years
Property Improvements	7 years

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 2. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

NOTE 3. DEPOSITS AND INVESTMENTS

California Government Code 53601 authorizes the District to invest in obligations of the U.S. Treasury or its agencies, obligations of the State of California and any local agency, corporate bonds rated AAA by Standard and Poor, certificates of deposit or other interest bearing deposits of insured financial institutions and other investments as may be allowed by law.

Deposits – At year-end, the carrying amount of the District's deposits was \$ 205,840 and the bank balance was \$ 208,303. The bank balance is classified into three categories of credit risk:

1. Insured or collateralized with securities held by the District or by its agent in the District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
3. Uncollateralized. (This includes any bank balance that is collateralized with securities held by their pledging financial institution, or by its trust department or agent but not in the District's name.)

Classification of Bank Balance by Credit Risk:

	Categories			
	1	2	3	Total
Deposits	<u>\$ 208,303</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 208,303</u>

Investments – The District's investments are classified into three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

BOMBAY BEACH COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name.

Classification of investments by credit risk:

	Categories			Carrying Amount	Fair Value
	1	2	3		
District Investment Pool (uncategorized)	\$ -0-	\$ -0-	\$ -0-	\$ 1,295	\$ 1,295

NOTE 4. EXTERNAL INVESTMENT POOLS

The District is considered a member of an external investment pool. The Treasurer of Imperial County received funds from the District and pools them with other funds and invests these funds in a variety of instruments including Certificates of Deposit and Government Agency Funds. The funds are recorded at fair value. Interest is allocated to the District based on their pro rata share of the total amount invested in the pool.

NOTE 5. CAPITAL ASSETS

Capital assets for the Governmental Fund, for the year ended June 30, 2014 is summarized as follows:

Land	\$ 58,627
Building and Improvements	418,614
Equipment	<u>16,785</u>
	<u>\$ 494,026</u>
Less Accumulated Depreciation	<u>(435,399)</u>
Total Capital Assets	<u>\$ 58,627</u>

Structures and improvements for the Proprietary Funds, for the year ended June 30, 2014, is summarized as follows:

Equipment	\$ 24,000
Structures and improvements	<u>3,037</u>
	27,037
Less accumulated depreciation	<u>(23,837)</u>
Total capital assets	<u>\$ 3,200</u>

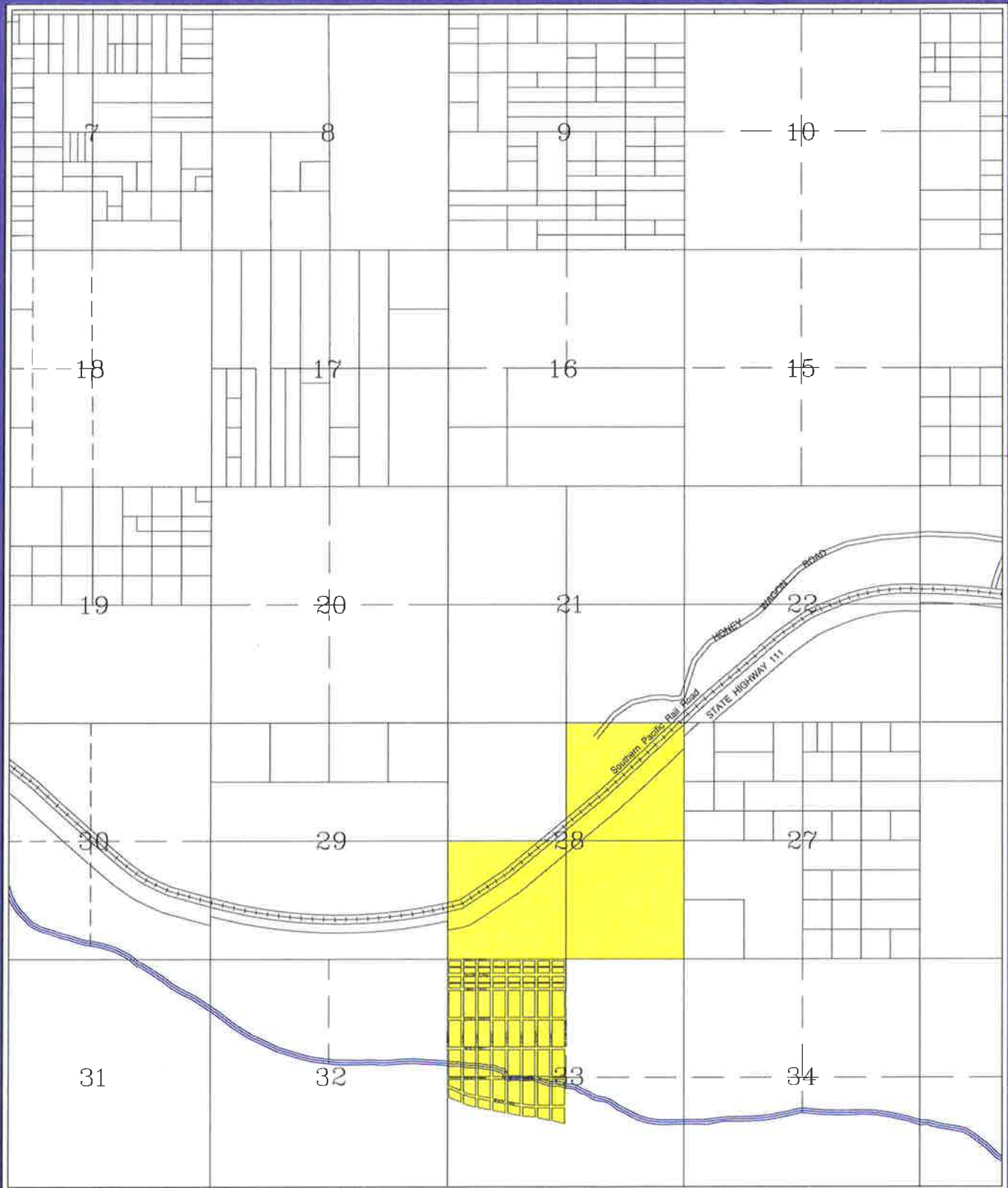
BOMBAY BEACH COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. SUBSEQUENT EVENTS

The management of the district have reviewed the results of operations for the period of time from its year end June 30, 2014 through November 10, 2014 the date the combined financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying combined financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

EXHIBIT B

Current Sphere of Influence Boundary Map
BBCSD 1-16



Bombay Beach Community Service District
local agency formation commission

EXHIBIT 3