

CSA 17 DISTRICT
DISTRICT PROFILE SUMMARY SHEET

District Contact Person(s):
Thomas Sutton, Director: Special Districts Department

Address:
157 West Fifth Street, 2nd Floor, San Bernardino, CA 92415

E-mail Address:
tsutton@sbcscdd.org

Website Address:
www.special districts.org

Date of Formation:
January 29, 1964

Principal Act:
County Service Area law

Improvement District(s): YES NO

If yes, please indicate name and define area of service (include map).
na

Governing Body:
San Bernardino County Board of Supervisors

Membership:
N/A

Public Meetings:
N/A

3014

SERVICES

Currently Authorized Powers (Services):

SERVICE	FUNCTIONS
Streetlight	Streetlight

Latent Powers (Services) -- those services authorized by the Agency's principal act, but not activated through the LAFCO process:

SERVICE	FUNCTIONS

Area Served: Apple Valley (unincorporated) Square Miles/ 3204.5 Acres

Population: estimated 1475 (Outline source for figure) Census records from 1993 by private company

Registered Voters: _____ As Of _____ (Date)

Services Provided Outside Agency Boundaries: None

SERVICE	PROVIDED TO WHOM	DATE OF CONTRACT	SUNSET DATE
n/a			

Special charges for service outside boundaries:

n/a

Special policies for providing service outside boundaries:

n/a

SPHERE OF INFLUENCE

3014

Established:

LAFCO Number	Resolution No./ Date Adopted	Location
1332	948	Apple Valley

CHANGES:

LAFCO Number	Resolution No./ Date Adopted	Type Of Change	Location

BUDGETARY INFORMATION

	Actual 2001-02	Actual 2002-03	Actual 2003-04	Estimated 2004-05	Budgeted 2005-06
Expenditures	124,993	140,510	130,881	10,598	14,965
Capital/Fixed Assets	None	None	None	None	None
Property Tax	90,093	93,784	100,452	102,869	101,790
User Fees	none	None	none	none	none

3014

**MANDATORY FIVE YEAR
SPHERE OF INFLUENCE REVIEW**
(Government Code Section 56425)

INTRODUCTION: The questions on this form are designed to obtain data about the entity's existing sphere of influence to allow the Commission and its staff to begin to assess the mandated sphere update process. You are encouraged to include any additional information that you believe is pertinent to the process. Use additional sheets where necessary and/or include any relevant documents.

1. NAME OF AGENCY County Service Area 17 Apple Valley

2. Provide an identification of the entities that provide service to your agency. Please indicate whether they are public or private entities and include subsidiary districts in this description. Please include a description of City or District-governed agencies (i.e., redevelopment agency, development corporations, joint powers authorities, improvement districts, etc.):

CSA 17, Apple Valley is a dependent special district governed by the County of San Bernardino Board of Supervisors. It provides street lighting services.

The County of San Bernardino Special Districts Department consolidates many of the administrative and technical functions necessary to the streetlighting services. CSA 17 benefits from the economy of jointly provided financial, administrative, and managerial support services provided by the Special Districts Department.

CSA 17 also receives support from Southern California Edison, a private utility company which provides the infrastructure and electricity for the streetlights.

3. Provide a narrative description of anticipated alterations in the agency's current sphere of influence that should be considered in this review. This identification should include any potential development that would require a sphere of influence amendment for implementation, etc. (If additional room for response is necessary, please attach additional sheets to this form.)

Unknown.

4. **CITIES:** Provide an outline of negotiations with the County of San Bernardino related to any sphere change anticipated. Please include an outline of agreements on boundaries, development standards, zoning requirements, if any. This is required pursuant to Government Code Section 56425(b).

N/A

5. **CITIES:** Provide an outline of the dates for adoption and plans for update, if any, for:

General Plan N/A

Elements if adopted separately
NAME

DATE OF ADOPTION/UPDATE PLANS

_____	_____
_____	_____
_____	_____
_____	_____

6. **CITIES/SPECIAL DISTRICTS:** For the services provided by the agency identify the appropriate document below and provide an outline of the date of adoption, schedule for update, copy of the document and copy of environmental document, if applicable:

Master Plan for Water Utility	_____
Master Plan for Sewer Utility	_____
Master Plan for Fire Service	_____
Master Plan for Park Service	_____
Urban Water Management Plan (with copy of certification from Department of Water Resources)	_____
Other (Please name):	_____
_____	_____
_____	_____
_____	_____

7. **SPECIAL DISTRICTS:** Provide an outline of the following items related to the services provided by the District. This response is specifically required by Government Code Section 56425(h) et seq.

a) Provide a written statement specifying the functions and/or classes of service provided by your District.

CSA 17 provides streetlight services for the various areas of the unincorporated area of Apple Valley within the boundary of this district.

b) Provide a written description of the nature, location and extent of the functions and/or classes of service outlined above. Where the service area is less than the boundaries of the District provide a map depiction of the location.

CSA 17 provides financing for 48 streetlights in the Apple Valley area. Attached is a list of the streetlights and maps for this area.

c) Provide a brief outline of master plans adopted for each of the services listed above including a summary of their findings and the date of their adoption. If master plans are required to be filed with a County, State or Federal agency please note the date of their acceptance. Provide a copy of the master plans with this document if not previously provided to the LAFCO staff office including a copy of the environmental determination associated with the document.

There is no master plan for CSA 17

8. Provide a response to the four factors outlined in Government Code Section 56425 required for a sphere of influence review outlined as follows:

a) The present and planned land uses in the area, including agricultural and open-space lands.

CSA 17 parcel 1 is 75% residential; 25% rural living; parcels 2 and 3 are 100% residential; Parcel 4 100% rural living.

b) The present and probable need for public facilities and services in the area.

Unknown.

c) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The revenue is sufficient to support the electricity charges.

d) The existence of any social or economic communities of interest in the area.

Unknown.

CERTIFICATION

I hereby certify that the statements furnished above and in the attached supplements, exhibits, and documents present the date and information required for this mandatory review to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE: 8-22-05

Thomas L Sutton
Signature of Official

THOMAS L SUTTON
Printed Name

DIRECTOR
Title

MUNICIPAL SERVICE REVIEW
(Government Code Section 56430)

3014

CSA 17

INTRODUCTION: The following provides an outline of the mandatory determinations for a municipal service review as set out in Government Code Section 56430. In addition it provides an explanation of the purpose of the determination and the issues to be considered. While no agency will be required to respond to each of the issues identified below, this list is intended to be illustrative of the scope of issues that might be relevant to a local agency service review. Please review the list and identify those issues that are relevant to your agency and develop narrative responses to each determination.

I. Infrastructure Needs and Deficiencies - NA

Purpose: To evaluate the infrastructure needs and deficiencies of a jurisdiction in terms of capacity, condition of facility, service quality and levels of services and its relationship to existing and planned service users.

1. Capital Improvement Plans/Studies
2. Water Service Plans/Studies
 - a) Supply and demand information
3. Sewer Service Plans/Studies
 - a) Capacity and demand information
4. Age and Condition of Facilities
 - a) Water supply and distribution system
 - b) Wastewater collection and treatment
5. Capacity Analysis
 - a) Number of service units available
 - b) Number of service units currently allocated
 - c) Total number of service units within agency boundaries
6. Future Development
 - a) What additional infrastructure is needed?
 - b) Description of additional facilities
 - c) How will it be funded?
 - d) Is there a schedule for improvement?
7. Reserve Capacity
 - a) What is the policy?

II. Growth and Population

Purpose: To evaluate service needs based upon existing and anticipated growth patterns and population projections.

1. Population Information: Unknown.
 - a) Existing and projected within agency boundary (include identification of source for growth projection)
 - b) Existing and projected within sphere of influence (include source for growth projection)
2. General Plan:
 - a) Excerpts regarding existing and projected growth
 - c) Other
3. Identify Significant Growth Areas:

Unknown

III. Financing Opportunities and Constraints

Purpose: To evaluate factors that affect the financing of needed improvements.

1. Finance Plans for (provide copies of documents where necessary) include:
 - a) Service upgrades – None
 - b) Capacity improvements – None
 - c) Revenue source – CSA 17 receives a portion of the 1% general property tax, increases consistent with property value increases approximately 1.5% per year
2. Bond Rating - None.
3. Joint Financing Projects - None
 - a) Does agency participate?
 - b) What are policies?
4. Revenue Sources
 - a) Identify: CSA 17 receives a portion of the 1% general property taxes for its area.
 - b) Can they be expanded? The Board of Supervisors has the authority to approve boundary changes and increase the portion of the general property tax the district receives.

IV. Cost Avoidance Opportunities

Purpose: To identify practices or opportunities that may help eliminate unnecessary costs.

1. Overlapping/Duplicative Services: None

Joint Agency Practices:

- a) Identify - The County of San Bernardino Special Districts Department consolidates many of the administrative and technical functions necessary to manage water, sewer, park, refuse collection, streetlighting services and other general services.
- b) Reduce costs? CSA 17 benefits from the economy of jointly provided financial, administrative, construction and managerial support services provided by the Special Districts Department.

2. Rely on Other Agencies

- a) Administrative functions: Provided by the County Special Districts Department for Streetlight. Southern California Edison also charges administration on the energy bills for the streetlight infrastructure and maintenance.
- b) Grant management: Provided by the County Special Districts Department.
- c) In-house cost vs. outside cost: Administrative costs are charge by Southern California Edison per light and are identified on the energy charges invoice. A copy of the streetlight invoice is attached as Attachment "1"

4. Growth Management Strategies: N/A

- a) Strategies for directing growth
- b) Infill
- c) Conservation
- d) Annexation policies
- e) Policies related to providing service outside agency boundaries

5. Level of Service: No customer service surveys conducted

- a) Meets or exceeds customer needs? Unknown
- b) Customer satisfaction Unknown

6. Per-Unit Service Costs:

- a) Identify: Southern California Edison provides a per unit cost for each streetlight based on the type of bulb and level of service. This district has 34 – 9500 bulbs and 14 – 5800L which are LS-1 level of service (All night service). See Edison spreadsheet, Attachment "2".

- b) Comparison with others: There is no other streetlight provider in the area.

V. **Rate Restructuring:** N/A-Rates set by Southern California Edison

Purpose: To identify opportunities to positively impact rates without decreasing service levels.

1. Rate restructuring is considered by:

- a) Use of consumer price index

b) Identify ways to compare rates

2. Identify current rates and plans, if any, for rate changes

VI. Opportunities for Shared Facilities

Purpose: To evaluate the opportunities for a jurisdiction to share facilities and resources to develop more efficient service delivery systems.

1. Shared Facilities – N/A

- a) Existing – flood, parks, groundwater storage, etc.
- b) Future opportunities/options

2. Duplication of Facilities – N/A

- a) Existing duplication?
- b) Planned/future duplication?
- c) Excess capacity available to outside customers?
- d) Productivity ratings, if any, for staff

VII. Government Structure Options

Purpose: To consider the advantages and disadvantages of various government structures to provide public services.

1. Agency Recommendation

a) Government structure options : Special Districts Department has recommended in the past to consolidate the districts with only streetlight powers in the unincorporated area of the County. CSA 17 will be considered one of these districts.

b) Benefits to customers: The district will benefit from reduced administration and incidental costs such as Audit Report and Legal Notice.

2. Hurdles to Consolidation/Reorganization: Obtaining the support of all areas of the County.

3. Recommended Options

- a) Benefit to customers: Ensure streetlight services will continue.
- b) Services to be provided: Streetlight

VIII. Evaluation of Management Efficiencies

Purpose: To evaluate whether organizational changes to governmental structure can be made to improve the quality of public services in comparison to cost.

1. Training Opportunities: The Special Districts Department has established policies for professional training and membership dues procedures to encourage all employees to pursue educational opportunities and involvement in organizations to enhance their contribution as District employees and assist in their career development.

3. Staffing Levels: CSA 17 is supported by Special Districts Department and pays an allocated share for administrative and district staffing cost. One Regional

Manager oversees all the streetlight districts (7 in total) and one Inspector provides support services for streetlight such as inventory, streetlight requests and plan review. These costs are part of the Departmental staffing cost.

3. Technology

a) Billing systems: Not applicable

4. Budget

a) Policies: CSA 17 budgets are prepared in conjunction with the County's annual budgeting process and are fully compliant with legal requirements and County Administrative policy.

b) Policies for payment of stipend, benefits, travel, educational expenses of governing body: Not applicable.

c) Preparation/public involvement: None

d) Analysis – revenues/reserves/expenditures: Expenditures and revenues are reviewed on a monthly basis by management. CSA 17 budgets are reviewed by Management staff and the County Administrative Office prior to submission to the Board of Supervisors for review and adoption. Additionally, revenues, expenditures and reserves are audited annually by the County Auditor/Controller's office and a consolidated financial report is prepared.

5. Joint Powers Agreements None

a) Identify and describe

IX. Local Accountability and Governance

Purpose: To evaluate the accessibility and levels of public participation associated within the agency's decision-making and management processes.

1. Governing Body: A special district is classified as either independent or dependent, according to the type of governing body under which it operates. An independent district operates under a locally elected, independent board of directors. A dependent district operates under the control of a county board of supervisors or a city council. CSA 17 is a dependant district.

a) Selection process: The San Bernardino County Board of Supervisors governs CSA 17; it is within the political boundaries of the First Supervisorial District. The First District Supervisor is selected through voter participation every four years.

b) Representation (Districts, area-wide): Currently CSA 17 does not have a commission or council.

b) Representation (Districts-area-wide) CSA 17 does not have a Commission
c) Frequency of meetings: The Board of Supervisors meet every Tuesday.

d) Brown Act compliance: na

e) Number of elections over last decade: Two

2. Customer Feedback

a) Surveys: None

b) Complaint tracking: This district has not received complaint in over 5 years.

3. Access

a) Hours: Southern California Edison owns the streetlight infrastructure and responds to problems with streetlights. Special Districts Department is open from 8 a.m. to 5:00 p.m. Monday through Friday

b) Newsletters

c) Website

d) Media coverage

e) Cable/public access TV

4. Regular Progress Reports

a) Budget – major projects: The Board of Supervisors approves the annual budget for CSA 17 each year and holds public budget hearings at this time.

b) Operations – Expenditures and revenues are monitored each month by Fiscal Staff and district management.

c) Voter participation: None

CSA 17 APPLE VALLEY (SFV-185)
ACTIVITY: STREETLIGHTING

DESCRIPTION OF MAJOR SERVICES

County Service Area (CSA) 17 was established by an act of the County of San Bernardino Board of Supervisors on January 29, 1964 to provide financing for the operation and maintenance of 47 streetlights in the community of Apple Valley. This Streetlight District is financed through property tax revenue. This District does not utilize an Advisory Commission or MAC. Meetings are held with residents as needed.

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	5,339	10,226	10,300	5,656	15,956
Central Computer	-	-	-	-	-
Travel and Related Charges	-	-	-	-	-
Other Charges	-	-	-	-	-
Land/Structures/Improvements	-	-	-	-	-
Equipment/Vehicles	-	-	-	-	-
Lease/Purchases	-	-	-	-	-
Transfers Out	5,505	7,454	7,454	4,551	12,005
Reimbursements	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
Reserves & Contingencies	-	-	1,072,890	210,708	1,283,598
Total Appropriations	<u>10,844</u>	<u>17,680</u>	<u>1,090,644</u>	<u>220,915</u>	<u>1,311,559</u>
Revenue:					
Taxes	171,993	189,887	163,564	26,323	189,887
Licenses and Permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Use Of Money and Property	34,294	25,000	30,000	(3,000)	27,000
State, Fed or Gov't Aid	-	-	-	-	-
Current Services	(1,613)	385	-	-	-
Other Revenue	414	-	-	-	-
Operating Transfers In	-	-	-	-	-
Total Revenue	<u>205,088</u>	<u>215,272</u>	<u>193,564</u>	<u>23,323</u>	<u>216,887</u>
Fund Balance			897,080	197,592	1,094,672
Budgeted Staffing			-	-	-

CSA 17 APPLE VALLEY (SFV-185)

2008-09 PROPOSED BUDGET

APPROPRIATIONS:	<u>Budgeted Staffing</u>	<u>Amount</u>
Salaries and Benefits	-	-
Services and Supplies		15,956
* \$15,000 Rents & Leases-Equipment		
* \$ 956 Other services and supplies		
Change from prior year: \$5,656 increased lease costs for streetlights due to higher energy charges		
Central Computer		-
Travel and Related Charges		-
Other Charges		-
Land/Structures/Improvements		-
Equipment/Vehicles		-
Lease/Purchases		-
Transfers Out		12,005
* \$8,878 Salaries and Benefits to SKV-105 (CSA 70 Countywide) to provide for management and support services		
* \$3,127 Services and Supplies to SKV-105 (CSA Countywide) to provide management and support services		
Change from prior year: \$4,551 increase primarily due to allocation of management and support services cost		
Reimbursements		-
Operating Transfers Out		-
Reserves & Contingencies		1,283,598
* \$1,000,000 Reserves		
* \$ 283,598 Contingencies		
Change from prior year: \$210,708 increase to fund future year operations		
Total Appropriation and Budgeted Staffing	<u>-</u>	<u>1,311,559</u>

CSA 17 APPLE VALLEY (SFV-185)

2008-09 PROPOSED BUDGET (Continued)

	<u>Amount</u>
REVENUE:	
Taxes	189,887
* \$179,150 Property Taxes	
* \$ 10,737 Supplemental Roll	
 Change from prior year: \$26,323 increase due to higher valuation of district property	
Licenses and Permits	-
Fines and Forfeitures	-
Use of Money and Property	27,000
* Interest	
State, Fed or Gov't Aid	-
Current Services	-
Other Revenue	-
Operating Transfers In	-
 Total Revenue	 <u>216,887</u>

**COUNTY OF SAN BERNARDINO
SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 17
APPLE VALLEY**

REPORT ON AUDIT

JUNE 30, 2006

County of San Bernardino Special Districts
County Service Area No. 17
Apple Valley
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ROGERS, ANDERSON, MALODY & SCOTT, LLP
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Board of Supervisors
 County of San Bernardino
 County of San Bernardino Special
 District County Service Area
 No. 17 - Apple Valley

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the County of San Bernardino Special District County Service Area No. 17 - Apple Valley (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2006, 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. 17 - Apple Valley, as of June 30, 2006, and the respective changes in financial position 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 state regulations governing special districts.

The budgetary comparison information on page 17 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

MEMBERS

AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS
 PCPS THE AICPA ALLIANCE FOR CPA FIRMS

CALIFORNIA SOCIETY OF
 CERTIFIED PUBLIC ACCOUNTANTS

The County of San Bernardino Special District County Service Area No. 17 - Apple Valley 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, Melody + Scott, LLP

September 15, 2006

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County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Statement of Net Assets
June 30, 2006

ASSETS

Cash and cash equivalents	\$ 683,461
Interest receivable	6,152
Taxes receivable	9,115

Total Assets 698,728

LIABILITIES

-

NET ASSETS

Unrestricted 698,728

Total Net Assets \$ 698,728

**County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Statement of Activities
For the Year Ended June 30, 2006**

EXPENSES	
Salaries and benefits	\$ 3,410
Services and supplies	7,468
Total Program Expenses	<u>10,878</u>
PROGRAM REVENUE	
Net Program Expense	<u>(10,878)</u>
GENERAL REVENUES	
Property taxes	114,199
Other taxes	8,674
State assistance	1,952
Investment earnings	16,447
Total General Revenues	<u>141,272</u>
Change in Net Assets	130,394
Net Assets - beginning	<u>568,334</u>
Net Assets - ending	<u>\$ 698,728</u>

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

County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Balance Sheet
Governmental Fund
June 30, 2006

	SPECIAL REVENUE FUND
	General (SFV)
ASSETS	
Cash and cash equivalents	\$ 683,461
Interest receivable	6,152
Taxes receivable	9,115
Total Assets	\$ 698,728
LIABILITIES AND FUND BALANCE	
Liabilities	\$ -
Fund Balance:	
Unreserved:	
Undesignated	698,728
Total Fund Balance	698,728
Total Liabilities and Fund Balance	\$ 698,728
Total Fund Balance - Governmental Fund	\$ 698,728
Amounts reported for <i>governmental activities</i> in the statement of net assets (Exhibit A) are different because:	
None	-
Net Assets of Governmental Activities	\$ 698,728

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

County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Statement of Revenues, Expenditures and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2006

	SPECIAL REVENUE FUND <hr/> General (SFV) <hr/>
REVENUES	
Property taxes	\$ 114,199
Other taxes	8,674
State assistance	1,952
Investment earnings	16,447
	<hr/>
Total Revenues	141,272
	<hr/>
EXPENDITURES	
Salaries and benefits	3,410
Services and supplies	7,468
	<hr/>
Total Expenditures	10,878
	<hr/>
Net Change in Fund Balance	130,394
Fund Balance - beginning	<hr/> 568,334
Fund Balance - ending	<hr/> <u>\$ 698,728</u>

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

**County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Reconciliation of the Statement of Revenues, Expenditures and
Change in Fund Balance of Governmental Fund to the
Statement of Activities
For the Year Ended June 30, 2006**

Net Change in Fund Balance - Total Governmental Fund \$ 130,394

Amounts reported for *governmental activities* in the statement of activities
are different because:

None

-

Change in Net Assets of Governmental Activities \$ 130,394

**County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The County Service Area (CSA) No. 17 was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on January 2, 1946 under Section 4700 of the State Health & Safety Code to provide financing for the maintenance of 35 streetlights.

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. 17 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, 2006.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the reporting entity. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the CSA does not have any proprietary or fiduciary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Notes to Financial Statements
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

The government reports the following major governmental fund:

The *special revenue fund* labeled "General" is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Notes to Financial Statements
June 30, 2006**

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." Currently, the CSA does not have any business-type activities.

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. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

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

**County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

Assets	Years
Infrastructure	40 - 60
Structures and improvements	5 - 40
Equipment and vehicles	4 - 15

Currently, the CSA does not have any capital assets.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

In accordance with provisions of Section 29000 - 29143 of the Government Code of the State of California, commonly known as the County Budget Act, the District prepares and adopts a budget on or before August 30 for each fiscal year.

Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for fixed assets within each fund.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the Special District's Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

**County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Notes to Financial Statements
June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 2: CASH AND DEPOSITS

Cash and cash equivalents includes 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, 2006.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

NOTE 3: 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 (the 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.

County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Notes to Financial Statements
June 30, 2006

NOTE 3: RETIREMENT PLAN (continued)

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, 2006.

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 8.89% - 12.65% for general members and 10.85% - 14.77% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follow: County General 10.8%, County Safety 23.84%. All employers combined are required to contribute 13.01% of the current year covered payroll. For 2006, the County's annual pension cost of \$166,614,000 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 Section 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, 2006, were as follows (in thousands):

Annual Required Contribution (County fiscal year basis)	\$ 166,614
Interest on Pension Assets	(34,207)
Adjustment to the Annual Required Contribution	40,156
Annual Pension Cost	<u>172,563</u>
Annual Contributions Made	166,614
Increase/(Decrease) in Pension Assets	<u>(5,949)</u>
Pension Assets, Beginning of Year	844,882
Pension Assets, End of Year	<u><u>\$ 838,933</u></u>

County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Notes to Financial Statements
June 30, 2006

NOTE 3: RETIREMENT PLAN (continued)

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

Year Ended June 30,	Annual Contributions Made (in thousands)		Percentage Contributed
	SBCERA	County	
2004	\$ 652,325	\$ 540,106	100%
2005	\$ 161,906	\$ 141,450	100%
2006	\$ 197,343	\$ 166,614	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, 2006 is \$439,879,000.

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 a respective aggregate principal amounts of \$189,070,000, \$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 SBCERA. The current amount outstanding at June 30, 2006 is \$461,665,000.

NOTE 4: 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.

County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Notes to Financial Statements
June 30, 2006

NOTE 5: 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 a 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 4.25%. It is the County's practice to obtain actuarial studies on an annual basis.

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 \$47.7 million at June 30, 2006.

County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Notes to Financial Statements
June 30, 2006

NOTE 5: RISK MANAGEMENT (continued)

The total claims liability of \$127.2 million reported at June 30, 2006 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 2005 and 2006 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>
2004 - 05	\$ 101,709	\$ 44,309	\$ (30,304)	\$ 115,714
2005 - 06	\$ 115,714	\$ 46,926	\$ (35,407)	\$ 127,233

NOTE 6: CONTINGENCIES

As of June 30, 2006, 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.

Required Supplementary Information
County of San Bernardino Special Districts
County Service Area No. 17 - Apple Valley
Budgetary Comparison Schedule - Special Revenue Fund (General)
For the Year Ended June 30, 2006

	Special Revenue Fund			Variance with Final Budget Positive (Negative)
	General (SFV)			
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	\$ 95,750	\$ 95,750	\$ 114,199	\$ 18,449
Other taxes	-	-	8,674	8,674
State assistance	6,040	6,040	1,952	(4,088)
Investment earnings	9,000	9,000	16,447	7,447
Total Revenues	<u>110,790</u>	<u>110,790</u>	<u>141,272</u>	<u>30,482</u>
EXPENDITURES				
Salaries and benefits	3,410	3,410	3,410	-
Services and supplies	11,555	11,555	7,468	4,087
Reserves and contingencies	663,396	663,396	-	663,396
Total Expenditures	<u>678,361</u>	<u>678,361</u>	<u>10,878</u>	<u>667,483</u>
Net Change in Fund Balance	<u>\$ (567,571)</u>	<u>\$ (567,571)</u>	130,394	<u>\$ 697,965</u>
Fund Balance - beginning			<u>568,334</u>	
Fund Balance - ending			<u>\$ 698,728</u>	