

Town of Apple Valley

California

Comprehensive Annual Financial Report

Fiscal Year July 1, 2011 – June 30, 2012



TOWN OF APPLE VALLEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2012

Prepared by
Finance Department

Marc Puckett
Assistant Town Manager - Finance & Administration

**Town of Apple Valley, California
Comprehensive Annual Financial Report
Year Ended June 30, 2012**

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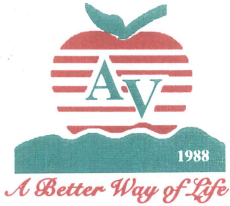
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INTRODUCTORY SECTION



Town of Apple Valley

14955 Dale Evans Parkway • Apple Valley, California 92307

January 7, 2013

For the Citizens of the Town of Apple Valley,

*Honorable Mayor and Town Council
Town of Apple Valley*

State law requires that all general-purpose local governments publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the Town of Apple Valley for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the Town of Apple Valley. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report.

Management of the Town of Apple Valley has established a comprehensive internal control framework that is designed to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Town of Apple Valley's financial statements have been audited by Teaman, Ramirez & Smith, Inc., a firm of licensed certified public accountants. The independent auditors concluded that the Town's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with generally accepted accounting principles. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Apple Valley's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE TOWN

Reporting Entity

This report combines the financial statements of the Town of Apple Valley, the Redevelopment Agency of the Town of Apple Valley and the Apple Valley Public Financing Authority to constitute a single reporting entity. This combined presentation better represents the financial activities of the Town of Apple Valley.

The Town directly provides a limited range of services and contracts for several other services. The Town's significant reliance on contracted services has the benefit of reducing expenses to the citizens of Apple Valley while simultaneously providing the Town with a high degree of flexibility in responding to changing

economic conditions. Contracted services include police protection, building and safety, engineering, street maintenance, capital improvements, waste management, local transit, and attorney services. Staff provided services include customer service and community relations, community development (which includes planning, economic development, housing and grant administration activities as well as overall department administration), public works oversight and inspection, animal control, financial management and administrative management. All of these activities are included in this report.

Fire protection is provided by a separate, independent service district which existed prior to Town incorporation. A majority of the Town is served by private water companies. Additionally, the Apple Valley Unified School District is a separate entity. Accordingly, none of these entities are included in this report.

History

The Town of Apple Valley is a General Law Council/Manager municipality located approximately 90 miles northeast of Los Angeles, approximately 40 miles north of San Bernardino and entirely within the County of San Bernardino. Apple Valley along with three other cities geographically makes up the Victor Valley. The Town boundary encompasses approximately 78 square miles making it one of the largest incorporated California jurisdictions. The Town incorporated in November 1988, following local voter approval.

The Town's modern history begins in the 1940's when the Apple Valley Building and Development Company (also known as Apple Valley Ranchos) began developing the area. The company leaders, Newt Bass and Bud Westlund, planned and developed the area and sold property they had developed. They also made Apple Valley their home and continued to guide Apple Valley's growth for the rest of their lives.

Apple Valley incorporation was initiated locally due to a general dissatisfaction with uncontrolled growth. County development codes and land use control issues were perceived as being inadequate for the Apple Valley image and local desires.

Additional factors contributing to incorporation were inadequate law enforcement and poor road maintenance. A 1986-87 feasibility study concluded that incorporation would increase law enforcement protection, improve the roads and transportation needs and provide greater local control over the future growth of the area while maintaining the same level of services in other areas. Just prior to incorporation, typical response times for a crime in progress call was in excess of one hour. Currently, the average response time is 3-5 minutes. Similarly, far more annual road maintenance has been accomplished since incorporation than was done prior to incorporation. Of the approximately 411 miles of roads in Apple Valley an estimated 382 miles (93 percent) have been resurfaced in some form or another since incorporation.

Today, the view of Apple Valley is an upscale community with a rural atmosphere. Town leaders seek to avoid typical urban problems while keeping a quality community approach. A prevailing philosophy recognizes the basic need to be responsive to the community so the citizens will know that their choice in forming the Town of Apple Valley was correct. These views are reflected in the Town of Apple Valley Mission Statement:

Recognizing the decisions we make today will forever affect the lives of those who live here today and those who will follow us, the mission of the Town of Apple Valley is, in simple words, to maintain "A Better Way of Life."

Budget

The Town of Apple Valley maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town's governing body. Activities of the general fund, special revenue funds, enterprise funds, debt service fund and capital projects funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level. Appropriations lapse at year end. However, appropriations generally are re-appropriated as part of the following year's budget.

ECONOMIC CONDITION AND OUTLOOK

From a historical perspective, growth in the area which became known as the Town of Apple Valley proceeded at a fairly slow, but steady pace. Early development consisted primarily of custom-built single family homes on one acre lots. In the later half of the 1980s, however, the pace quickened as residents of the Inland Empire and Greater East Los Angeles area became aware of the moderate cost of housing, amenities and quality of life offered by the area. Tract development began to occur. Various types of businesses began to locate in the Town to serve the basic needs of the new residents. Apple Valley's population grew from approximately 16,000 in 1980 to 70,033 in 2012. The three major industries within Apple Valley became building and construction (primarily of single family homes), real estate and the medical industry.

With the downturn in the Southern California economy in the early 1990s, growth declined significantly. The recession hit just as Apple Valley's commercial development was getting underway. As a result, financing for commercial development became scarce and property values plummeted. Residential and commercial development, as measured by the number of construction permits issued, remained at a rate well below the pre-recession 1989-90 peaks. Although 1993-94 residential construction showed a decrease from the prior year, the number of construction starts in 1999-00 reflected an increase but remained far below the 1989-90 level.

Despite the recession and the downturn in development, Apple Valley's retail sales remained stable. Beginning in 2001-02, the Town experienced tremendous growth, both in residential and commercial/industrial development. Recently opened national and local commercial retail development further improved, and now drives Apple Valley's retail sales revenues.

Apple Valley did experience a marketing challenge in the area of commercial development. The consumer market trends in the late 90s encouraged consumers to patronize larger discount chains rather than smaller retail outlets. Until recently, the larger discount chains chose to meet the greater Victor Valley market and generally located along major freeway access in neighboring cities. As a result, retail sales per capita in Apple Valley were well below those of a neighboring city with significant freeway access. This trend began to change in 2005. One factor that contributed to this change was due to the fact that Apple Valley's continued population growth and significantly increased buying demand created a large consumer population ready to spend its dollars in Apple Valley—a commercial market study indicated that 75 percent of the lost sales revenue could be captured by specific commercial retailers. Another growth factor was the increasing traffic congestion along routes to the freeway encouraged Apple Valley consumers to look in Apple Valley for their needs.

Evidence of this trend was the 2005 opening of a Lowe's Home Improvement Warehouse, a second Apple Valley location for Stater Bros., and Wal-Greens at the northeast corner of Bear Valley and Apple Valley Roads. Soon thereafter, construction commenced on the Jess Ranch Marketplace, a 750,000 regional commercial center at this same intersection. California's first Super Target opened in July 2007 at Apple Valley Commons, located adjacent to the Town's Civic Center.

In October 2006 the Town Council approved the North Apple Valley Industrial Specific Plan (NAVISP) to drive industrial development opportunities. The NAVISP market is exemplified by a 1.34 million square foot Walmart Distribution Center and a 70,000 square foot TruBlu Logistics Center (formerly Fresenius Medical Care). Major industrial developers, including IDS Real Estate Group and Watson Land Company are actively marketing 900-plus total acres for development. This activity continues to be a major revenue source and has been instrumental in pioneering infrastructure development to north Apple Valley.

Other economic bright spots are the continued expansion of serving as the regional epicenter for advanced health care services including pediatrics, radiology and neurosurgery. The Town is home to Apple Valley Radiology and Oncology Center as well as Saint Mary's Medical Center—a 186-bed acute care hospital that provides diagnostic, radiology and surgical procedures as well as wellness and prevention programs. An independent physicians group has also received preliminary approvals for a 50-acre medical campus complete with a 100-bed general acute-care hospital, sub-acute care facility, and medical and professional offices.

The same attractions which brought people into Apple Valley in the 1980s—moderate cost of housing, amenities and quality of life offered by the area—continue as a striving force in the Town's expansion and economic growth.

Major Initiatives

Economic Development

Economic Development is one of the primary goals of the Town's Vision 2020 master plan. The Town Council has directed implementation of a highly customer service oriented approach to its economic development efforts. These efforts include a highly proactive approach towards redevelopment, economic development and various housing functions.

As retail development continues to expand into the Apple Valley market, the Town has implemented a targeted marketing and industrial business attraction program. These efforts will provide a strong foundation for business attraction and retention programs now and well into the future.

Since 2005, more than 200 stores have opened in Apple Valley. Retailers recently opening a store in Apple Valley within the last 12 months include Burlington Coat Factory (replacing a former Mervyn's site), Dollar Tree, Radio Shack, and Toys R Us Express. Also, a Walmart super store was recently approved and grading of the site for construction has been completed during the summer of 2012. The store is expected to open during 2013.

Economic Development efforts continues to target other industries as well, including the automobile sector, general merchandise, hotel services, medical and professional office users, full-service restaurants and apparel retailers.

The Town's goals for the next 12 months include focusing on attracting logistics based industrial development, including solar energy, manufacturing and distribution facilities that can take advantage of the North Apple Valley Industrial Specific Plan's streamlined entitlement process, inexpensive land and operating costs, and strategic market location and accessibility. The NAVISP area, projected to site 30 million square feet and provide 38,000 jobs at build out, will be a major logistics and manufacturing hub and influence subsidiary services, including housing and commercial markets.

Capital Improvement Program

The Capital Improvement Program is an on-going proactive effort to stimulate incentives primarily in the commercial market but with secondary benefit for the residential market. The goal is to encourage retail and job-producing industries.

A two mile stretch of Navajo Road between Bear Valley Road and Happy Trails Highway (Highway 18) has been expanded from two lanes to five lanes (two lanes in each direction and a center divider lane for left hand turns). This expansion has markedly enhanced traffic flow between two major commercial areas and two partially segmented population centers. The Town also recently funded major road improvements to the Apple Valley Road corridor, including widening, installation of landscaped medians, signal light installations, infrastructure extensions, and surface improvements. In anticipation of Apple Valley's northerly growth trend, Apple Valley Road, a major south/north arterial, was extended northward to connect Apple Valley's eastern perimeter to Interstate 15. This \$1.2 million road improvement project was funded by one of two Apple Valley redevelopment project areas.

Additionally, a Sewer Master Plan was completed in 1993 which identified future system capacity improvements necessary to accommodate growth in the community. Particular emphasis was paid to the commercial and industrial zoned areas to provide the Town with a planning document capable of guiding the expansion of the wastewater collection system in the Town, while enhancing the ability of the Town to support commercial/industrial growth. The Town recently completed the update of the General Plan, to make recommendations to update land use patterns. With the General Plan update completed, the Town will initiate an update to the Sewer Master Plan to address specific changes subsequently adopted by the General Plan Update. The Sewer Master Plan provides the technical detail necessary to allow developers and civil design consultants to properly design and build sewer system improvements that will provide capacity, not only for their specific project, but capacities necessary for a regional development area at build-out based on the land use designations. This document allows staff to provide developers with sufficient information necessary to evaluate and prepare detailed cost projection and estimate for system improvements associated with their respective development needs.

Future Capital Improvement projects are being planned or are under consideration. The projects are expected to fall within one of three time frames: 1-2 years, 2-5 years and 5+ years.

- 1-2 years: A significant project during this time period will be the completion of preliminary engineering and environmental studies for the proposed Yucca Loma Bridge. The Yucca Loma Bridge will connect Apple Valley to Victorville with an additional crossing over the Mojave River, and ultimately provide additional access to Interstate 15. Another significant project getting underway during this time frame is preliminary alignment and engineering studies needed to re-engineer and re-align the intersection of Apple Valley Road and Highway 18. This is a joint project between Caltrans and the Town of Apple Valley to improve the functional efficiency of this very heavily traveled intersection, to relieve congestion, and improve safety.
- 2-5 years: A joint Highway 18 corridor study between the Town and the California Department of Transportation (Caltrans) will evaluate redesign alternatives for the outer highways to improve access to businesses and reduce traffic safety conflicts. The intersection re-alignment and traffic signal improvements at Apple Valley Road and Highway 18 will be under construction during this time frame.
- 5+ years: The Apple Valley Road/Falchion Road interchange with Interstate 15 will commence construction during this time frame. This project is part of a coordinated effort with the City of Victorville and the Victor Valley Economic Development Authority to construct infrastructure for the development of the former George Air Force Base, now Southern California Logistics Airport. A joint Apple Valley/Victorville engineering study is in progress to design the freeway interchange which will create Apple Valley's first direct access to Interstate 15. The Yucca

Loma Bridge over the Mojave River linking Yucca Loma Road with Victorville is planned to be under construction during this time frame. The proposed Nisqualli-La Mesa/Interstate 15 interchange in Victorville will ultimately allow the new Yucca Loma Bridge to serve as an additional direct access to Interstate 15 for Apple Valley residents.

Quality of Life Issues

Several initiatives are focused on maintaining a high quality of life for Apple Valley residents.

The REACH (Rehabilitation and Education Action for Community Housing) Project began operation in early 1993. A cooperative effort between the Town's code compliance and police departments, in conjunction with the Apple Valley Fire Protection District, REACH achieved quick access in its effort to preserve quality community housing by aggressively tackling health, safety and maintenance issues.

A high priority has been placed on positively influencing the young citizens of the community and significant resources have been committed to this endeavor.

As in every other Southern California community, public safety is a major priority in Apple Valley, although the Town has not experienced the dramatic increase in violence experienced by many more urban Southland communities.

The contractual relationship by which the San Bernardino County Sheriff's Department provides law enforcement services for the Town of Apple Valley to maintain local control of its distinctive "Police Department". At the same time, the Town maintains the availability and depth of resources of the much larger Sheriff's Department, all the while sharing the cost of liability insurance with the County and twelve other "contract" cities in a financially advantageous arrangement.

For several years now, the Town has had two law enforcement programs, the POP (Problem Oriented Policing) Program and the TRU (Telephone Reporting Unit) program. The POP program releases two officers to work in conjunction with code enforcement officers of the Town. The officers focus their efforts towards crime prevention and code enforcement in target areas within the Town. The TRU program has recently been replaced by adding an additional Sheriff's Service Specialist who can respond to calls from citizens that are not in progress, thus freeing police officers to handle the priority calls along with pro-active patrol. The Town can add two SSS positions for about the same cost as one full time officer, leaving the officers available for crimes that are in progress.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Town's comprehensive financial report for the year ended, June 30, 2011, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report for the year ended, June 30, 2012, continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

In closing, this report was made possible by the leadership and support of the governing body of the Town of Apple Valley.

The preparation of this report on a timely basis is a team effort, requiring the dedication and cooperation of the entire Finance Department staff and the Town Manager's Office. The guidance and suggestions from the accounting firm of Teaman, Ramirez & Smith, Inc. were also invaluable in completion of this report.

Sincerely,

Marc R. Puckett
Director of Finance

Town of Apple Valley

Comprehensive Annual Financial Report

Fiscal Year 2011/12

Town Officials

Town Council

Barb Stanton
Mayor

Ginger Coleman
Mayor Pro-Tem



A Better Way of Life

Rick Roelle
Councilman

Scott Nassif
Councilman

Curt Emick
Councilman

Town Staff

Frank Robinson
Town Manager

John Brown, *Town Attorney*

LaVonda Pearson, *CMC, Town Clerk*

Marc Puckett, *Finance Director*

Captain Lana Tomlin, *Chief of Police*

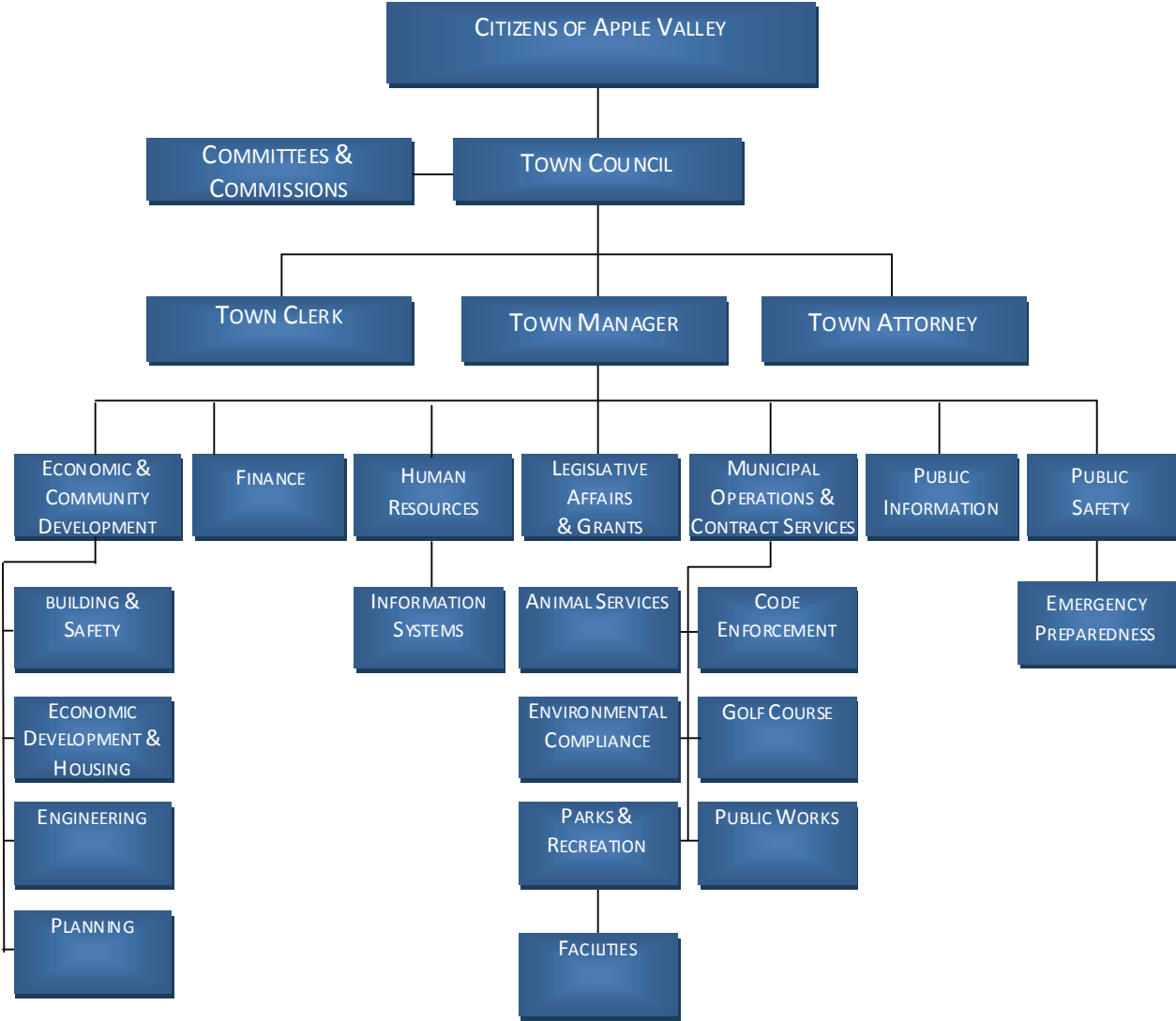
Nikki Salas, *Human Resources Director*

Dennis Cron, *Assistant Town Manager*
Municipal Operations and Contract Services

Town of Apple Valley

ORGANIZATIONAL CHART

Fiscal Year 2011-2012



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Apple Valley
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Janison

President

Jeffrey R. Enos

Executive Director

FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and Town Council
Town of Apple Valley, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley, California, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Apple Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley, California, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2013 on our consideration of the Town of Apple Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As explained in Note V) F) the Redevelopment Agency of the Town of Apple Valley, previously reported as a blended component unit, was dissolved by State legislation as of February 1, 2012.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the budgetary comparison information and schedule of funding progress for OPEB on pages 64 through 69 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The introductory section, supplementary information section, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The statements and schedules included in the supplementary information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Teaman Ramirez & Smith, Inc.

January 7, 2013

Town of Apple Valley Management Discussion and Analysis

As management of the Town of Apple Valley (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i-x of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the Fiscal Year 2011-12 by \$456,702,036 (*net assets*). Of this amount, \$23,639,655 (*unrestricted net assets*) may be used to meet the Town’s ongoing obligations to citizens and creditors.
- The Town’s total net assets increased by \$6,787,984 from the prior fiscal year total of \$449,914,052.
- As of FY 2011-12 year end, the Town’s governmental funds reported combined ending fund balances of \$30,513,581, a decrease of \$33,704,879 in comparison with the prior fiscal year. Of this total amount, 39.6 percent or \$13,361,123, is available for spending at the government’s discretion (*unrestricted fund balance*).
- The \$33,704,879 decrease in fund balances is a result of the State of California’s passage of ABx1-26, the Redevelopment Agency (RDA) dissolution bill, which dissolved redevelopment Agencies throughout the State. In accordance with the State Act, all assets of the former RDA were transferred into a Successor Agency Fund and separately accounted for as assets of the Successor Agency.
- At the end of fiscal year 2012, unrestricted fund balance for the general fund was \$9,200,506, or 50.3 percent of total general fund expenditures.
- The Town of Apple Valley’s total debt for Government Activities and Business-type Activities decreased by \$54,523,981, or 68.8 percent, during fiscal year 2012. The decrease in total debt was due to the decrease in debt associated with transferring all liabilities of the former RDA into a Successor Agency Fund. No new debt was issued in the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town’s basic financial statements. The Town’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *statement of net assets* presents information on all of the Town’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the

change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, transportation, culture and recreation, community development, and health. The business-type activities of the Town include sewer services, solid waste management and leisure golf at the Apple Valley Golf Course.

The Apple Valley Public Financing Authority is a legally separate authority for which the Town is financially accountable. It functions for all practical purposes as a department of the Town of Apple Valley and, therefore, has been included in the governmental activities of the Town. The Apple Valley Redevelopment Agency was dissolved pursuant to ABx1-26 and is no longer presented in the governmental activities of the Town.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: *governmental funds, proprietary funds, and fiduciary funds.*

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

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. By doing so, readers may better understand 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 Town maintains 31 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Article 8 fund, Parks and Recreation fund, Low/Moderate Housing fund, RDA Debt Service fund, Capital Projects fund, Governmental Facilities Fees fund, RDA Capital Projects fund, Measure I fund, and the Project Manager Grants fund, all of which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary funds. The Town maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer services, waste management operations and leisure golf at the Apple Valley Golf Course.

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 Sewer, Waste Management and Golf Course funds. The Sewer and Waste Management funds are considered to be major funds of the Town.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs.

The basic fiduciary fund financial statements can be found on pages 24-26.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-65 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension benefits to its employees, as well as providing budgetary comparison schedules for the General fund, Article 8 fund, and the Parks and Recreation fund. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

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 Town, assets exceeded liabilities by \$456,702,036 at the close of the most recent fiscal year.

The largest portion of the Town's net assets (90.7 percent) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Town's net assets (4.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (5.2 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in its investment in capital assets, net assets subject to external restrictions, and unrestricted categories of net assets for the government as a whole as well as for the business-type activities. Governmental activities are positive in all categories of net assets.

The government's net assets increased by \$6,787,984 during the current fiscal year.

Town of Apple Valley's Net Assets

| | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | |
|---|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Current and other assets | \$39,284,728 | \$77,030,340 | \$12,030,076 | \$15,011,413 | \$51,314,804 | \$92,041,753 |
| Capital assets | <u>393,229,185</u> | <u>403,294,567</u> | <u>36,851,146</u> | <u>33,794,812</u> | <u>430,080,331</u> | <u>437,089,379</u> |
| Total assets | <u>\$432,513,913</u> | <u>\$480,324,907</u> | <u>\$48,881,222</u> | <u>\$48,806,225</u> | <u>\$481,395,135</u> | <u>\$529,131,132</u> |
| Long-term liabilities outstanding | 15,811,590 | 65,385,680 | 4,115,708 | 4,116,542 | 19,927,298 | 69,502,222 |
| Other liabilities | <u>3,408,374</u> | <u>7,338,787</u> | <u>1,357,427</u> | <u>2,376,071</u> | <u>4,765,801</u> | <u>9,714,858</u> |
| Total liabilities | <u>\$19,219,964</u> | <u>\$72,724,467</u> | <u>\$5,473,135</u> | <u>\$6,492,613</u> | <u>\$24,693,099</u> | <u>\$79,217,080</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 379,669,535 | 388,785,477 | 34,441,896 | 30,868,062 | 414,111,431 | 419,653,539 |
| Restricted | 17,206,203 | 34,274,504 | 1,744,747 | 1,818,204 | 18,950,950 | 36,092,708 |
| Unrestricted | <u>16,418,211</u> | <u>(15,459,541)</u> | <u>7,221,444</u> | <u>9,627,346</u> | <u>23,639,655</u> | <u>(5,832,195)</u> |
| Total net assets | <u>\$413,293,949</u> | <u>\$407,600,440</u> | <u>\$43,408,087</u> | <u>\$42,313,612</u> | <u>\$456,702,036</u> | <u>\$449,914,052</u> |

Governmental activities

Governmental activities increased the Town's net assets by \$5,693,509 (1.4 percent). Key elements of this increase are as follows:

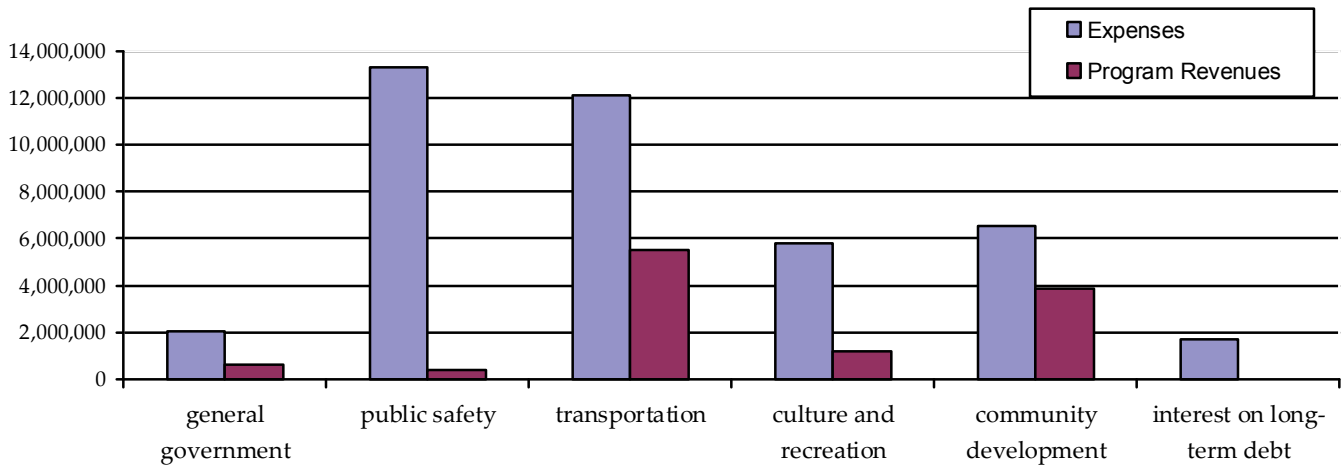
- Investment income decreased \$249,289 (77.5 percent). This is due to the decline in interest rates to historic low levels.
- Other Tax revenues decreased \$3,679,647 (32.7 percent). This is due to the dissolution of Redevelopment Agencies and transference of all assets of the former RDA into the Successor Agency's Redevelopment Obligation Retirement Fund.
- Motor Vehicle In-Lieu Tax revenues decreased \$319,657 (5.8 percent). This is due to a reduction in tax collections by the State and a corresponding reduction in subvention revenues received from the State as a result.

Overall, General Government expenditures increased by \$577,334 (39.5 percent) due to the assumption of RDA expenditures previously funded by tax increment revenues.

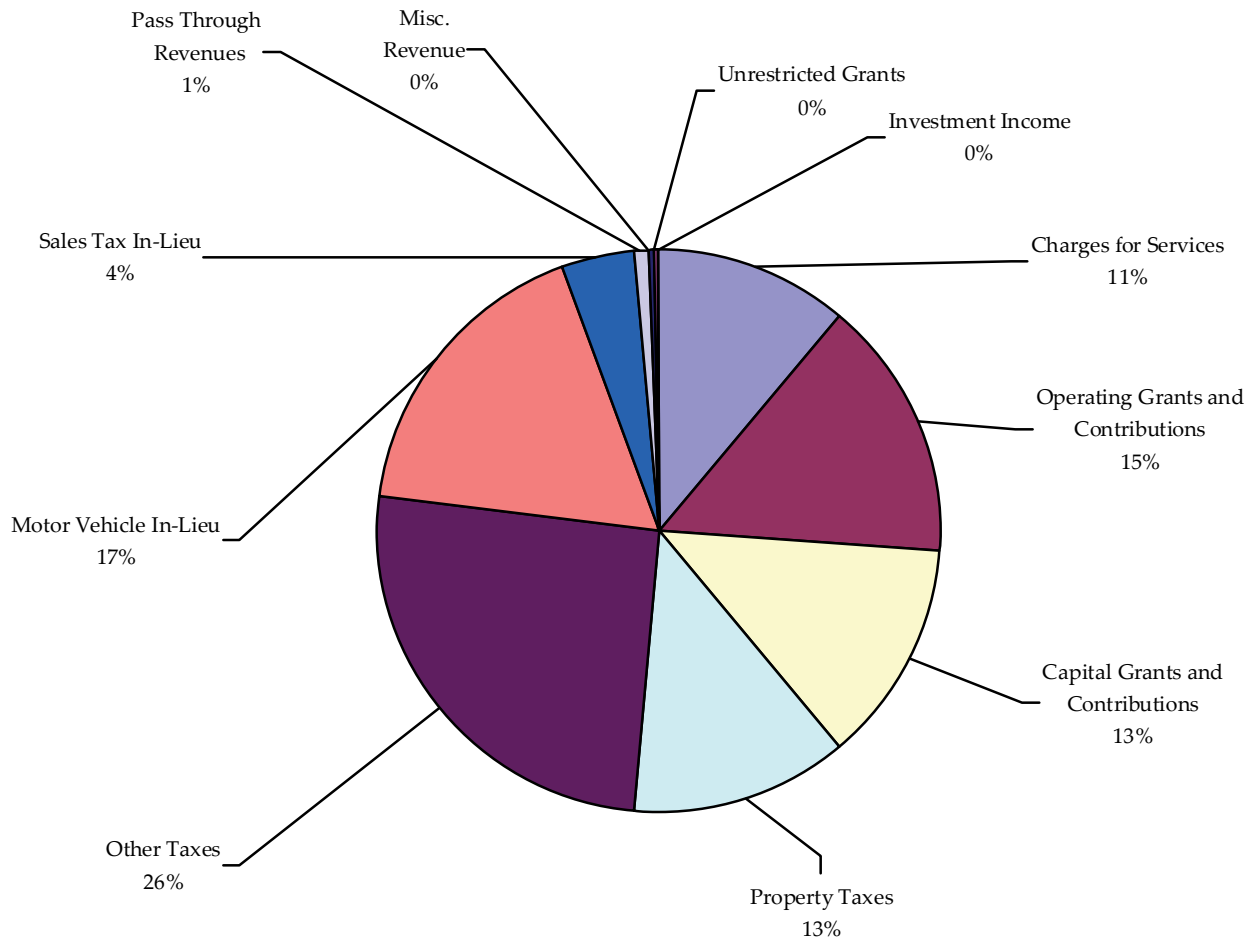
Town of Apple Valley's Changes in Net Assets

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|---|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for service | \$3,280,152 | \$3,896,669 | \$14,506,690 | \$14,725,266 | \$17,786,842 | \$18,621,935 |
| Operating grants and contributions | 4,472,410 | 5,595,047 | 20,410 | 25,066 | 4,492,820 | 5,620,113 |
| Capital grants and contributions | 3,827,135 | 5,234,738 | 3,534,874 | 474,689 | 7,362,009 | 5,709,427 |
| General revenues: | | | | | | |
| Property taxes | 3,718,455 | 3,601,017 | | | 3,718,455 | 3,601,017 |
| Other taxes | 7,561,628 | 11,241,275 | | | 7,561,628 | 11,241,275 |
| Motor Vehicle in-Lieu | 5,167,516 | 5,487,173 | | | 5,167,516 | 5,487,173 |
| Sales Tax in-Lieu | 1,267,248 | 1,382,393 | | | 1,267,248 | 1,382,393 |
| Pass Through Revenues | 266,405 | 288,495 | | | 266,405 | 288,495 |
| Miscellaneous Revenues | 72,527 | 50,623 | | | 72,527 | 50,623 |
| Grants and contribution not restricted to specific programs | 18,962 | 10,985 | | | 18,962 | 10,985 |
| Investment Income | 36,750 | 172,385 | 35,674 | 149,328 | 72,424 | 321,713 |
| Total revenues | 29,689,188 | 36,960,800 | 18,097,648 | 15,374,349 | 47,786,836 | 52,335,149 |
| Expenses | | | | | | |
| General government | 2,039,052 | 1,461,718 | | | 2,039,052 | 1,461,718 |
| Public safety | 13,289,970 | 11,904,334 | | | 13,289,970 | 11,904,334 |
| Transportation | 12,098,378 | 12,045,684 | | | 12,098,378 | 12,045,684 |
| Culture and recreation | 5,817,520 | 6,188,596 | | | 5,817,520 | 6,188,596 |
| Community Development | 6,540,877 | 9,087,396 | | | 6,540,877 | 9,087,396 |
| Interest on long-term debt | 1,693,798 | 3,057,653 | | | 1,693,798 | 3,057,653 |
| Golf Club | | | 1,448,041 | 1,978,306 | 1,448,041 | 1,978,306 |
| Sewer | | | 6,042,959 | 6,576,431 | 6,042,959 | 6,576,431 |
| Waste Management | | | 9,028,518 | 9,402,873 | 9,028,518 | 9,402,873 |
| Total expenses | 41,479,595 | 43,745,381 | 16,519,518 | 17,957,610 | 57,999,113 | 61,702,991 |
| Change in N/A before Transfers & E/I | (11,790,407) | (6,784,581) | 1,578,130 | (2,583,261) | (10,212,277) | (9,367,842) |
| Transfers | 483,655 | 470,510 | (483,655) | (470,510) | 0 | 0 |
| Extraordinary Item | 17,818,231 | | | | 17,818,231 | |
| Change in net assets | 6,511,479 | (6,314,071) | 1,094,475 | (3,053,771) | 7,605,954 | (9,367,842) |
| Net assets (beginning) | 407,600,440 | 413,914,511 | 42,313,612 | 45,367,383 | 449,914,052 | 459,281,894 |
| Prior Period Adjustment | (817,970) | 0 | 0 | 0 | (817,970) | 0 |
| Net assets (ending) | \$413,293,949 | \$407,600,440 | \$43,408,087 | \$42,313,612 | \$456,702,036 | \$449,914,052 |

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

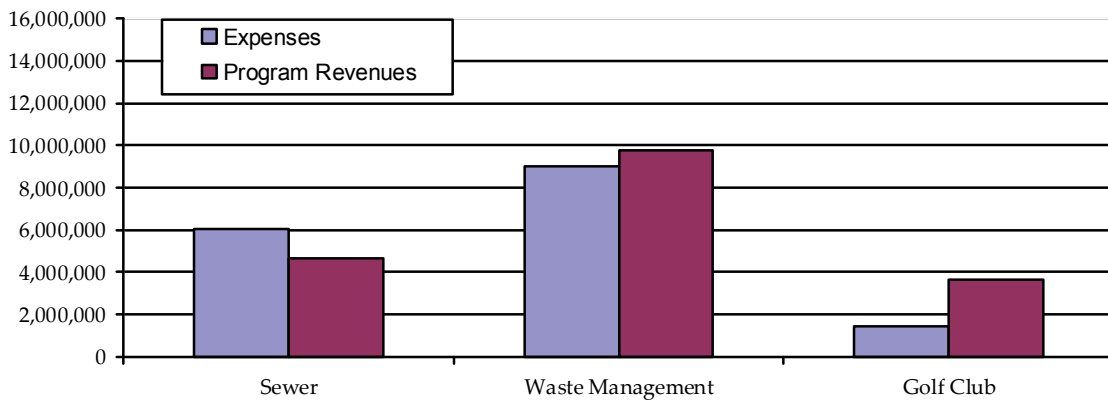


Business-type activities

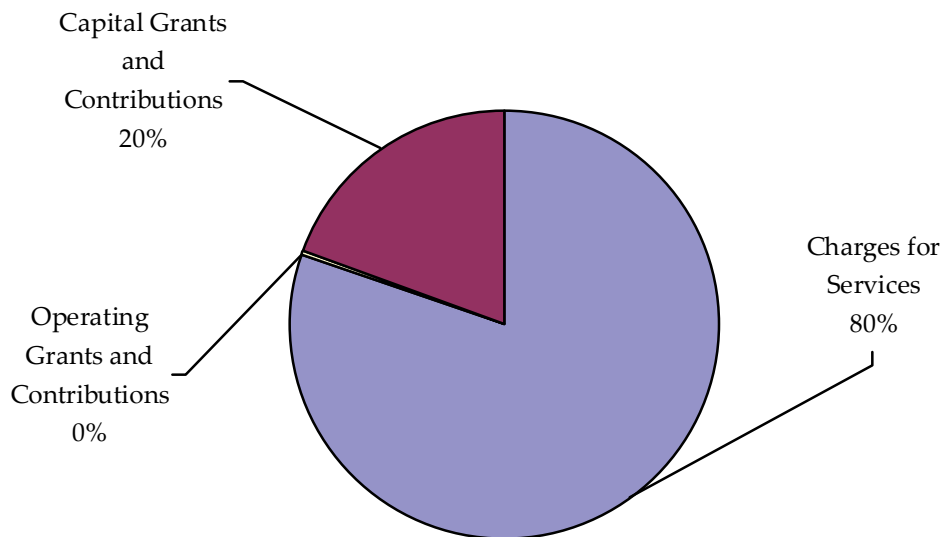
Business-type activities increased the Town’s net assets by \$1,094,475. Key elements of this increase are as follows:

- The Sewer fund’s net assets decreased by \$1,389,906 this fiscal year. This was mainly due to greater maintenance costs and no corresponding increase in charges for services in the 2011-12 fiscal year.
- The Apple Valley Golf Club fund’s net assets increased by \$2,219,791 this fiscal year. During the year, the Town closed the purchase of the golf course. As part of the acquisition, the Town received a water rights capital contribution of \$2,900,000. The Town also reduced operational costs by \$530,000 during the year.
- Investment income for business-type activities decreased by \$113,654 (76 percent). This is due to the decline in interest rates to historic low levels.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unrestricted fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$30,513,581, a decrease of \$33,704,879 in comparison with the prior fiscal year. Approximately 39.6 percent of this total amount (\$13,361,123) constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance (\$17,152,458) is either *restricted* or *non-spendable*.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the General Fund fund balance amounted to \$17,355,648. Of this amount, \$9,200,506 was unrestricted at the end of the fiscal year. As a measure of the general fund's liquidity, it may be useful to compare the unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 50.3 percent of total general fund expenditures. The fund balance of the Town's General Fund decreased by \$990,172 during the current fiscal year.

The Article 8 fund has a total fund balance of \$79,348 which is reported as restricted. The fund balance in the Article 8 fund did not change during the current year.

The Parks and Recreation fund has a total accumulated fund deficit of \$(5,728,164), which is reported as unassigned. The net decrease in fund balance during the current year in the Parks and Recreation fund was \$452,755. This is primarily due to program costs exceeding available revenues and a reduction of property tax revenues due to reduced property assessments.

The Capital Projects fund has a fund balance of \$9,299,816 at year end, which is all reported as assigned. This fund represents transportation impact fees collected by the Town and will be used for capacity enhancing street projects in the Town.

The Government Facilities Capital Projects fund has a fund deficit of \$(75,605) at year end, which is reported as unassigned. In July, 2007, Lease Revenue Bonds were issued in the amount of \$11,355,000. The proceeds were used to complete the Town Hall Expansion project.

The Measure I fund has a fund balance of \$5,675,985 at year end, all of which is reported as restricted. The net decrease in the fund balance during the current year for the Measure I fund was \$82,009. This decrease was due to the total Measure I dollars spent for capital projects this year exceeding the Measure I revenues received. This decrease was a planned utilization of accumulated resources for major capital projects.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the fiscal year, unrestricted net assets of the Sewer fund were \$5,691,811. The total decrease in net assets for the fiscal year in the Sewer fund was \$1,389,906. For the Solid Waste Management fund, unrestricted net assets totaled \$4,108,224 at year end. The total increase in net assets for the Solid Waste Management fund for the fiscal year was \$264,590. Correspondingly, unrestricted net assets for the Apple Valley Golf Club fund as of June 30, 2012 amounted to \$(1,072,596).

General Fund Budgetary Highlights

The original budget as approved by the Town Council projected a \$575,298 utilization of available fund balance for the year. The final adopted budget, as amended, anticipated utilization of \$951,598 of available fund balance. At year end, actual budgetary performance resulted in a net decrease in fund balance of \$172,202 excluding the prior period adjustment of \$817,970. Tax revenues increased slightly from budgetary projections by \$9,089. The declines in taxable property values due to the recession appear to have leveled off and some areas within the Town are now seeing growth in taxable values at sustained rates. Sales tax revenues were up nine consecutive quarters on a year-over-year basis at the end of the fiscal year signaling a clear growth trend. Sales taxes increased over the prior fiscal year levels due to several new retail outlets opening. Actual expenditures in the General Fund ended the fiscal year under the amended budget by \$4,906,902 due to the continuation of spending controls put in place as precautionary measures during the prior three budget cycles and elimination of spending previously funded from tax increments received from the dissolved RDA.

Capital Asset and Debt Administration

Capital assets. The Town’s investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$430,080,331 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the Town’s investment in capital assets for the current fiscal year was \$7,009,048 (a \$10,065,382 decrease for governmental activities and a \$3,056,334 increase for business-type activities).

Town of Apple Valley’s Capital Assets
(net of depreciation)

| <i>Asset Category</i> | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|-----------------------------|--------------------------------|-----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Land | \$ 98,526,741 | \$ 98,526,741 | \$ 1,825,744 | \$ 385,744 | \$ 100,352,485 | \$ 98,912,485 |
| Water Rights | | | 3,650,000 | 750,000 | 3,650,000 | 750,000 |
| Construction in Progress | 7,484,310 | 11,541,462 | - | 35,242 | 7,484,310 | 11,576,704 |
| Furniture and Equipment | 2,168,159 | 2,616,513 | | | 2,168,159 | 2,616,513 |
| Trucks and Automobiles | 148,696 | 242,009 | 219,750 | 271,988 | 368,446 | 513,997 |
| Structures and Improvements | 72,348,836 | 68,504,894 | | | 72,348,836 | 68,504,894 |
| Infrastructure | 212,552,443 | 221,862,948 | | | 212,552,443 | 221,862,948 |
| Building and System | | | 98,276 | 104,086 | 98,276 | 104,086 |
| Machinery and Equipment | | | 163,096 | 135,497 | 163,096 | 135,497 |
| Collector Lines | | | 30,894,280 | 32,112,255 | 30,894,280 | 32,112,255 |
| Total Capital Assets | \$ 393,229,185 | \$ 403,294,567 | \$ 36,851,146 | \$ 33,794,812 | \$ 430,080,331 | \$ 437,089,379 |

Additional information on the Town of Apple Valley’s capital assets can be found in note IV.E on pages 43-44 of this report.

Long-term debt. At the end of the current fiscal year, the Town had total bonded debt outstanding of \$15,896,736. Of this amount, \$13,766,736 comprises debt backed by the full faith and credit of the government and \$2,130,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The Town's total bonded debt outstanding decreased by \$51,507,343 during the current fiscal year.

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value. The computation of the legal debt limit reflects a conversion of assessed valuation data from the current full valuation perspective to the 25% level. The current debt limitation for the Town is \$169,470,972, which is significantly in excess of the Town's outstanding general obligation debt.

Town of Apple Valley's Outstanding Debt

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | |
|--|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Certificates of Participation | \$ 3,720,750 | \$ 4,238,250 | \$ 279,250 | \$ 346,750 | \$ 4,000,000 | \$ 4,585,000 |
| Tax Allocation Bonds | -* | 50,055,273 | | | -* | 50,055,273 |
| Lease Revenue Bonds | 9,766,736 | 10,183,806 | | | 9,766,736 | 10,183,806 |
| Claims Payable | 45,000 | 45,000 | | | 45,000 | 45,000 |
| Special assessment debt with Governmental commitment | | | 2,130,000 | 2,580,000 | 2,130,000 | 2,580,000 |
| California Housing Loan | 250,000 | 250,000 | | | 250,000 | 250,000 |
| Compensated Absences | 836,774 | 1,110,798 | | | 836,774 | 1,110,798 |
| Pension-related Debt | 1,712,883 | 1,729,740 | | | 1,712,883 | 1,729,740 |
| Net OPEB Obligation | 1,178,884 | 673,844 | | | 1,178,884 | 673,844 |
| Capital Lease Payable | 72,164 | 87,034 | | | 72,164 | 87,034 |
| Installment Purchase Agreement | | | 1,706,458 | 1,880,625 | 1,706,458 | 1,880,625 |
| Total | <u>\$ 17,583,191</u> | <u>\$ 68,373,745</u> | <u>\$ 4,115,708</u> | <u>\$ 4,807,375</u> | <u>\$ 21,698,899</u> | <u>\$ 73,181,120</u> |

*The reduction in the total outstanding tax allocation bonds represents transfers to the Successor Agency of the Redevelopment Agency of the Town of Apple Valley.

Additional information of the Town of Apple Valley's long-term debt can be found in note IV.F on pages 45-51 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Town of Apple Valley's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Finance Director, Town of Apple Valley, 14955 Dale Evans Parkway, Apple Valley, CA 92307.

Town of Apple Valley, California
Statement of Net Assets
June 30, 2012

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Cash and Investments | \$ 27,088,557 | \$ 7,939,000 | \$ 35,027,557 |
| Accounts Receivable | 1,066,031 | 1,316,740 | 2,382,771 |
| Due from Other Governments, Net | 3,446,796 | 102,171 | 3,548,967 |
| Internal Balances | 2,532,713 | (2,532,713) | - |
| Special Assessments Receivable | | 1,555,425 | 1,555,425 |
| Loans Receivable | 4,487,486 | | 4,487,486 |
| Prepaid Items | 61,592 | | 61,592 |
| Investment in Joint Venture | | 1,786,665 | 1,786,665 |
| Debt Issuance Costs | 286,909 | 118,041 | 404,950 |
| Restricted Assets: | | | |
| Cash and Investments with Fiscal Agent | 314,644 | 1,744,747 | 2,059,391 |
| Capital Assets, Not Being Depreciated: | | | |
| Land | 98,526,741 | 1,825,744 | 100,352,485 |
| Water Rights | | 3,650,000 | 3,650,000 |
| Construction in Progress | 7,484,310 | | 7,484,310 |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Structures and Improvements | 72,348,836 | 98,276 | 72,447,112 |
| Machinery and Equipment | 2,168,159 | 163,096 | 2,331,255 |
| Trucks and Automobiles | 148,696 | 219,750 | 368,446 |
| Collector Lines | | 30,894,280 | 30,894,280 |
| Infrastructure | 212,552,443 | | 212,552,443 |
| Total Assets | <u>432,513,913</u> | <u>48,881,222</u> | <u>481,395,135</u> |
| LIABILITIES | | | |
| Accounts Payable | 1,121,660 | 477,901 | 1,599,561 |
| Accrued Liabilities | 306,479 | 30,064 | 336,543 |
| Interest Payable | 157,948 | 48,990 | 206,938 |
| Due to Other Governments | | 200,117 | 200,117 |
| Unearned Revenue | 50,686 | 555,760 | 606,446 |
| Amounts Due Bondholders | | 44,595 | 44,595 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 1,771,601 | 733,125 | 2,504,726 |
| Due in More Than One Year, Net of Unamortized Premium | 15,811,590 | 3,382,583 | 19,194,173 |
| Total Liabilities | <u>19,219,964</u> | <u>5,473,135</u> | <u>24,693,099</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 379,669,535 | 34,441,896 | 414,111,431 |
| Restricted for: | | | |
| Transportation | 5,709,671 | | 5,709,671 |
| Culture and Recreation | 25,826 | | 25,826 |
| Community Development | 11,470,706 | | 11,470,706 |
| Capital Projects | | 1,114,037 | 1,114,037 |
| Debt Service | | 630,710 | 630,710 |
| Unrestricted | 16,418,211 | 7,221,444 | 23,639,655 |
| Total Net Assets | <u>\$ 413,293,949</u> | <u>\$ 43,408,087</u> | <u>\$ 456,702,036</u> |

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Activities
Year Ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 2,039,052 | \$ 616,694 | \$ | \$ |
| Public Safety | 13,289,970 | 74,159 | 303,396 | |
| Transportation | 12,098,378 | 86,071 | 2,665,818 | 2,775,660 |
| Culture and Recreation | 5,817,520 | 935,060 | | 259,405 |
| Community Development | 6,540,877 | 1,568,168 | 1,503,196 | 792,070 |
| Interest on Long-Term Debt | 1,693,798 | | | |
| Total Governmental Activities | 41,479,595 | 3,280,152 | 4,472,410 | 3,827,135 |
| Business-type Activities: | | | | |
| Sewer | 6,042,959 | 4,005,430 | | 634,874 |
| Waste Management | 9,028,518 | 9,733,428 | 20,410 | |
| Apple Valley Golf Club | 1,448,041 | 767,832 | | 2,900,000 |
| Total Business-type Activities | 16,519,518 | 14,506,690 | 20,410 | 3,534,874 |
| Total Primary Government | \$ 57,999,113 | \$ 17,786,842 | \$ 4,492,820 | \$ 7,362,009 |

General Revenues:

Taxes:

Property Taxes

Tax Increment

Franchise Taxes

Sales Taxes

Transient Occupancy Taxes

Motor Vehicle in-lieu (intergovernmental, unrestricted)

Sales Taxes in-lieu

Pass Through Tax Increment Revenues

Miscellaneous Revenues

Unrestricted Grants and Contributions

Investment Income

Transfers

Total General Revenues and Transfers

Extraordinary Item

Change in Net Assets

Net Assets - Beginning

Prior Period Adjustment

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|-----------------------|
| \$ (1,422,358) | \$ | \$ (1,422,358) |
| (12,912,415) | | (12,912,415) |
| (6,570,829) | | (6,570,829) |
| (4,623,055) | | (4,623,055) |
| (2,677,443) | | (2,677,443) |
| (1,693,798) | | (1,693,798) |
| <u>(29,899,898)</u> | - | <u>(29,899,898)</u> |
| | (1,402,655) | (1,402,655) |
| | 725,320 | 725,320 |
| | <u>2,219,791</u> | <u>2,219,791</u> |
| - | <u>1,542,456</u> | <u>1,542,456</u> |
| <u>(29,899,898)</u> | <u>1,542,456</u> | <u>(28,357,442)</u> |
| 3,718,455 | | 3,718,455 |
| 1,955,820 | | 1,955,820 |
| 1,460,033 | | 1,460,033 |
| 4,139,105 | | 4,139,105 |
| 6,670 | | 6,670 |
| 5,167,516 | | 5,167,516 |
| 1,267,248 | | 1,267,248 |
| 266,405 | | 266,405 |
| 72,527 | | 72,527 |
| 18,962 | | 18,962 |
| 36,750 | 35,674 | 72,424 |
| 483,655 | (483,655) | - |
| <u>18,593,146</u> | <u>(447,981)</u> | <u>18,145,165</u> |
| <u>17,818,231</u> | | <u>17,818,231</u> |
| 6,511,479 | 1,094,475 | 7,605,954 |
| 407,600,440 | 42,313,612 | 449,914,052 |
| (817,970) | | (817,970) |
| <u>\$ 413,293,949</u> | <u>\$ 43,408,087</u> | <u>\$ 456,702,036</u> |

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Balance Sheet
Governmental Funds
June 30, 2012

| | General | Article 8 | Parks and Recreation | Low/Moderate Housing | RDA Debt Service |
|--|----------------------|-------------------|-------------------------|-------------------------|---------------------|
| ASSETS | | | | | |
| Cash and Investments | \$ 7,503,517 | \$ 79,373 | \$ 850 | \$ | \$ |
| Cash with Fiscal Agent | | | | | |
| Accounts Receivable | 917,096 | | 29,343 | | |
| Due from Other Funds | 4,057,662 | | | | |
| Due from Other Governments | 3,741,570 | 664,988 | 47,499 | | |
| Advances to Other Funds | 5,560,837 | | | | |
| Loans Receivable | | | | | |
| Prepaid Items | 61,592 | | | | |
| | <u>21,842,274</u> | <u>744,361</u> | <u>77,692</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 21,842,274</u> | <u>\$ 744,361</u> | <u>\$ 77,692</u> | <u>\$ -</u> | <u>\$ -</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 685,476 | \$ | \$ 137,581 | \$ | \$ |
| Accrued Liabilities | 203,226 | 25 | 85,053 | | |
| Due to Other Governments | | | | | |
| Due to Other Funds | | | | | |
| Advances From Other Funds | | | 5,560,837 | | |
| Deferred Revenue | 3,597,924 | 664,988 | 22,385 | | |
| | <u>4,486,626</u> | <u>665,013</u> | <u>5,805,856</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>4,486,626</u> | <u>665,013</u> | <u>5,805,856</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | | | |
| Nonspendable | 8,155,142 | | | | |
| Restricted | | 79,348 | | | |
| Committed | 4,221,151 | | | | |
| Assigned | | | | | |
| Unassigned | 4,979,355 | | (5,728,164) | | |
| | <u>17,355,648</u> | <u>79,348</u> | <u>(5,728,164)</u> | <u>-</u> | <u>-</u> |
| Total Fund Balances | <u>17,355,648</u> | <u>79,348</u> | <u>(5,728,164)</u> | <u>-</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 21,842,274</u> | <u>\$ 744,361</u> | <u>\$ 77,692</u> | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of this statement.

| Capital Projects | Governmental Facilities | RDA Capital Projects | Measure I | Project Manager Grants | Other Govern- mental Funds | Total Govern- mental Funds |
|---------------------|----------------------------|----------------------------|---------------------|------------------------------|-------------------------------------|-------------------------------------|
| \$ 9,217,603 | \$ | \$ | \$ 5,410,395 | \$ | \$ 4,876,819 | \$ 27,088,557 |
| 7,300 | | | | | 314,644 | 314,644 |
| 77,321 | | | 270,799 | 468,461 | 112,292 | 1,066,031 |
| | | | | | 1,031,332 | 4,057,662 |
| | | | | 4,500 | 4,482,986 | 6,301,970 |
| | | | | | | 5,560,837 |
| | | | | | | 4,487,486 |
| | | | | | | 61,592 |
| <u>\$ 9,302,224</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,681,194</u> | <u>\$ 472,961</u> | <u>\$ 10,818,073</u> | <u>\$ 48,938,779</u> |
| \$ 2,408 | \$ | \$ | \$ 5,209 | \$ 97,532 | \$ 193,454 | \$ 1,121,660 |
| | 46 | | | | 18,129 | 306,479 |
| | 75,559 | | | 336,388 | 1,113,002 | - |
| | | | | 507,501 | 5,118,475 | 1,524,949 |
| | | | | | | 5,560,837 |
| | | | | | | 9,911,273 |
| <u>2,408</u> | <u>75,605</u> | <u>-</u> | <u>5,209</u> | <u>941,421</u> | <u>6,443,060</u> | <u>18,425,198</u> |
| | | | | | | 8,155,142 |
| | | | 5,675,985 | | 3,241,983 | 8,997,316 |
| 9,299,816 | | | | | 1,637,171 | 4,221,151 |
| | (75,605) | | | (468,460) | (504,141) | 10,936,987 |
| | | | | | | (1,797,015) |
| <u>9,299,816</u> | <u>(75,605)</u> | <u>-</u> | <u>5,675,985</u> | <u>(468,460)</u> | <u>4,375,013</u> | <u>30,513,581</u> |
| <u>\$ 9,302,224</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,681,194</u> | <u>\$ 472,961</u> | <u>\$ 10,818,073</u> | <u>\$ 48,938,779</u> |

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2012

| | |
|---|------------------------------|
| Fund balances of governmental funds | \$ 30,513,581 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets net of depreciation have not been included as financial resources in governmental fund activity. | 393,229,185 |
| Other long-term assets are not available to pay for current period expenditures and are deferred in the funds. | 7,005,413 |
| Long term liabilities are not due and payable in the current period and are not reported in the funds. | |
| Compensated Absences | (836,774) |
| Claims Payable | (45,000) |
| Certificates of Participation | (3,720,750) |
| Lease Revenue Bonds | (9,840,000) |
| Unamortized Discount | 73,264 |
| Capital Lease Payable | (72,164) |
| CA Housing Loan | (250,000) |
| Pension-related Debt | (1,712,883) |
| Net OPEB Obligation | (1,178,884) |
| Issuance costs net of accumulated amortization were recorded as expenditures in the governmental funds. | 286,909 |
| Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. | <u>(157,948)</u> |
| Net assets of governmental activities | <u><u>\$ 413,293,949</u></u> |

The accompanying notes are an integral part of this statement.

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Town of Apple Valley, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

| | <u>General</u> | <u>Article 8</u> | <u>Parks and Recreation</u> | <u>Low/Moderate Housing</u> | <u>RDA Debt Service</u> |
|--|----------------------|------------------|---------------------------------|---------------------------------|-----------------------------|
| REVENUES | | | | | |
| Taxes | \$ 14,755,723 | \$ | \$ 1,529,710 | \$ 391,164 | \$ 1,564,656 |
| Licenses & Permits | 730,037 | | | | |
| Fines & Forfeitures | 597,178 | | | | |
| Investment Income | 15,894 | | | 9,328 | |
| Intergovernmental | 322,358 | | | | |
| Charges for Services | 643,710 | | 935,706 | | |
| Other Revenue | 587,033 | | 836 | | |
| | <hr/> | | <hr/> | <hr/> | <hr/> |
| Total Revenues | 17,651,933 | - | 2,466,252 | 400,492 | 1,564,656 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 1,105,638 | | | | |
| Public Safety | 12,719,721 | | | | |
| Transportation | | | | | |
| Culture and Recreation | | | 3,761,328 | | |
| Community Development | 2,896,883 | | | 257,977 | 7,512 |
| Capital Outlay | 143,108 | | | | |
| Debt Service: | | | | | |
| Principal | 14,870 | | | | |
| Interest & Fiscal Charges | 4,382 | | | 104,030 | 1,112,008 |
| Pass-Through Agreements | | | | | |
| | <hr/> | | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 16,884,602 | - | 3,761,328 | 362,007 | 1,119,520 |
| Excess (Deficiency) of Revenues over Expenditures | 767,331 | - | (1,295,076) | 38,485 | 445,136 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer In | 483,655 | | 842,321 | | |
| Transfer Out | (1,423,188) | | | | |
| | <hr/> | | <hr/> | <hr/> | <hr/> |
| Total Other Financing Sources (Uses) | (939,533) | - | 842,321 | - | - |
| Extraordinary Item | | | | (16,282,273) | (17,097,781) |
| Net Change in Fund Balances | (172,202) | - | (452,755) | (16,243,788) | (16,652,645) |
| Fund Balances, Beginning | 18,345,820 | 79,348 | (5,275,409) | 16,243,788 | 16,652,645 |
| Prior Period Adjustment | (817,970) | | | | |
| | <hr/> | | <hr/> | <hr/> | <hr/> |
| Fund Balances, Ending | <u>\$ 17,355,648</u> | <u>\$ 79,348</u> | <u>\$ (5,728,164)</u> | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of this statement.

| Capital Projects | Governmental Facilities | RDA Capital Projects | Measure I | Project Manager Grants | Other Governmental Funds | Total Governmental Funds |
|---------------------|-------------------------|----------------------|---------------------|------------------------|--------------------------|--------------------------|
| \$ 170,602 | \$ | \$ | \$ 1,700,596 | \$ | \$ 365,213 | \$ 20,307,062 |
| 28,896 | 175 | 4,756 | 17,498 | 1,040,375 | 179,960 | 1,080,599 |
| 452,093 | | 1,989 | 37,500 | 22,067 | 15,995 | 597,178 |
| 651,591 | 175 | 6,745 | 1,755,594 | 1,062,442 | 3,874,868 | 92,542 |
| | | | | | 47,868 | 5,237,601 |
| | | | | | | 1,579,416 |
| | | | | | | 1,149,386 |
| | | | | | | |
| | | | | | 86,172 | 1,191,810 |
| | | | | | | 12,719,721 |
| | | | 1,837,603 | | 2,193,013 | 4,030,616 |
| | | 825,297 | | 856,595 | 1,366,072 | 3,761,328 |
| 456,623 | 150 | 944,297 | | 31,388 | 16,879 | 6,210,336 |
| | | | | | | 1,592,445 |
| | | | | | 937,500 | 952,370 |
| | | | | | 469,570 | 1,689,990 |
| | | | | | | - |
| 456,623 | 150 | 1,769,594 | 1,837,603 | 887,983 | 5,069,206 | 32,148,616 |
| 194,968 | 25 | (1,762,849) | (82,009) | 174,459 | (585,302) | (2,104,832) |
| | | | | | 642,378 | 1,968,354 |
| | | | | | (61,511) | (1,484,699) |
| - | - | - | - | - | 580,867 | 483,655 |
| | | 2,114,322 | | | | (31,265,732) |
| 194,968 | 25 | 351,473 | (82,009) | 174,459 | (4,435) | (32,886,909) |
| 9,104,848 | (75,630) | (351,473) | 5,757,994 | (642,919) | 4,379,448 | 64,218,460 |
| | | | | | | (817,970) |
| <u>\$ 9,299,816</u> | <u>\$ (75,605)</u> | <u>\$ -</u> | <u>\$ 5,675,985</u> | <u>\$ (468,460)</u> | <u>\$ 4,375,013</u> | <u>\$ 30,513,581</u> |

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2012

Net change in fund balances-total governmental funds \$ (32,886,909)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Excess Depreciation over Capital Outlay (10,065,382)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period. (354,596)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Amortization of Discounts (2,930)
Amortization of Issuance Costs (11,478)
Principal Paid on Long-Term Debt 952,370
Decrease in Pension-related Debt 16,857

The net OPEB Obligation reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. The following amount represents the net change in OPEB obligation. (505,040)

Governmental funds do not report certain long-term assets and long-term liabilities that are reflected in the Statement of Net Assets. This amount represents the difference in the extraordinary loss in the governmental funds and the extraordinary gain in the Statement of Activities, due to the dissolution of the Redevelopment Agency. 49,083,963

Accrued interest for long-term debt. This is the net change in accrued interest for the current period. 10,600

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as governmental fund expenditures.

Net Change in Compensated Absences 274,024
Net Change in Claims Payable -

Change in Net Assets of Governmental Activities \$ 6,511,479

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Net Assets
Proprietary Funds
June 30, 2012

| | Sewer | Solid Waste Management | Apple Valley Golf Club | Total |
|--|----------------------|------------------------------|---------------------------|----------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Investments | \$ 4,410,079 | \$ 3,448,876 | \$ 80,045 | \$ 7,939,000 |
| Accounts Receivable | 383,913 | 910,827 | 22,000 | 1,316,740 |
| Interest Receivable | | | | - |
| Due from Other Governments | 24,385 | 77,786 | | 102,171 |
| Due from Other Funds | | | | - |
| Total Current Assets | <u>4,818,377</u> | <u>4,437,489</u> | <u>102,045</u> | <u>9,357,911</u> |
| Noncurrent Assets: | | | | |
| Special Assessments Receivable | 1,555,425 | | | 1,555,425 |
| Investment in Joint Venture (Net) | | 1,786,665 | | 1,786,665 |
| Debt Issuance Costs, Net of Accumulated Amortization | 46,776 | 71,265 | | 118,041 |
| Restricted Assets: | | | | |
| Cash and Investments with Fiscal Agent | 1,744,747 | | | 1,744,747 |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | 385,744 | | 1,440,000 | 1,825,744 |
| Water Rights | 3,650,000 | | | 3,650,000 |
| Construction in Progress | | | | - |
| Capital Assets, Net of Accumulated Depreciation | <u>31,309,407</u> | | <u>65,995</u> | <u>31,375,402</u> |
| Total Noncurrent Assets | <u>38,692,099</u> | <u>1,857,930</u> | <u>1,505,995</u> | <u>42,056,024</u> |
| Total Assets | <u>43,510,476</u> | <u>6,295,419</u> | <u>1,608,040</u> | <u>51,413,935</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 212,346 | 119,588 | 145,967 | 477,901 |
| Accrued Liabilities | 24,942 | 3,166 | 1,956 | 30,064 |
| Interest Payable | 48,990 | | | 48,990 |
| Due to Other Governments | 200,117 | | | 200,117 |
| Due to Other Funds | | | 2,532,713 | 2,532,713 |
| Unearned Revenue | 197,777 | 357,983 | | 555,760 |
| Amounts Due Bondholders | 44,595 | | | 44,595 |
| Current Portion of Long-Term Debt | <u>550,000</u> | <u>183,125</u> | | <u>733,125</u> |
| Total Current Liabilities | <u>1,278,767</u> | <u>663,862</u> | <u>2,680,636</u> | <u>4,623,265</u> |
| Noncurrent Liabilities: | | | | |
| Noncurrent Portion of Long-Term Debt | <u>1,859,250</u> | <u>1,523,333</u> | | <u>3,382,583</u> |
| Total Noncurrent Liabilities | <u>1,859,250</u> | <u>1,523,333</u> | - | <u>3,382,583</u> |
| Total Liabilities | <u>3,138,017</u> | <u>2,187,195</u> | <u>2,680,636</u> | <u>8,005,848</u> |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | 32,935,901 | | 1,505,995 | 34,441,896 |
| Restricted for Capital Projects | 1,114,037 | | | 1,114,037 |
| Restricted for Debt Service | 630,710 | | | 630,710 |
| Unrestricted | <u>5,691,811</u> | <u>4,108,224</u> | <u>(2,578,591)</u> | <u>7,221,444</u> |
| Total Net Assets | <u>\$ 40,372,459</u> | <u>\$ 4,108,224</u> | <u>\$ (1,072,596)</u> | <u>\$ 43,408,087</u> |

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Year Ended June 30, 2012

| | Sewer | Solid Waste Management | Apple Valley Golf Club | Total |
|---|----------------------|------------------------------|---------------------------|----------------------|
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 4,005,430 | \$ 9,733,428 | \$ 767,832 | \$ 14,506,690 |
| Total Operating Revenue | <u>4,005,430</u> | <u>9,733,428</u> | <u>767,832</u> | <u>14,506,690</u> |
| OPERATING EXPENSES | | | | |
| Salaries and Benefits | 517,028 | 74,127 | 6,008 | 597,163 |
| Contract Services | 82,881 | 7,162,507 | 362,203 | 7,607,591 |
| Maintenance and Treatment | 1,557,285 | | 293,770 | 1,851,055 |
| Depreciation | 1,769,560 | | 14,815 | 1,784,375 |
| Other | 1,944,609 | 1,595,115 | 771,245 | 4,310,969 |
| Total Operating Expenses | <u>5,871,363</u> | <u>8,831,749</u> | <u>1,448,041</u> | <u>16,151,153</u> |
| Operating Income (Loss) | <u>(1,865,933)</u> | <u>901,679</u> | <u>(680,209)</u> | <u>(1,644,463)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Change in Investment in Joint Venture | | (67,561) | | (67,561) |
| Investment Income | 12,749 | 22,925 | | 35,674 |
| Grant Revenue | | 20,410 | | 20,410 |
| Interest | (152,559) | (119,028) | | (271,587) |
| Bond Issuance Costs | (19,037) | (10,180) | | (29,217) |
| Total Nonoperating Revenues (Expenses) | <u>(158,847)</u> | <u>(153,434)</u> | <u>-</u> | <u>(312,281)</u> |
| Income Before Contributions and Transfers | (2,024,780) | 748,245 | (680,209) | (1,956,744) |
| Capital Contributions | 634,874 | | 2,900,000 | 3,534,874 |
| Transfers In | | | | - |
| Transfers Out | | (483,655) | | (483,655) |
| Change in Net Assets | (1,389,906) | 264,590 | 2,219,791 | 1,094,475 |
| Total Net Assets, Beginning | <u>41,762,365</u> | <u>3,843,634</u> | <u>(3,292,387)</u> | <u>42,313,612</u> |
| Total Net Assets, Ending | <u>\$ 40,372,459</u> | <u>\$ 4,108,224</u> | <u>\$ (1,072,596)</u> | <u>\$ 43,408,087</u> |

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

| | Sewer | Solid Waste Management | Apple Valley Golf Club | Total |
|---|---------------------|------------------------------|---------------------------|---------------------|
| Cash Flows from Operating Activities | | | | |
| Cash Received from Customers | \$ 4,008,321 | \$ 9,748,076 | \$ 767,832 | \$ 14,524,229 |
| Cash Paid to Suppliers | (3,567,113) | (8,977,450) | (1,424,402) | (13,968,965) |
| Cash Paid to Employees for Services | (512,612) | 74,619 | | (437,993) |
| Net Cash Provided (Used) by Operating Activities | (71,404) | 845,245 | (656,570) | 117,271 |
| Cash Flows from Noncapital Financing Activities | | | | |
| Cash Collected on Behalf of Other Governments (Paid to) | (268,081) | | (3,042) | (271,123) |
| Grant Revenue | | 20,410 | | 20,410 |
| Advances Paid (to) from Other Funds | | | (667,613) | (667,613) |
| Cash Paid (to) from Other Funds | | (483,655) | | (483,655) |
| Principal Paid on Debt | | (174,167) | | (174,167) |
| Interest Paid on Debt | | (119,028) | | (119,028) |
| Net Cash Provided (Used) by Noncapital Financing Activities | (268,081) | (756,440) | (670,655) | (1,695,176) |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Capital Asset Purchases | (3,039,899) | | (1,520,810) | (4,560,709) |
| Proceeds from the Sale of Assets | | | 2,900,000 | 2,900,000 |
| Special Assessments Collected for Debt Service | 804,874 | | | 804,874 |
| Principal Paid on Debt | (517,500) | | | (517,500) |
| Interest Paid on Debt | (162,902) | | | (162,902) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (2,915,427) | - | 1,379,190 | (1,536,237) |
| Cash Flows from Investing Activities | | | | |
| Interest Received on Investments | 14,906 | 24,020 | | 38,926 |
| Net Cash Provided (Used) by Investing Activities | 14,906 | 24,020 | - | 38,926 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (3,240,006) | 112,825 | 51,965 | (3,075,216) |
| Cash and Cash Equivalents, Beginning of Fiscal Year | 9,394,832 | 3,336,051 | 28,080 | 12,758,963 |
| Cash and Cash Equivalents, End of Fiscal Year | <u>\$ 6,154,826</u> | <u>\$ 3,448,876</u> | <u>\$ 80,045</u> | <u>\$ 9,683,747</u> |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities | | | | |
| Cash Flows from Operating Activities | | | | |
| Operating income (loss) | \$ (1,865,933) | \$ 901,679 | \$ (680,209) | \$ (1,644,463) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 1,769,560 | | 14,815 | 1,784,375 |
| (Increase) Decrease in Accounts Receivable | (3,267) | 24,439 | | 21,172 |
| (Increase) Decrease in Due from Other Governments | 7,299 | (4,767) | | 2,532 |
| Increase (Decrease) in Accounts Payable | 17,662 | (71,574) | 121,880 | 67,968 |
| Increase (Decrease) in Accrued Liabilities | 4,416 | 492 | (113,056) | (108,148) |
| Increase (Decrease) in Deferred Revenue | (1,141) | (5,024) | | (6,165) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (71,404)</u> | <u>\$ 845,245</u> | <u>\$ (656,570)</u> | <u>\$ 117,271</u> |
| Non Cash Investing, Capital and Financing Activities | | | | |
| Bond Issuance/Refunding Cost Amortization | \$ 34,591 | \$ 10,180 | \$ | \$ 44,771 |
| Change in Investment in Joint Venture | | 67,561 | | 67,561 |
| Capital Contribution | 280,000 | | 2,900,000 | 3,180,000 |

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2012

| | Successor Agency Private-purpose Trust Fund | <u>Agency Funds</u> |
|---|--|----------------------|
| ASSETS | | |
| Cash and Investments | \$ 9,597,831 | \$ 10,653,079 |
| Cash and Investments with Fiscal Agent | 20,632,981 | 238,270 |
| Accounts Receivable | 138,149 | 93,054 |
| Due from Other Governments | 910,400 | 681,128 |
| Deferred Charges | <u>989,799</u> | |
| Total Assets | <u>32,269,160</u> | <u>\$ 11,665,531</u> |
| LIABILITIES | | |
| Accounts Payable | 34,780 | \$ 11,293 |
| Accrued Liabilities | 82,653 | 10,046,282 |
| Deposits | | 1,369,841 |
| Interest Payable | 197,858 | |
| Bonds Payable | 49,029,005 | |
| Amounts Due to Bondholders | | <u>238,115</u> |
| Total Liabilities | <u>49,344,296</u> | <u>\$ 11,665,531</u> |
| NET ASSETS | | |
| Net Assets Held in Trust for Successor Agency | <u>\$ (17,075,136)</u> | |

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year Ended June 30, 2012

| | Successor Agency Private-purpose Trust Fund |
|---|--|
| ADDITIONS | |
| Taxes | \$ 3,200,685 |
| Investment Income | 28,127 |
| Total Additions | 3,228,812 |
| DEDUCTIONS | |
| Administrative Costs | 852,481 |
| Pass-through Payments | 384,829 |
| Interest on Bonds | 1,248,407 |
| Total Deductions | 2,485,717 |
| Change in Net Assets before Extraordinary Items | 743,095 |
| Extraordinary Loss | (17,818,231) |
| Change in Net Assets | (17,075,136) |
| Net Assets - Beginning of Year | - |
| Net Assets - End of Year | \$ (17,075,136) |

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of Reporting Entity

The Town of Apple Valley, California was incorporated on November 28, 1988 under the general laws of the State of California. The Town operates under a Council - Manager form of government and currently provides the following services as authorized by its charter: public safety (police protection), streets, planning and zoning, waste management, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. The Town is considered to be financially accountable for an organization if the Town appoints a voting majority of that organization's governing body and the Town is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the Town. The Town is also considered to be financially accountable if the organization is fiscally dependent upon the Town (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the Town). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the Town are such that their exclusion would cause the Town's financial statements to be misleading or incomplete.

All of the Town's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. The following organizations are considered to be component units of the Town:

Redevelopment Agency of the Town of Apple Valley

The Redevelopment Agency of the Town of Apple Valley ("Agency") was established pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law." Its purpose is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the Town of Apple Valley. The governing board of the Agency is composed of the same individuals that serve as council members for the Town of Apple Valley. The Agency's activities are reported as governmental funds. Redevelopment Agencies were dissolved in the State of California as a result of the courts upholding AB XI 26 on December 29, 2011. These financial statements include the activity of the former Redevelopment Agency's funds through January 31, 2012. The Fiduciary Successor Agency Private-purpose Trust Fund accounts for the subsequent activity. See Note V) F) to these financial statements for more information.

Apple Valley Public Financing Authority

The Apple Valley Public Financing Authority ("Authority") was established to provide financing to the Town of Apple Valley for specified capital improvement projects. The governing board of the Authority is composed of the same individuals that serve as council members for the Town of Apple Valley. Separate financial statements are not prepared for the Authority.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Government-wide and Fund Financial Statements

The Town's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-Wide Statements: The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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 expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the Town 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 that are properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements: 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

Governmental Accounting Standards Board Statement No. 63

In June of 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Town has elected not to early implement GASB No. 63 and has not determined its effect on the Town's financial statements.

Governmental Accounting Standards Board Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements - Continued

Governmental Accounting Standards Board Statement No. 65 - Continued

the major fund calculations and limiting the use of the term *deferred* in the financial statements. Statement No. 65 is effective for periods beginning after December 15, 2012. The Town has elected not to early implement GASB No. 65 and has not determined its effect on the Town's financial statements.

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement was issued to improve the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. Statement No. 68 is effective for periods beginning after June 15, 2014. The Town has elected not to early implement GASB No. 68 and has not determined its effect on the Town's financial statements.

D) 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*, as are the proprietary fund and fiduciary fund financial statements. 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 providers 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town 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.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of 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 Town.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The Town reports the following major governmental funds:

General Fund - This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for and reported in another fund.

Article 8 Fund - This fund accounts for the revenues and expenditures of the Town's share of Article 8 monies which are restricted in use for transit or street repair projects/activities.

Parks and Recreation Fund - This fund accounts for all revenues, including property tax revenues, and expenditures of the Apple Valley Parks and Recreation Department (formerly Recreation and Parks District) that are required to be separately maintained in accordance with the provisions of California Government Code Section 57642.

Low/Moderate Housing Fund - This accounts for the 20% set aside of tax increment revenue received from the Redevelopment Agency project area and restricted for low/moderate income housing.

RDA Debt Service Fund - This fund accounts for and reports financial resources committed, restricted or assigned for the payment of advances from the Town to the Redevelopment Agency and other Agency debt.

Capital Projects Fund - This fund was established to account for all of the Town's construction projects that are not being separately accounted for in other capital project funds (with the exception of those funded through non-major capital project funds and Enterprise Funds). Financing is provided primarily through transfers in from the General Fund, and from State and Federal grants.

Governmental Facilities Fund - This fund accounts for and reports financial resources restricted, committed, or assigned to activities related to the construction of the new Town Hall Annex.

Redevelopment Agency Capital Projects Fund - This fund accounts for tax increment and other revenues, and expenditures associated with the Town's Redevelopment Agency capital projects.

Measure I Fund - This fund accounts for all capital projects funded with Measure I monies.

Project Manager Grants Fund - This fund accounts for non-budgeted funds awarded to the Town during the course of the fiscal year mainly for capital related activities.

The Town reports the following major proprietary funds:

Sewer Fund - This fund accounts for the costs of providing sewer services to the general public within the Town's service area and the user charges by which these costs are recovered.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Solid Waste Management Fund - This fund accounts for the costs of providing trash services to commercial and residential units and the user charges by which these costs are recovered.

Apple Valley Golf Club Fund - This fund accounts for the costs of providing golf to the general public and the user charges by which these costs are covered.

Additionally, the Town reports the following fund types:

The Agency Funds are used to account for money received by the Town as an agent for individuals, other governments and other entities. Specifically, the Town reports activities related to the Victor Valley Transit Authority, Assessment District 98-1, Village PBID, Victor Valley Economic Development Authority, Mojave Desert and Mountain Integrated Waste Management Authority, and certain deposits in Agency funds.

The Private-purpose Trust Fund is used to account for the balances and transactions of the Successor Agency to the Redevelopment Agency of the Town of Apple Valley.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

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.

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

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

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012**

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Assets , Liabilities, and Net Assets or Equity

1) Cash and Investments

For purposes of presentation in the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Investments purchased within three months of original maturity are considered to be cash equivalents.

Investments are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The Town pools cash and investments of all funds, except for assets held by fiscal agents. Each fund’s share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund’s average cash and investment balance.

2) Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., 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.”

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

| | | |
|------------------|-------------------|-----------------------------|
| Lien Date | March 1 | |
| LevyYear | July 1 to June 30 | |
| Due Dates | November 1 | 1 st Installment |
| | February 1 | 2 nd Installment |
| Delinquent Dates | December 10 | 1 st Installment |
| | April 10 | 2 nd Installment |

Under California law, property taxes are assessed and collected by counties up to 1% of assessed value, plus other increases approved by voters. Property tax revenues are pooled and then allocated to cities based on complex formulas prescribed by state statutes.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Assets, Liabilities, and Net Assets or Equity - Continued

3) Restricted Assets

Certain proceeds of the Town's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by bond covenants.

4) Capital Assets

Capital assets, which include land, structures, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Assets purchased in excess of \$5,000 are capitalized if they have an expected useful life of 2 years or more. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized.

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. For debt-financed capital assets, interest incurred during the construction phase is reflected in the capitalization value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Town chose to include all such items acquired in fiscal years ending after June 30, 1980. The Town was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the Town constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Town values these capital assets at the estimated fair value of the item at the date of its donation.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

| | |
|--------------------------------|----------------|
| Infrastructure | 20 to 50 Years |
| Collector Lines | 40 Years |
| Buildings | 30 Years |
| Machinery and Equipment | 5 Years |
| Automobile and Truck Equipment | 5 Years |
| Computer Equipment | 5 Years |
| Leasehold Improvements | 3 Years |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Assets, Liabilities, and Net Assets or Equity - Continued

5) Deferred/Unearned Revenue

Revenues received, but not yet earned, are deferred until such time as those monies meet the revenue recognition criteria. In the case of intergovernmental revenues in the fund financial statements, e.g., grants, entitlements and shared revenue, the basis of accounting for such revenue is determined according to the procedures common to each fund type in which the grant, entitlement, or shared revenue is recorded. Grants, entitlements and shared revenues received earlier than the time established by the revenue recognition criteria are reported as deferred revenues.

Revenues earned, but not yet received, may not be available in a timely manner to pay current expenditures or obligations. Such receivables, not meeting the availability criteria necessary for accrual under modified accrual basis accounting principles, are reclassified as deferred revenues for that period in the fund financial statements. In the government-wide financial statements, however, availability criteria are not considered. Instead, revenues become, and remain receivable from the point in time when revenue is earned through performance or similar recognition standards, until received.

6) Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

7) Compensated Absences

Permanent Town employees earn from 10 to 20 vacation days a year, depending upon their length of employment, and 12 sick days a year. Employees can carry forward from 20 to 40 days in earned but unused vacations days depending on the number of years of continuous service. Sick leave hours may be converted to vacation hours at a rate of two sick leave hours to one vacation hour. Payment of converted sick leave hours in excess of 240 hours will occur only upon termination of employment.

Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused vacation leave, except for those employees that have not completed 6 months of continuous service.

All accumulated vacation leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Leave benefits are generally liquidated by the general fund.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Assets, Liabilities, and Net Assets or Equity - Continued

8) Claims and Judgments

The Town records a liability for litigation, judgements and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. An estimate based upon historical data has been made for exposure to losses incurred but not yet reported. As of June 30, 2011 and 2012, the balance of accrued claims and judgments is \$45,000 and \$45,000, respectively. Expenditures related to claims and judgments are recorded in the General Fund.

9) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Debt issuance costs which include bond discounts and legal and other issuance costs are deferred and amortized on a straight-line basis over the terms of the bonds.

Unamortized refunding costs represent the difference between the reacquisition price of debt (outstanding principal of the debt, as well as the call premium) and its net carrying value (face value of the debt, adjusted for unamortized premiums, discounts or issuance costs). The difference is amortized over the shorter of 1) the life of the refunding debt or 2) the life of the refunded debt. The amortization is treated as an adjustment to interest expense of the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10) Transfers

Transfers are reported as other financing sources and uses in the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds and in the Statement of Revenues, Expenses and Changes in Net Assets for the proprietary funds.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

II) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$10,065,382 difference are as follows:

| | |
|--|------------------------|
| Capital Outlay | \$ 3,800,650 |
| Depreciation Expense | <u>(13,866,032)</u> |
| Net adjustment to <i>net change in fund balances -total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i> . | <u>\$ (10,065,382)</u> |

Another element of that reconciliation states, "governmental funds do not report certain long-term assets and long-term liabilities that are reflected in the Statement of Net Assets. This amount represents the difference in extraordinary loss in the governmental funds and the extraordinary gain in the Statement of Activities, due to the dissolution of the Redevelopment Agency." The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the government-wide financial statements is reconciled as follows:

| | |
|---|----------------------|
| Deferred charges reported in government-wide financial statements | \$ (1,030,625) |
| Deferred revenue in fund financial statements is not deferred in the government-wide financial statements | (141,883) |
| Accrued bond interest reported in the government-wide financial statements | 201,198 |
| Long-term debt reported in the government-wide financial statements | <u>50,055,273</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes to net assets of governmental activities. | <u>\$ 49,083,963</u> |

III) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) Deficit Fund Balances/Net Assets

The following non-major funds have deficit fund balances as of June 30, 2012:

| | <u>Deficit Balance</u> |
|------------------------|------------------------|
| Special Revenue Funds: | |
| CDBG | \$ (63,674) |
| HOME | (157,056) |
| FEMA/OES | (277,546) |
| SANBAG Stimulus | (1,393) |
| Debt Service Funds: | |
| 1999 COPS | (2,794) |
| 2001 COPS | (1,678) |

Management expects these deficits to be eliminated either by future revenues or transfers from the Town's general fund.

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012**

IV) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

The Town pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures.

Interest income earned on pooled cash is allocated quarterly to the various funds based on the month-end cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and Investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

| | |
|--|--------------------------|
| Statement of Net Assets: | |
| Cash and Investments | \$ 35,027,557 |
| Cash and Investments with Fiscal Agent | 2,059,391 |
| Statement of Fiduciary Net Assets: | |
| Cash and Investments | 20,250,910 |
| Cash and Investments with Fiscal Agent | <u>20,871,251</u> |
| Total Cash and Investments | <u>\$ 78,209,109</u> |

Cash and investments as of June 30, 2012 consist of the following:

| | |
|--------------------------------------|--------------------------|
| Petty Cash | \$ 6,620 |
| Deposits with Financial Institutions | 16,974,088 |
| Local Agency Investment Fund | 35,297,759 |
| U.S. Agency Securities | |
| Federal Home Loan Banks Bonds | 3,000,000 |
| Held by Fiscal Agent: | |
| Mutual Fund | <u>22,930,642</u> |
| Total Cash and Investments | <u>\$ 78,209,109</u> |

Investments Authorized by the California Government Code and the Town's Investment Policy

The table below identifies the investment types that are authorized for the Town by the California Government Code (or the Town's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Town's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Investments Authorized by the California Government Code and the Town's Investment Policy

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Town, rather than the general provisions of the California Government Code or the Town's investment policy.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Of Portfolio</u> | <u>Maximum Investment In One Issuer</u> |
|---------------------------------------|-----------------------------|--|---|
| Local Agency Bonds | 5 years | None | None |
| U.S. Treasury Obligations | 5 years | None | None |
| U.S. Agency Securities | 5 years | None | None |
| Banker's Acceptances | 180 days | 40% | 30% |
| Commercial Paper | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | 5 years | 30% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base value | None |
| Medium-Term Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 15% | 5% |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| County Pooled Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Town's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment In One Issuer</u> |
|---------------------------------------|-----------------------------|---|---|
| U.S. Treasury Obligations | None | None | None |
| U.S. Agency Securities | None | None | None |
| Banker's Acceptance | None | None | None |
| Commercial Paper | None | None | None |
| Money Market Mutual Funds | None | None | None |
| Investment Contracts | None | None | None |
| Certificates of Deposits | None | None | None |
| Repurchase Agreements | None | None | None |
| Local Agency Investment Fund | N/A | None | None |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2012 the Town had the following investments:

| Investment Type | | Maturity Date |
|-------------------------------|---------------|---------------|
| State Investment Pool - LAIF | \$ 35,297,759 | N/A |
| U.S. Agency Securities | | |
| Federal Home Loan Banks Bonds | 3,000,000 | 2017 |
| Held by Bond Trustee: | | |
| Mutual Fund | 22,930,642 | N/A |
| Total | \$ 61,228,401 | |

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Town's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

| Investment Type | | Minimum Legal Rating | Rating as of Year End | | |
|-------------------------------|---------------|----------------------------|-----------------------|------|---------------|
| | | | AAA | Aa | Not Rated |
| State Investment Pool - LAIF | \$ 35,297,759 | N/A | \$ | \$ | \$ 35,297,759 |
| U.S. Agency Securities | | | | | |
| Federal Home Loan Banks Bonds | 3,000,000 | N/A | 3,000,000 | | |
| Held by Bond Trustee: | | | | | |
| Mutual Fund | 22,930,642 | N/A | 22,930,642 | | |
| Total | \$ 61,228,401 | | \$ 25,930,642 | \$ - | \$ 35,297,759 |

Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Town investments or total investments in any of the major funds.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Town's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Town deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The Town did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts. As of June 30, 2012, Agency investments in the following investment types were held by the broker-dealer that was used by the Town to buy the securities:

| Investment Type | Reported Amount |
|---------------------------|--------------------|
| U.S. Treasury Mutual Fund | \$ 22,930,642 |

Investment in State Investment Pool

The Town is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Entity's investment in this pool is reported in the accompanying financial statements at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

B) Interfund Receivables, Payables, and Transfers

Amounts due to/from other funds at June 30, 2012 are as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|---|---------------------------------|------------------------------|
| General Fund | \$ 4,057,662 | \$ |
| Governmental Facilities Fund | | 75,559 |
| Project Manager Grants Fund | | 336,388 |
| Nonmajor Funds | | 1,113,002 |
| Apple Valley Golf Club (Proprietary Fund) | | 2,532,713 |
| Total | <u>\$ 4,057,662</u> | <u>\$ 4,057,662</u> |

The interfund payable balances represent routine and temporary cash flow assistance from the General Fund until the amounts receivable from other agencies are collected to reimburse eligible expenditures.

Advances:

The General Fund advanced \$5,560,837 to the Parks and Recreation Fund to fund parks and recreations activities. It has not been determined when this advance will be repaid and with what resources it will be repaid.

Interfund transfers for the year ended June 30, 2012 are as follows:

| | | <u>TRANSFERS IN</u> | | | |
|------------------|---------------------------------|-------------------------|--|---|---------------------|
| | | <u>General Fund</u> | <u>Parks and Recreation Fund</u> | <u>Non-Major Governmental Funds</u> | <u>Total</u> |
| TRANSFERS OUT | General Fund | \$ | \$ 800,680 | \$ 622,498 | \$ 1,423,188 |
| | Non-Major Governmental Funds | | 41,631 | 19,880 | 61,511 |
| | Solid Waste Fund | <u>483,655</u> | | | <u>483,655</u> |
| | Total | <u>\$ 483,655</u> | <u>\$ 842,321</u> | <u>\$ 642,378</u> | <u>\$ 1,968,354</u> |

The General Fund transferred \$622,498 to various non-major funds to eliminate deficits and fund activities in those funds. In addition, the General Fund transferred \$800,680 to the Parks and Recreation Fund to fund certain expenditures. The Development Impact Fee Fund transferred \$19,880 to the 2007 Town Hall Revenue Bonds Debt Service for expenditures relating to the construction of the Town Hall Annex. The Quimby Fees Fund transferred \$41,631 to the Parks and Recreation Fund to fund certain parks and recreation expenditures while the transfer from the Solid Waste to the General Fund was for franchise fees.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

C) Due from Other Governments

The Town receives various grants and appropriations from several Federal, State and County agencies, as well as incurs certain State mandated costs. As of June 30, 2012, the amount receivable from the various agencies was \$6,301,970. Included in this balance is \$2,855,174 of State mandated costs; however it is uncertain if these costs will ever be reimbursed and received from the State considering the current financial situation of the State. As a result a provision for doubtful accounts of \$2,855,174 has been made and reported as uncollectible in the Statement of Net Assets at June 30, 2012.

D) Loans Receivable

The Town administers a Residential Rehabilitation Loan Program and a down payment assistance program for low-to-moderate income families. The loans provided by the program have a 30-year term, and bear an interest rate of 0%. The notes may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2012, the outstanding loans receivable totaled \$4,487,486.

E) Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 98,526,741 | \$ | \$ | \$ 98,526,741 |
| Construction in Progress | 11,541,462 | 3,559,847 | (7,616,999) | 7,484,310 |
| Total Capital Assets, Not Being Depreciated | 110,068,203 | 3,559,847 | (7,616,999) | 106,011,051 |
| Capital Assets Being Depreciated: | | | | |
| Furniture and Equipment | 2,973,353 | 68,067 | | 3,041,420 |
| Computer Equipment | 1,434,736 | 182,718 | | 1,617,454 |
| Trucks and Automobiles | 1,434,704 | | | 1,434,704 |
| Structures and Improvements | 85,242,674 | 6,675,321 | | 91,917,995 |
| Infrastructure | 349,238,059 | 931,696 | | 350,169,755 |
| Total Capital Assets Being Depreciated | 440,323,526 | 7,857,802 | - | 448,181,328 |
| Less Accumulated Depreciation: | | | | |
| Furniture and Equipment | (1,031,952) | (436,094) | | (1,468,046) |
| Computer Equipment | (759,624) | (263,045) | | (1,022,669) |
| Trucks and Automobiles | (1,192,695) | (93,313) | | (1,286,008) |
| Structures and Improvements | (16,737,780) | (2,831,379) | | (19,569,159) |
| Infrastructure | (127,375,111) | (10,242,201) | | (137,617,312) |
| Total Accumulated Depreciation | (147,097,162) | (13,866,032) | - | (160,963,194) |
| Total Capital Assets Being Depreciated, Net | 293,226,364 | (6,008,230) | - | 287,218,134 |
| Governmental Activities, Capital Assets, Net | <u>\$ 403,294,567</u> | <u>\$ (2,448,383)</u> | <u>\$ (7,616,999)</u> | <u>\$ 393,229,185</u> |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Capital Assets - Continued

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|--------------|-------------------|
| Business-type Activities: | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 385,744 | \$ 1,440,000 | \$ | \$ 1,825,744 |
| Water Rights | 750,000 | 2,900,000 | | 3,650,000 |
| Construction in Progress | 35,242 | 139,900 | (175,142) | - |
| Total Capital Assets, Not Being Depreciated | 1,170,986 | 4,479,900 | (175,142) | 5,475,744 |
| Capital Assets Being Depreciated: | | | | |
| Buildings and System | 177,664 | | | 177,664 |
| Machinery and Equipment | 342,357 | 80,810 | | 423,167 |
| Trucks and Automobiles | 442,696 | | | 442,696 |
| Collector Lines | 68,173,189 | 455,142 | | 68,628,331 |
| Total Capital Assets Being Depreciated | 69,135,906 | 535,952 | - | 69,671,858 |
| Less Accumulated Depreciation: | | | | |
| Buildings and System | (73,578) | (5,810) | | (79,388) |
| Machinery and Equipment | (206,860) | (53,211) | | (260,071) |
| Trucks and Automobiles | (170,708) | (52,238) | | (222,946) |
| Collector Lines | (36,060,934) | (1,673,117) | | (37,734,051) |
| Total Accumulated Depreciation | (36,512,080) | (1,784,376) | - | (38,296,456) |
| Total Capital Assets Being Depreciated, Net | 32,623,826 | (1,248,424) | - | 31,375,402 |
| Business-type Activities, Capital Assets, Net | \$ 33,794,812 | \$ 3,231,476 | \$ (175,142) | \$ 36,851,146 |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|---------------|
| Governmental Activities: | |
| General Government | \$ 442,636 |
| Public Safety | 570,249 |
| Transportation | 10,286,435 |
| Culture and Recreation | 2,126,561 |
| Community Development | 440,151 |
| Total Depreciation Expense – Governmental Activities | \$ 13,866,032 |
| Business-type Activities: | |
| Sewer | \$ 1,784,376 |
| Total Depreciation Expense – Business-type Activities | \$ 1,784,376 |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt

Long-term liabilities for the year ended June 30, 2012 were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|------------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| Certificates of Participation: | | | | | |
| 1999 Certificates of Participation | \$ 3,140,000 | \$ | \$ (315,000) | \$ 2,825,000 | \$ 325,000 |
| 2001 Certificates of Participation | 1,098,250 | | (202,500) | 895,750 | 210,000 |
| Total Certificates of Participation | 4,238,250 | - | (517,500) | 3,720,750 | 535,000 |
| 2005 Tax Allocation Bonds | 7,205,000 | | (7,205,000) | - | - |
| Unamortized Premium on Tax Allocation Bonds | 39,786 | | (39,786) | - | - |
| 2007 Tax Allocation Bonds VVEDA Project Area | 8,420,000 | | (8,420,000) | - | - |
| Unamortized Discount on Tax Allocation Bonds VVEDA Project Area | (246,125) | | 246,125 | - | - |
| 2007 Tax Allocation Bonds Project Area 2 | 34,530,000 | | (34,530,000) | - | - |
| Unamortized Premium on Tax Allocation Bonds Project Area 2 | 106,612 | | (106,612) | - | - |
| Total Tax Allocation Bonds | 50,055,273 | - | (50,055,273)* | - | - |
| 2007 Lease Revenue Bonds Series A | 10,260,000 | | (420,000) | 9,840,000 | 440,000 |
| Unamortized Discount on Lease Revenue Bonds | (76,194) | | 2,960 | (73,264) | - |
| Total Lease Revenue Bonds | 10,183,806 | - | (417,070) | 9,766,736 | 440,000 |
| Capital Lease Payable | 87,034 | | (14,870) | 72,164 | 14,533 |
| California Housing Loan | 250,000 | | | 250,000 | - |
| Compensated Absences | 1,110,798 | 1,006,655 | (1,280,679) | 836,774 | 719,000 |
| Claims Payable | 45,000 | | | 45,000 | 40,000 |
| Pension-related Debt | 1,729,740 | | (16,857) | 1,712,883 | 23,068 |
| Net OPEB Obligation | 673,844 | 505,040 | | 1,178,884 | - |
| Governmental Activities Long-term Liabilities | <u>\$ 68,373,745</u> | <u>\$ 1,511,695</u> | <u>\$ (52,302,249)</u> | <u>\$ 17,583,191</u> | <u>\$ 1,771,601</u> |

*This amount represents transfers to the Successor Agency of the Redevelopment Agency of the Town of Apple Valley.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-------------|---------------------|---------------------|------------------------|
| Business-type Activities: | | | | | |
| 2001 Certificates of Participation | \$ 346,750 | \$ | \$ (67,500) | \$ 279,250 | \$ 70,000 |
| Special Assessment Debt with Government Commitment: Special Assessment No. 2B-R | 2,580,000 | | (450,000) | 2,130,000 | 480,000 |
| Obligation Under Installment Purchase Agreement | 1,880,625 | | (174,167) | 1,706,458 | 183,125 |
| Business-type Activity Long-term Liabilities | <u>\$ 4,807,375</u> | <u>\$ -</u> | <u>\$ (691,667)</u> | <u>\$ 4,115,708</u> | <u>\$ 733,125</u> |

1) Certificates of Participation

- a) On September 1, 1999, the Town of Apple Valley sold Certificates of Participation in the principal amount of \$5,895,000. The Certificates were issued to provide funds to finance the construction and equipping of a new Town Hall facility and a new County office building. The Apple Valley Town Hall consists of a 26,000 square foot single-story structure that houses the Town's administrative offices. The County office building consists of a 19,000 square foot single-story structure that houses the San Bernardino County Sheriff office for the purpose of providing law enforcement service to the Town.

The Certificates bear an interest rate of approximately 5.5% payable semi-annually on March 1 and September 1 of each year. The Certificates mature annually from September 1, 2001 through September 1, 2019 in amounts ranging from \$245,000 to \$385,000. The principal balance outstanding at June 30, 2012 is \$2,825,000. As of June 30, 2012, the future annual maturities are as follows:

| Year Ending | Principal | Interest |
|-------------|---------------------|-------------------|
| 2013 | \$ 325,000 | \$ 164,037 |
| 2014 | 330,000 | 146,438 |
| 2015 | 340,000 | 128,425 |
| 2016 | 350,000 | 110,000 |
| 2017 | 355,000 | 91,025 |
| 2018 | 365,000 | 71,638 |
| 2019 | 375,000 | 51,837 |
| 2020 | 385,000 | 42,075 |
| | <u>\$ 2,825,000</u> | <u>\$ 805,475</u> |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

1) Certificates of Participation - Continued

- b) On June 1, 2001, the Town of Apple Valley sold Variable Rate Demand Refunding Certificates of Participation (the "Certificates") in the principal amount of \$3,610,000. The Certificates were issued to provide funds to advance refund and economically defease the \$2,570,000 Certificates issued on August 1, 1995 and finance certain capital expenditures of the Town Hall. The 1995 Certificates were issued to provide funds to (1) acquire an 11.8 acre site adjacent to the facilities previously used as the Town Hall, (2) to fund a matching grant to construct additional sewer and road improvements, and (3) to reimburse the Town for certain amounts expended as a result of the Town's settlement of certain outstanding lawsuits. The activities associated with the acquisition of the land and the matching grant were recorded in governmental fund types and the activities associated with the lawsuit settlement were recorded in the sewer enterprise fund. The prior certificates were outstanding in the principal amount of \$2,220,000, which was allocated \$1,332,000 and \$888,000 to governmental activities and business-type activities, respectively. The excess bond proceeds over and above the payment to the refund bond escrow agent was used to acquire furniture, fixtures and equipment for the Town Hall.

The Certificates were executed and delivered in fully registered form without coupons in the minimum denominations of \$100,000 or any integral multiple of \$5,000 above \$100,000. After the Conversion Date, the Certificates were executed and delivered in denominations of \$5,000 or any integral multiple thereof. Interest is payable at an adjustable interest rate, on each Wednesday, or in the event any Wednesday is not a business day then on the next preceding business day (the "Interest Rate Calculation Date"), the Remarketing Agent will establish the adjustable interest rate for the period commencing the Thursday next following the Interest Rate Calculation Date to and including Wednesday of the following week (the "Interest Rate Period"), except that the final Interest Rate Period will end on September 1, 2015. The principal balance outstanding at June 30, 2012 is \$1,175,000, allocated \$895,750 and \$279,250 to governmental activities and business-type activities, respectively.

As of June 30, 2012, the future annual maturities are as follows:

| Year Ending | Principal | Interest |
|-------------|-----------|-----------|
| 2013 | \$ | \$ 35,485 |
| 2014 | 290,000 | 27,029 |
| 2015 | 295,000 | 18,271 |
| 2015 | 310,000 | 9,362 |
| | \$ | \$ |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

2) 2007 Lease Revenue Bonds

In July of 2007 the Town of Apple Valley Public Financing Authority issued \$11,355,000 of 2007 Series A Lease Revenue Bonds. Interest on the Bonds will range from 3.625% to 4.500% and is payable semi-annually on March 1 and September 1 each year. Principal is payable September 1 of each year until maturity in 2028. Proceeds from the bonds will be used to finance certain capital projects of the Town of Apple Valley including the construction of an annex to the Town Hall.

The debt service maturity schedule for the 2007 Lease Revenue Bonds is as follows:

| Year Ending | Principal | Interest | Total |
|-------------|---------------------|---------------------|----------------------|
| 2013 | \$ 440,000 | \$ 445,051 | \$ 885,051 |
| 2014 | 455,000 | 427,143 | 882,143 |
| 2015 | 475,000 | 408,544 | 883,544 |
| 2016 | 490,000 | 388,018 | 878,018 |
| 2017 | 515,000 | 365,405 | 880,405 |
| 2018 | 535,000 | 341,781 | 876,781 |
| 2019 | 560,000 | 317,494 | 877,494 |
| 2020 | 585,000 | 292,447 | 877,447 |
| 2021 | 610,000 | 265,925 | 875,925 |
| 2022 | 640,000 | 237,800 | 877,800 |
| 2023 | 670,000 | 208,325 | 878,325 |
| 2024 | 700,000 | 175,750 | 875,750 |
| 2025 | 735,000 | 139,875 | 874,875 |
| 2026 | 770,000 | 102,250 | 872,250 |
| 2027 | 810,000 | 62,750 | 872,750 |
| 2028 | 850,000 | 21,250 | 871,250 |
| Total | <u>\$ 9,840,000</u> | <u>\$ 4,199,808</u> | <u>\$ 14,039,808</u> |

3) Special Assessment Debt with Government Commitment

The following represents special assessment debt with governmental commitment recorded as liabilities of the sewer enterprise fund:

To finance the cost of acquisition and construction of certain sanitary sewer facilities to serve and benefit properties within Assessment District No. 2-B, the Town sold \$9,110,678 Limited Obligation Improvement Bonds, (“refunded” bonds) 1991 Series A pursuant to the Improvement Bond Act of 1915 in September 1991. On January 1, 1996, the Town defeased this issue with \$7,191,155 Limited Obligation Improvement Refunding Bonds and \$1,585,973 of deferred connection fees relating to proceeds from the original issuance of the Assessment District 2-B limited obligation bonds. On March 2, 1996, \$8,135,000 of the outstanding refunded bonds were fully called and redeemed resulting in the classification of the transaction as a “current refunding”. Accordingly, the liability for the refunded bonds is no longer included on the financial statements.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

3) Special Assessment Debt with Government Commitment - Continued

The limited obligation refunding bonds were issued as fully registered bonds in denominations of \$5,000 and bear interest ranging from 4.90% to 6.40%. Interest on the bonds is payable commencing March 2, 1996, and semi-annually thereafter on March 2 and September 2. Principal on the bonds is payable annually on September 2 of each year, commencing September 2, 1998. The outstanding balance on the bonds as of June 30, 2012 is \$2,130,000. The bonds are secured by the unpaid reassessments applicable to all properties within the Assessment District which had not previously prepaid their original assessments levied with respect to the Prior Assessment District, and said unpaid reassessments, together with interest thereon, constitute a trust fund for the redemption and payment of the principal of and interest on the bonds. The bond indenture requires a reserve fund to be held by the fiscal agent in an amount equal to \$630,710. The Town has \$630,710 on reserve with the fiscal agent at June 30, 2012. The future annual maturities as of June 30, 2012, are as follows:

| Year Ending | Principal | Interest |
|-------------|--------------|------------|
| 2013 | \$ 480,000 | \$ 131,100 |
| 2014 | 515,000 | 96,600 |
| 2015 | 545,000 | 59,685 |
| 2016 | 590,000 | 20,355 |
| | \$ 2,130,000 | \$ 307,740 |

4) Capital Lease Payable

On February 1, 2002, the Town entered into a lease agreement to acquire real property and the existing structures on the land for a public works facility. The gross amount of the assets acquired was \$185,000, consisting of \$62,000 and \$123,000 for land and buildings, respectively. The Town is obligated to make monthly lease payments of \$1,512. The stated interest rate of the agreement is 5.5%. The lease qualifies as a capital lease for accounting purposes and is recorded in the sewer fund. As of June 30, 2012, future lease payments are as follows:

| Year Ending | Principal | Interest |
|-------------|-----------|----------|
| 2013 | \$ 14,533 | \$ 3,606 |
| 2014 | 15,352 | 2,787 |
| 2015 | 16,219 | 1,920 |
| 2016 | 17,133 | 1,006 |
| 2017 | 8,927 | 144 |
| | \$ 72,164 | \$ 9,463 |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

5) California Housing Loan

The Town obtains loans from the California Housing Finance Agency for issuing down payment assistance loans to low-to-moderate income individuals. The interest associated with these loans (3%) and the principal is to be paid back in ten years from the date of issuance. The principal balance outstanding at June 30, 2012 is \$250,000.

As of June 30, 2012, the future annual maturities are as follows:

| <u>Year Ending</u> | <u>Principal</u> |
|--------------------|-------------------|
| 2016 | <u>\$ 250,000</u> |

6) Obligation Under Installment Purchase Agreement

On June 1, 2004, the Town of Apple Valley entered into an installment purchase agreement with the Mojave Desert and Mountain Integrated Waste Management Authority (“Authority”). The agreement was established when the Authority issued \$5,910,000 Project Revenue Refunding Bonds series 2004. The Bonds were issued to refund the \$6,825,000 Project Revenue Bonds, which were originally issued to fund the design and construction of the Victor Valley Materials Recovery Facility. The Town owns one-half undivided interest in the Materials Recovery Facility.

The Town is obligated to make monthly installment purchase payments to the Authority commencing July 1, 2004 equal to the sum of (1) one-twelfth of the next principal payment and (2) one-sixth of the next interest payment. Interest on the installment purchase obligation ranges from 2% to 5.1% and total annual principal installments range from \$135,000 to \$252,500.

The Town will pay to the Authority the installment payments solely from service revenues, which consist primarily of rates and charges imposed by the Town for solid waste management services. Covenants within the installment purchase agreement require the Town of Apple Valley to establish annual rates sufficient to pay operating expenses and debt service payments in such fiscal year. In addition, such rates shall be charged to produce net revenues equal to at least 125% of the debt service payments due and payable in such fiscal year.

The Town’s liability for unpaid installment payments at June 30, 2012 is \$1,706,458. As of June 30, 2012, installment purchase payment requirements to maturity are as follows:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|---------------------|-------------------|
| 2013 | \$ 183,125 | \$ 83,973 |
| 2014 | 190,625 | 75,701 |
| 2015 | 198,542 | 66,725 |
| 2016 | 210,833 | 57,178 |
| 2017 | 220,833 | 46,828 |
| 2018 | 231,042 | 35,787 |
| 2019 | 243,333 | 24,214 |
| 2020 | 228,125 | 11,804 |
| | <u>\$ 1,706,458</u> | <u>\$ 402,210</u> |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

7) Pension-Related Debt

As of June 30, 2003, CalPERS implemented risk pooling for the Town's multiple-employer public employee defined benefit pension plan. At that point, in accordance with generally accepted accounting principles, the Town's Miscellaneous Plan converted from an "agent" multiple-employer plan to a "cost-sharing" multiple-employer plan. Although a portion of the Town's annual required contributions are actuarially determined and shared by all employers of the risk pool, the Town is also required to make annual payments on a "Side Fund" which was created when the Town entered the risk pool. The responsibility for funding the Side Fund is specific to the Town and is not shared by all employers in the plan. Therefore, the Side Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt. Principal and interest are included in the retirement expenditures in the various functions.

The future debt service requirements on this debt are as follows:

| Year Ending | Pension-related Debt | | Total |
|-------------|----------------------|--------------|--------------|
| | Principal | Interest | |
| 2013 | \$ 23,068 | \$ 127,040 | \$ 150,108 |
| 2014 | 29,920 | 125,067 | 154,987 |
| 2015 | 37,467 | 122,557 | 160,024 |
| 2016 | 45,770 | 119,455 | 165,225 |
| 2017 | 54,891 | 115,704 | 170,595 |
| 2018 | 64,900 | 111,239 | 176,139 |
| 2019 | 75,872 | 105,991 | 181,863 |
| 2020 | 87,887 | 99,887 | 187,774 |
| 2021 | 101,033 | 93,843 | 194,876 |
| 2022 | 115,404 | 84,774 | 200,178 |
| 2023 | 131,101 | 75,582 | 206,683 |
| 2024 | 148,234 | 65,167 | 213,401 |
| 2025 | 166,922 | 53,415 | 220,337 |
| 2026 | 187,291 | 40,206 | 227,497 |
| 2027 | 209,481 | 25,410 | 234,891 |
| 2028 | 233,642 | 8,883 | 242,525 |
| Total | \$ 1,712,883 | \$ 1,374,220 | \$ 3,087,103 |

8) Debt Issuance Costs

Debt issuance costs related to the Town's long-term debt are as follows:

| | Sewer Fund Certificates of Participation | Assessment District 2B-R | Lease Revenue Bonds | Installment Purchase Agreement | Total |
|--|--|-----------------------------|---------------------------|--------------------------------------|------------|
| Debt issuance costs | \$ 51,686 | \$ 311,840 | \$ 344,297 | \$ 152,708 | \$ 860,531 |
| Less: Accumulated Amortization | (51,686) | (265,064) | (57,385) | (81,446) | (455,581) |
| Unamortized portion of debt issuance costs | \$ - | \$ 46,776 | \$2 | \$ 71,262 | \$ 404,950 |
| Current amortization | \$ 3,445 | \$ 15,592 | \$ 11,477 | \$ 10,181 | \$ 40,695 |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

G) Fiduciary Fund Long-Term Debt

Fiduciary Fund long-term debt activity for the 2011-12 fiscal year is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|----------------|----------------|-------------------|------------------------|
| Fiduciary Funds: | | | | | |
| 2005 Tax Allocation Bonds | \$ | \$ 7,205,000 | \$ (175,000) | \$ 7,030,000 | \$ 185,000 |
| Unamortized Premium on Tax Allocation Bonds | | 39,786 | (1,664) | 38,122 | - |
| 2007 Tax Allocation Bonds VVEDA Project Area | | 8,420,000 | (160,000) | 8,260,000 | 160,000 |
| Unamortized Discount on Tax Allocation Bonds VVEDA Project Area | | (246,125) | 9,497 | (236,628) | - |
| 2007 Tax Allocation Bonds Project Area 2 | | 34,530,000 | (695,000) | 33,835,000 | 720,000 |
| Unamortized Premium on Tax Allocation Bonds Project Area 2 | | 106,612 | (4,101) | 102,511 | - |
| Total Fiduciary Funds Long-term Liabilities | \$ - | \$ 50,055,273* | \$ (1,026,268) | \$ 49,029,005 | \$ 1,065,000 |

*This amount represents transfers from the Town to the Successor Agency of the Redevelopment Agency.

1) Tax Allocation Bonds

2005 VVEDA Tax Allocation Bonds

In May of 2005, the Agency issued \$8,130,000 in Tax Allocation Bonds, which mature in amounts from \$130,000 to \$485,000 annually from 2006 to 2035 with interest payments of 3.00% to 4.750% payable semi-annually on June 1 and December 1 of each year.

The purpose of the bonds is to finance certain public capital improvements benefiting the portion of the Victor Valley Economic Development Authority (VVEDA) Project Area that is within the Jurisdiction of the Town. The VVEDA is a joint exercise of powers authority established in 1989 of which the Town is a member. The bonds are special obligations of the Agency and are payable exclusively from Pledged Tax Revenues. The bonds are not a debt of the Town of Apple Valley, the VVEDA or its members, the State of California or any of its political subdivisions, other than the Agency, and neither the Town of Apple Valley, the VVEDA or its members, the State of California nor any of its political subdivisions, other than the Agency, is liable therefore. In no event shall the bonds be payable out of any funds or properties other than those of the Agency. At June 30, 2012, the Bond Reserve Fund was \$513,861 which was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

| Year Ending | Principal | Interest |
|-------------|---------------------|---------------------|
| 2013 | \$ 185,000 | \$ 327,213 |
| 2014 | 190,000 | 320,448 |
| 2015 | 200,000 | 313,270 |
| 2016 | 205,000 | 305,552 |
| 2017 | 215,000 | 297,297 |
| 2018-2022 | 1,215,000 | 1,341,046 |
| 2023-2027 | 1,510,000 | 1,043,746 |
| 2028-2032 | 1,915,000 | 639,549 |
| 2033-2035 | 1,395,000 | 140,262 |
| | <u>\$ 7,030,000</u> | <u>\$ 4,728,383</u> |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

G) Fiduciary Fund Long-Term Debt - Continued

1) Tax Allocation Bonds - Continued

2007 VVEDA Tax Allocation Bonds

In June of 2007, the Agency issued \$8,985,000 in Tax Allocation Bonds, which mature in amounts from \$145,000 to \$1,010,000 annually from 2009 to 2037 with interest payments of 4.00% to 4.75% payable semi-annually on June 1 and December 1 of each year.

The purpose of the bonds is to finance certain redevelopment projects benefiting the portion of the Victor Valley Economic Development Authority (VVEDA) Project Area within the jurisdiction of the Town of Apple Valley. The bonds are special obligations of the Agency and are payable exclusively from Pledged Tax Revenues. The bonds are not a debt of the Town of Apple Valley, the VVEDA or its members, State of California, or any of its political subdivisions, other than the Agency, and neither the Town of Apple Valley, the VVEDA or its members, the State of California nor any of its political subdivisions, other than the Agency, is liable therefore. In no event shall the bonds be payable out of any funds or properties other than those of the Agency. At June 30, 2012, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

| Year Ending | Principal | Interest |
|-------------|--------------|--------------|
| 2013 | \$ 160,000 | \$ 384,183 |
| 2014 | 170,000 | 377,783 |
| 2015 | 175,000 | 370,558 |
| 2016 | 185,000 | 363,120 |
| 2017 | 190,000 | 355,258 |
| 2018-2022 | 1,085,000 | 1,645,249 |
| 2023-2027 | 1,370,000 | 1,370,612 |
| 2028-2032 | 1,715,000 | 1,014,126 |
| 2033-2037 | 3,210,000 | 542,687 |
| | \$ 8,260,000 | \$ 6,423,576 |

2007 Tax Allocation Bonds Project Area 2

In July of 2007, the Redevelopment Agency of the Town of Apple Valley issued \$37,230,000 in Tax Allocation Bonds. Interest on the bonds ranges from 4.00% to 5.75% and is payable semi-annually on June 1 and December 1 of each year. Principal is payable on July 1 to maturity in 2037. Proceeds from the Bonds will be used to finance certain redevelopment activities benefiting the Apple Valley Redevelopment Project Area 2.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

G) Fiduciary Fund Long-Term Debt - Continued

1) Tax Allocation Bonds - Continued

The debt service maturity schedule for the 2007 Tax Allocation Bonds is as follows:

| Year Ending | Principal | Interest | Total |
|-------------|----------------------|----------------------|----------------------|
| 2013 | \$ 720,000 | \$ 1,662,900 | \$ 2,382,900 |
| 2014 | 750,000 | 1,632,300 | 2,382,300 |
| 2015 | 790,000 | 1,589,175 | 2,379,175 |
| 2016 | 840,000 | 1,543,750 | 2,383,750 |
| 2017 | 880,000 | 1,505,950 | 2,385,950 |
| 2018 | 920,000 | 1,466,350 | 2,386,350 |
| 2019 | 960,000 | 1,424,950 | 2,384,950 |
| 2020 | 1,005,000 | 1,381,750 | 2,386,750 |
| 2021 | 1,050,000 | 1,331,500 | 2,381,500 |
| 2022 | 1,105,000 | 1,279,000 | 2,384,000 |
| 2023 | 1,155,000 | 1,223,750 | 2,378,750 |
| 2024 | 1,220,000 | 1,166,000 | 2,386,000 |
| 2025 | 1,275,000 | 1,105,000 | 2,380,000 |
| 2026 | 1,340,000 | 1,041,250 | 2,381,250 |
| 2027 | 1,405,000 | 979,610 | 2,384,610 |
| 2028 | 1,470,000 | 914,980 | 2,384,980 |
| 2029 | 1,540,000 | 844,420 | 2,384,420 |
| 2030 | 1,615,000 | 770,500 | 2,385,500 |
| 2031 | 1,695,000 | 689,750 | 2,384,750 |
| 2032 | 1,780,000 | 605,000 | 2,385,000 |
| 2033 | 1,870,000 | 516,000 | 2,386,000 |
| 2034 | 1,960,000 | 422,500 | 2,382,500 |
| 2035 | 2,060,000 | 324,500 | 2,384,500 |
| 2036 | 2,160,000 | 221,500 | 2,381,500 |
| 2037 | 2,270,000 | 113,500 | 2,383,500 |
| Total | <u>\$ 33,835,000</u> | <u>\$ 25,755,885</u> | <u>\$ 59,590,885</u> |

2) Debt Issuance Costs

Debt issuance costs related to the Fiduciary Fund long-term debt is as follows:

| | |
|--|----------------------------|
| | Tax Allocation Bonds |
| Debt issuance costs | \$ 1,224,777 |
| Less: Accumulated Amortization | <u>(234,978)</u> |
| Unamortized portion of debt issuance costs | <u>\$ 989,799</u> |
| Current amortization | <u>\$ 40,826</u> |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

H) Debt Issued Without Governmental Commitment

The following issues of bonds and certificates of participation are not reflected in the Town's financial statements since they are obligations of private parties (with no government commitment) payable entirely from and secured by non-Town resources as described in the bond resolutions and statements of the various issues:

On September 10, 1991 the Town issued Hospital Revenue Certificates of Participation (St. Mary Desert Valley Hospital), 1991 Refunding Series A in the amount of \$9,485,000. The certificates were issued in order to advance refund the \$9,485,000 California Health Facilities Authority Hospital Revenue Bonds St. Mary Desert Valley Hospital, 1982 Series A issue. These certificates were issued in denominations of \$5,000 and mature October 1, 1992 through 2012 with interest rates ranging from 4.5% to 6.75%. These certificates are the obligation of a private party (St. Mary Desert Valley Hospital) payable entirely from and secured by non-Town resources.

On May 1, 2001, the Town issued Health Facility Revenue Certificates of Participation (Apple Valley Christian Centers) Series 2001 in the amount of \$9,525,000. The certificates were issued in order to advance refund the \$8,500,000 Insured Health Facility Revenue Certificates of Participation Series 1990A. The certificates were issued in denominations of \$5,000 and mature June 1, 2003 through June 1, 2026 with interest rates ranging from 3.65% to 5.5%. As of June 30, 2012, the outstanding balance is \$7,175,000.

The Apple Valley Water District issued Special Assessment District 98-1, 1915 Improvement Act Bonds. These bonds were issued to finance the construction and acquisition of sewer improvements within the area commonly known as Jess Ranch, located within the Assessment District. The Town is in no way liable for repayments of these bonds, but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, when necessary. The bonds mature on September 2, 1999 through 2023. As of June 30, 2012 the outstanding balance is \$1,970,000.

I) Net Assets

In the Government-wide financial statements; net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation on these assets reduces this category.

Restricted Net Assets

This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

This category represents the net assets of the Town that are not externally restricted for any project or other purpose.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

J) Fund Balance

The Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Town considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Town considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the Town Council by ordinance or resolution (these are of equal binding depending on the commitment being made) to formally commit part of the Town's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal Town Council's action utilizing the same type of action that was originally used.

The Town's committed fund balance includes:

- General Fund Emergency Operating Contingency

The Town's General Fund balance committed for emergency contingencies has been set by resolution and is for specific uses listed as the declaration of a state or federal state of emergency, or a local emergency as defined in the Town of Apple Valley Municipal Code.

Assigned Fund Balance - Amounts that are constrained by the Town's intent to use specified financial resources for specific purposes, but are neither restricted nor committed. The Town Council through a resolution, delegates the authority to assign amounts to be used for specific purposes to the Director of Finance.

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

IV) DETAILED NOTES ON ALL FUNDS - Continued

J) Fund Balance - Continued

The details of fund balances as of June 30, 2012 are as follows:

| | General Fund | Article 8 Fund | Parks and Recreation Fund | Capital Projects Fund | Governmental Facilities Fund |
|-----------------------------|----------------------|-------------------|---------------------------------|-----------------------------|------------------------------------|
| Nonspendable: | | | | | |
| Prepaid Items | \$ 61,592 | \$ | \$ | \$ | \$ |
| Long-term Receivables | 8,093,550 | | | | |
| Restricted for: | | | | | |
| Debt Service | | | | | |
| Streets and Transportation | | 79,348 | | | |
| Low/Moderate Income Housing | | | | | |
| Community Development | | | | | |
| Culture and Recreation | | | | | |
| Committed for: | | | | | |
| Emergency Contingency | 4,221,151 | | | | |
| Assigned for: | | | | | |
| Debt Service | | | | | |
| Capital Projects | | | | 9,299,816 | |
| Community Development | | | | | |
| Unassigned | 4,979,355 | | (5,728,164) | | (75,605) |
| Total Fund Balance | <u>\$ 17,355,648</u> | <u>\$ 79,348</u> | <u>\$ (5,728,164)</u> | <u>\$ 9,299,816</u> | <u>\$ (75,605)</u> |

| | Measure I Fund | Projects Manager Grants Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------|---------------------|------------------------------------|--------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Prepaid Items | \$ | \$ | \$ | \$ 61,592 |
| Long-term Receivables | | | | 8,093,550 |
| Restricted for: | | | | |
| Streets and Transportation | 5,675,985 | | 33,686 | 5,789,019 |
| Community Development | | | 3,182,471 | 3,182,471 |
| Culture and Recreation | | | 25,826 | 25,826 |
| Committed for: | | | | |
| Emergency Contingency | | | | 4,221,151 |
| Assigned for: | | | | |
| Capital Projects | | | | 9,299,816 |
| Community Development | | | 1,637,171 | 1,637,171 |
| Unassigned | | (468,460) | (504,141) | (1,797,015) |
| Total Fund Balance | <u>\$ 5,675,985</u> | <u>\$ (468,460)</u> | <u>\$ 4,375,013</u> | <u>\$ 30,513,581</u> |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

V) OTHER INFORMATION

A) Risk Management

The Town is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 123 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has a representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2011-12 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

V) OTHER INFORMATION - Continued

A) Risk Management - Continued

The Town also participates in the worker's compensation pool administered by the Authority. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$4 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

The Town participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the Town. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

The Town participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Town property is currently insured according to a schedule of covered property submitted by the Town to the Authority. Town property currently has all-risk property insurance protection in the amount of \$52,495,215. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

The Town purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

During the past three fiscal (claims) years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2012, the amount of these liabilities was \$45,000. This liability is the Town's best estimate based on available information.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

V) OTHER INFORMATION - Continued

A) Risk Management - Continued

Changes in Claims Payable were as follows:

| | <u>2011-2012</u> | <u>2010-2011</u> |
|--|-------------------|-------------------|
| Claims payable, beginning of fiscal year | \$ 45,000 | \$ 45,000 |
| Current year claims and changes in estimates | - | - |
| Claim payments | - | - |
| | <u> </u> | <u> </u> |
| Claims payable, end of fiscal year | <u>\$ 45,000</u> | <u>\$ 45,000</u> |

B) Participation in Joint Ventures

Victor Valley Wastewater Reclamation Authority - The Town of Apple Valley is a member of the Victor Valley Wastewater Reclamation Authority (“VWRA”), a joint powers agreement between local governments and special districts for the purpose of construction, operation and maintenance of sewer collection, transmission and treatment facilities within the high desert region. The governing body of VWRA is made up of representatives from each significant participant in VWRA. The Town of Apple Valley is joint owners of the Wastewater Reclamation Plan with the cities of Victorville, Adelanto, Hesperia and the County of San Bernardino. Budgeting and financing are the responsibility of the VWRA.

The Town makes monthly payments to VWRA for sewer treatment and connection fee services. During the 2011-2012 fiscal year, the Town remitted approximately \$2,111,382 to VWRA.

The audited financial statements of the VWRA can be obtained by request from P.O. Box 1481, Victorville, California 92393.

Mojave Desert and Mountain Integrated Waste Management Authority - The Town of Apple Valley is a member of the Mojave Desert and Mountain Integrated Waste Management Authority (“Authority”), a joint powers agreement between local governments for the purpose of studying and planning ways and means to develop source reduction and recycling elements for their respective boundaries pursuant to Public Resources Code Section 40950 (A.B. 939). The governing body of the Authority is made up of representatives from each significant participants in the Authority. Budgeting and financing are the responsibility of the Authority. Contribution rates from member agencies are based on each member’s current population as a percentage of the total population of the Authority. The Town of Apple Valley maintains a 50% interest in the Materials Recovery Facility (MRF). The Town’s net investment in the Joint Venture at June 30, 2012 was \$1,786,665. The remaining 50% interest is maintained by the Town of Victorville. All operations are maintained through the Town and reported as an Agency Fund in the Town’s financial statements.

The audited financial statements of the Authority can be obtained by request from the Town of Apple Valley at 14955 Dale Evans Parkway, Apple Valley, California 92307.

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012**

V) OTHER INFORMATION - Continued

B) Participation in Joint Ventures - Continued

Victor Valley Transit Authority - The Town of Apple Valley is a member of the Victor Valley Transit Authority (VVTA), a joint powers agreement between the Town of Apple Valley, Town of Victorville, Hesperia, and the County of San Bernardino for the purpose of implementing a public transit system to serve the Victor Valley and to provide connecting services to all other areas. The governing body of VVTA is made up of representatives from each significant participant in VVTA. Budgeting and financing are the responsibility of VVTA. The Town has agreed to sell monthly bus passes issued by VVTA and to remit quarterly the previous quarter's sales receipts and proceeds. This activity is included in the Agency Funds.

The audited financial statements of the VVTA can be obtained by request from P.O. Box 5001, Victorville, California 92393.

Victor Valley Economic Development Authority - The Town is a member of the Victor Valley Economic Development Authority (VVEDA), a joint powers authority along with the Town of Victorville, Hesperia and the County of San Bernardino. Its purpose is to coordinate the transition of George Air Force Base from military to civilian use. All operations are maintained through the Town and reported as an Agency Fund in the Town's financial statements.

The financial statements of the VVEDA can be obtained by request from the Town of Apple Valley at 14955 Dale Evans Parkway, Apple Valley, California 92307.

C) Town Employees Retirement Plan (Defined Benefit Pension Plan)

Plan Description - The Town of Apple Valley contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Town ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding Policy - Participants are required to contribute 8% of their annual covered salary. The Town makes the contributions required of Town employees on their behalf and for their account. The Town is also required to make an additional contribution at an actuarially determined rate. The current rate is 16.633% of annual covered payroll for non-safety employees. The contribution requirements of plan members and the Town are established and may be amended by PERS.

| Fiscal Year | Required Contributions | Percent Contributed |
|----------------|---------------------------|------------------------|
| 6/30/10 | 981,910 | 100% |
| 6/30/11 | 977,516 | 100% |
| 6/30/12 | 1,149,746 | 100% |

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

V) OTHER INFORMATION - Continued

D) Post Employment Benefits

Plan Description

The Town's single-employer defined benefit postemployment healthcare plan, (Town of Apple Valley Retiree Healthcare Plan, AVRHP), provides medical benefits to eligible retired Town employees and spouses through individual members' insurance plans. The AVRHP does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Council. The Town contributes the medical insurance premiums for qualified retirees for a maximum of ten years from the employee's retirement date from the Public Employee Retirement System but not past age 65.

The Town is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC rate is 3.25% of the current annual covered payroll. The plan is financed on a pay-as-you-go basis.

Annual OPEB Cost

The Town's annual OPEB cost, net OPEB obligation (asset) and the related information for 2012 were as follows:

| | |
|---|---------------------|
| Annual Required Contribution | \$ 590,971 |
| Interest on Net Pension Obligation (Asset) | 37,061 |
| Adjustment to Annual Required Contribution | (79,946) |
| Annual OPEB Cost | <u>548,086</u> |
| Contributions Made | (43,046) |
| Pension Asset Amortization | - |
| Increase (Decrease) in Net Pension Obligation (Asset) | <u>505,040</u> |
| Net Pension Obligation (Asset) Beginning of Year | 673,844 |
| Net Pension Obligation (Asset) End of Year | <u>\$ 1,178,884</u> |

For 2012, the Town's annual OPEB cost (expense) of \$548,046 for AVRHP was less than the ARC. OPEB costs are typically charged to the General fund and to the Government-wide financial statements for governmental activities. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

V) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

Annual OPEB Cost - Continued

THREE-YEAR TREND INFORMATION FOR CERBT

| <u>Fiscal Year</u> | <u>Annual OPEB Cost (AOC)</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------|-----------------------------------|--|--------------------------------|
| 6/30/12 | \$ 548,046 | 7.9% | \$ 1,178,884 |
| 6/30/11 | \$ 242,958 | 7.2% | 673,844 |
| 6/30/10 | \$ 255,426 | 1.3% | 448,474 |

*The information for the year ending June 30, 2008 is unavailable. GASB 45 was implemented in fiscal year 2009.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, was as follows:

| | |
|---|--------------|
| Actuarial Accrued Liability (AAL) | \$ 814,929 |
| Actuarial Value of Plan Assets | \$ 0 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 814,929 |
| Funded Ratio (Actuarial Value of Plan Assets/AAL) | 0% |
| Covered Payroll (Active Plan Members) | \$ 7,840,673 |
| UAAL as a Percentage of Covered Payroll | 10.394% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

V) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

Actuarial Methods and Assumptions - Continued

The following is a summary of the actuarial assumptions and methods:

| | |
|---------------------------------|--|
| Valuation Date | June 30, 2012 |
| Actuarial Cost Method | Frozen Attained Age |
| Amortization method | Level Dollar Closed Basis |
| Amortization Period | 30 years |
| Mortality | RP 2000 Mortality Table projected to 2004. Blended tables for males and females (50%/50%). |
| Age at Retirement | Age 55 with 10 years of service or age +1 if eligible to retire. |
| Termination Prior to Retirement | |
| Attained Age: | 20 – 29 30 – 39 40 – 49 50+ |
| Rate of Termination: | 6% 3% 1% 0% |
| Inflation Rate | 0.0% for 2012/13, 9.05% for 2013/14 graded to 5.0% for 2017/18+ |
| Investment Rate of Return | 4.00% |

E) Commitments and Contingent Liabilities

The Town is a defendant in several pending lawsuits of a nature common to many similar jurisdictions. Town management and legal counsel of the town estimates that the potential claims against the Town not covered by insurance resulting from such litigation would not materially adversely affect the financial statements of the Town.

The Town has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

F) Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the Town of Apple Valley that previously had reported a redevelopment agency within the reporting entity of the Town as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the Town or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the Town Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of Town Resolution No. 2012-03.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

V) OTHER INFORMATION - Continued

F) Successor Agency Trust for Assets of Former Redevelopment Agency - Continued

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the Town are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill.

The Town's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the Town.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final several months of the activity of the redevelopment agency continued to be reported in the governmental funds of the Town. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the Town.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the Town to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary gain (loss) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2012

V) OTHER INFORMATION - Continued

F) Successor Agency Trust for Assets of Former Redevelopment Agency - Continued

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

| | |
|---|------------------------|
| Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund. | \$ 31,265,732 |
| Deferred revenue on accounts receivables is not recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund. | 141,883 |
| Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund. | (201,198) |
| Unamortized bond issuance cost reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund. | 1,030,625 |
| Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund. | <u>(50,055,273)</u> |
| Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the Town). | <u>\$ (17,818,231)</u> |

G) Prior Period Adjustment

The prior period adjustment of \$817,970 in Statement of Activities and the governmental fund financial statements represents expenditures relating to law enforcement services which were not accrued in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 14,557,634 | \$ 14,746,634 | \$ 14,755,723 | \$ 9,089 |
| Licenses & Permits | 871,500 | 728,500 | 730,037 | 1,537 |
| Fines & Forfeitures | 642,000 | 642,000 | 597,178 | (44,822) |
| Investment Income | 75,000 | 75,000 | 15,894 | (59,106) |
| Intergovernmental | 295,000 | 295,000 | 322,358 | 27,358 |
| Charges for Services | 815,500 | 588,500 | 643,710 | 55,210 |
| Other Revenue | 378,050 | 590,050 | 587,033 | (3,017) |
| Total Revenues | 17,634,684 | 17,665,684 | 17,651,933 | (13,751) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 6,595,137 | 6,168,747 | 1,105,638 | 5,063,109 |
| Public Safety | 12,523,526 | 12,587,526 | 12,719,721 | (132,195) |
| Community Development | 3,033,092 | 3,017,092 | 2,896,883 | 120,209 |
| Capital Outlay | 15,000 | | 143,108 | (143,108) |
| Debt Service: | | | | |
| Principal | 13,694 | 13,694 | 14,870 | (1,176) |
| Interest and Fiscal Charges | 4,445 | 4,445 | 4,382 | 63 |
| Total Expenditures | 22,184,894 | 21,791,504 | 16,884,602 | 4,906,902 |
| Excess (Deficiency) of Revenues over Expenditures | (4,550,210) | (4,125,820) | 767,331 | 4,893,151 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 5,551,761 | 5,551,761 | 483,655 | (5,068,106) |
| Transfers Out | (1,576,849) | (2,377,539) | (1,423,188) | 954,351 |
| Total Other Financing Sources (Uses) | 3,974,912 | 3,174,222 | (939,533) | (4,113,755) |
| Net Change in Fund Balances | (575,298) | (951,598) | (172,202) | 779,396 |
| Fund Balances, Beginning | 18,345,820 | 18,345,820 | 18,345,820 | |
| Prior Period Adjustment | | | (817,970) | (817,970) |
| Fund Balances, Ending | \$ 17,770,522 | \$ 17,394,222 | \$ 17,355,648 | \$ (38,574) |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Article 8 Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|--------------------------|--------------------------|-------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 535,936 | \$ 534,936 | \$ | \$ (534,936) |
| Investment Income | | | | - |
| Total Revenues | <u>535,936</u> | <u>534,936</u> | <u>-</u> | <u>(534,936)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | <u>275,394</u> | <u>275,394</u> | | <u>275,394</u> |
| Total Expenditures | <u>275,394</u> | <u>275,394</u> | <u>-</u> | <u>275,394</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>260,542</u> | <u>259,542</u> | <u>-</u> | <u>(259,542)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | | | | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | 260,542 | 259,542 | - | (259,542) |
| Fund Balances, Beginning | <u>79,348</u> | <u>79,348</u> | <u>79,348</u> | |
| Fund Balances, Ending | <u><u>\$ 339,890</u></u> | <u><u>\$ 338,890</u></u> | <u><u>\$ 79,348</u></u> | <u><u>\$ (259,542)</u></u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Parks and Recreation Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------------------|------------------------------|------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 1,888,000 | \$ 1,888,000 | \$ 1,529,710 | \$ (358,290) |
| Intergovernmental | | | | - |
| Charges for Services | 771,917 | 927,667 | 935,706 | 8,039 |
| Other Revenue | 151,000 | | 836 | 836 |
| Total Revenues | <u>2,810,917</u> | <u>2,815,667</u> | <u>2,466,252</u> | <u>(349,415)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and Recreation | 3,816,607 | 3,875,907 | 3,761,328 | 114,579 |
| Capital Outlay | 15,000 | | | - |
| Total Expenditures | <u>3,831,607</u> | <u>3,875,907</u> | <u>3,761,328</u> | <u>114,579</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(1,020,690)</u> | <u>(1,060,240)</u> | <u>(1,295,076)</u> | <u>(234,836)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 800,690 | 743,652 | 842,321 | 98,669 |
| Total Other Financing Sources (Uses) | <u>800,690</u> | <u>743,652</u> | <u>842,321</u> | <u>98,669</u> |
| Net Change in Fund Balance | (220,000) | (316,588) | (452,755) | (136,167) |
| Fund Balance, Beginning | <u>(5,275,409)</u> | <u>(5,275,409)</u> | <u>(5,275,409)</u> | |
| Fund Balance, Ending | <u><u>\$ (5,495,409)</u></u> | <u><u>\$ (5,591,997)</u></u> | <u><u>\$ (5,728,164)</u></u> | <u><u>\$ (136,167)</u></u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Low/Moderate Housing Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 1,600,000 | \$ 1,600,000 | \$ 391,164 | \$ (1,208,836) |
| Investment Income | 140,000 | 140,000 | 9,328 | (130,672) |
| Total Revenues | <u>1,740,000</u> | <u>1,740,000</u> | <u>400,492</u> | <u>(1,339,508)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community Development | 10,820,371 | 10,820,371 | 257,977 | 10,562,394 |
| Capital Outlay | 1,000,000 | 1,000,000 | | 1,000,000 |
| Debt Service: | | | | |
| Principal | 85,528 | 85,528 | | 85,528 |
| Interest | 208,061 | 208,061 | 104,030 | 104,031 |
| Total Expenditures | <u>12,113,960</u> | <u>12,113,960</u> | <u>362,007</u> | <u>11,751,953</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(10,373,960)</u> | <u>(10,373,960)</u> | <u>38,485</u> | <u>10,412,445</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | | | | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Extraordinary Item | | | (16,282,273) | (16,282,273) |
| Net Change in Fund Balances | (10,373,960) | (10,373,960) | (16,243,788) | (5,869,828) |
| Fund Balance, Beginning | <u>16,243,788</u> | <u>16,243,788</u> | <u>16,243,788</u> | <u>-</u> |
| Fund Balance, Ending | <u>\$ 5,869,828</u> | <u>\$ 5,869,828</u> | <u>\$ -</u> | <u>\$ (5,869,828)</u> |

Town of Apple Valley, California
Schedule of Funding Progress for AVRHP
Year Ended June 30, 2012

Schedule of Funding Progress for AVRHP

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) Entry Age (B) | Unfunded AAL (UAAL) (B - A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a Percentage of Covered Payroll [(B-A)/C] |
|--------------------------------|--|--|--------------------------------------|--------------------------|---------------------------|---|
| 06/30/12 | \$ - | \$ 814,929 | \$ 814,929 | 0% | \$ 7,840,673 | 10.394% |
| 06/30/09 | \$ - | \$ 852,200 | \$ 852,200 | 0% | \$ 6,602,216 | 12.908% |

*GASB 45 was implemented prospectively in fiscal year 2009. There were no previous actuarial valuations.

Town of Apple Valley, California
Notes to Required Supplementary Information
Year Ended June 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING

The Town adopts an annual budget on a basis consistent with generally accepted accounting principles. All governmental funds where revenues and expenditures can be estimated or anticipated have legally adopted annual budgets except for debt service funds for which activity is controlled by means of debt agreements. The Town Manager is required to prepare and submit to the Town Council the annual budget of the Town and administer it after adoption. Town Council approval is required for budget revisions affecting capital improvement projects, any expenditures from budgeted contingency reserve funds and for budget revisions that increase total Town appropriations. Town Manager approval is required for transfers between departments in the General Fund. Only Department Head approval is required for transfers within the Department, as long as total budgeted appropriations for that Department is not exceeded. Prior appropriations lapse unless they are reappropriated through the formal budget process. Total expenditures may not legally exceed total appropriations at the fund level.

The Town did not budget for revenues or expenditures in the following funds:

Air Pollution Control District, Assessment District L-1, ADDI Down Payment Assistance, Help Down Payment Assistance, FEMA/OES, HCD State Program Income, CDBG Program Income, Governmental Facilities, Prop 1B, NAVISP Infrastructure, and Storm Drains.

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SUPPLEMENTARY INFORMATION

Town of Apple Valley, California Nonmajor Governmental Funds

Special Revenue Funds:

Street Maintenance Fund – To account for the revenues and expenditures of the Town’s proportionate share of gas tax monies collected by the State of California which are restricted for street maintenance and repairs.

Community Development Block Grant Fund – To account for the revenues and expenditures of approved Federal Housing and Community Development Act projects.

Air Pollution Control District Fund – To account for monies received from the Air Pollution Control District which are used to improve air quality.

Neighborhood Stabilization Program Fund - To account for revenues received from a special CDBG allocation that addresses the problem of abandoned and foreclosed homes.

Assessment District L-1 Fund – To account for the revenues and expenditures of Assessment District L-1 which provides landscaping and right-of-way maintenance in accordance with the homeowners’ agreement.

HOME Fund – To account for revenue received from the Department of Housing and Urban Development for assisting low and moderate income individuals to purchase homes.

Prop 1B Fund – To account for the revenues and expenditures associated with the Town’s share of Prop 1B funds.

ADDI Down Payment Assistance Fund – To account for funds received from the California Department of Housing and Community Development for down payment assistance loans given to homeowners.

Help Down Payment Assistance Fund – To account for down payment assistance loans made out to homeowners funded through the California Housing Finance Authority.

Quimby Fees Fund – To account for revenues received from developers and restricted for the development of parks.

FEMA/OES Fund – To account for FEMA expenditures and reimbursements.

HUD ADDI Fund – To account for funds received from the U.S. Department of Housing and Urban Development for down payment assistance loans given to homeowners.

HCD State Program Income Fund – To account for program income received from state funded loans repaid to the Town and expenditures made on new loans.

CDBG Program Income Fund – To account for program income received from CDBG expenditures reimbursed.

SANBAG Stimulus Fund – To account for revenues received for local projects approved under the SANBAG Local Stimulus Program.

Town of Apple Valley, California
Nonmajor Governmental Funds - Continued

Capital Projects Funds:

NAVISP Fund – To account for the construction of infrastructure improvement projects related to implementation of the North Apple Valley Industrial Specific Plan (NAVISP).

Storm Drains Fund – To account for development impact fees received for acquiring land, engineering, and/or constructing storm drain infrastructure.

Development Impact Fees Fund – To accounts for funds received to mitigate the impact of new development on the Town's infrastructure.

Debt Service Funds:

2007 Town Hall Revenue Bonds – To account for and report financial resources that are restricted for the payment of interest and principal on the 2007 Town Hall Revenue Bonds.

1999 COPS Fund – To account for and report financial resources restricted for the payment of interest and principal on the 1999 Public Facilities Financing Project Certificates of Participation.

2001 COPS Fund – To account for and report financial resources to advance refund and economically defease the \$2,570,000 Certificates of Participation issued on August 1, 1995 and payment of interest and principal on the 2001 Certificate of participation.

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

| | Special Revenue | | | |
|--------------------------------------|-----------------------|-------------------|-----------------------------------|--|
| | Street Maintenance | CDBG | Air Pollution Control District | Neighborhood Stabilization Program |
| ASSETS | | | | |
| Cash and Investments | \$ | \$ | \$ 85,636 | \$ |
| Cash with Fiscal Agent | | | | |
| Accounts Receivable | | | | |
| Due from Other Funds | | | | |
| Due from Other Governments | 196,470 | 156,984 | 58 | 90,158 |
| Loans Receivable | | | | 1,287,591 |
| | <u>196,470</u> | <u>156,984</u> | <u>58</u> | <u>1,287,591</u> |
| Total Assets | <u>\$ 196,470</u> | <u>\$ 156,984</u> | <u>\$ 85,694</u> | <u>\$ 1,377,749</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 68,015 | \$ 54,334 | \$ | \$ |
| Accrued Liabilities | 16,023 | 1,480 | | |
| Due to Other Governments | | | | |
| Due to Other Funds | 82,681 | 101,170 | | 90,158 |
| Deferred Revenue | | 63,674 | | 1,287,591 |
| | <u>166,719</u> | <u>220,658</u> | <u>-</u> | <u>1,377,749</u> |
| Total Liabilities | <u>166,719</u> | <u>220,658</u> | <u>-</u> | <u>1,377,749</u> |
| Fund Balances: | | | | |
| Restricted | 29,751 | | 85,694 | |
| Assigned | | | | |
| Unassigned | | (63,674) | | |
| | <u>29,751</u> | <u>(63,674)</u> | <u>85,694</u> | <u>-</u> |
| Total Fund Balances | <u>29,751</u> | <u>(63,674)</u> | <u>85,694</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 196,470</u> | <u>\$ 156,984</u> | <u>\$ 85,694</u> | <u>\$ 1,377,749</u> |

Special Revenue

| Assessment District L-1 | HOME | Prop 1B | ADDI Down Payment Assistance | Help Down Payment Assistance | Quimby Fees | FEMA/OES |
|----------------------------|----------------------|-----------------|------------------------------------|------------------------------------|------------------|--------------------|
| \$ 909,708 | \$ 18,921 | \$ 3,932 | \$ 1 | \$ | \$ 25,785 | \$ |
| 2,673 | 267,062 1,398,196 | 3 | | 185,434 | 41 | 283,534 |
| <u>\$ 912,381</u> | <u>\$ 1,684,179</u> | <u>\$ 3,935</u> | <u>\$ 1</u> | <u>\$ 185,434</u> | <u>\$ 25,826</u> | <u>\$ 283,534</u> |
| \$ 13,833 | \$ 57,272 626 | \$ | \$ | \$ | \$ | \$ |
| | 209,152 1,574,185 | | | 185,434 | | 277,546 283,534 |
| <u>13,833</u> | <u>1,841,235</u> | <u>-</u> | <u>-</u> | <u>185,434</u> | <u>-</u> | <u>561,080</u> |
| 898,548 | | 3,935 | 1 | | 25,826 | |
| | (157,056) | | | | | (277,546) |
| <u>898,548</u> | <u>(157,056)</u> | <u>3,935</u> | <u>1</u> | <u>-</u> | <u>25,826</u> | <u>(277,546)</u> |
| <u>\$ 912,381</u> | <u>\$ 1,684,179</u> | <u>\$ 3,935</u> | <u>\$ 1</u> | <u>\$ 185,434</u> | <u>\$ 25,826</u> | <u>\$ 283,534</u> |

Continued

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds - Continued
June 30, 2012

| | Special Revenue | | | |
|--|-----------------|--------------------------------|------------------------|--------------------|
| | HUD ADDI | HCD State Program Income | CDBG Program Income | SANBAG Stimulus |
| ASSETS | | | | |
| Cash and Investments | \$ | \$ 23,920 | \$ 3,405 | \$ |
| Cash with Fiscal Agent | | | | |
| Accounts Receivable | | | 112,292 | |
| Due from Other Funds | | | | |
| Due from Other Governments | | 12 | 1 | 31,786 |
| Loans Receivable | | 755,500 | 856,265 | |
| Total Assets | \$ - | \$ 779,432 | \$ 971,963 | \$ 31,786 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ | \$ | \$ | \$ |
| Accrued Liabilities | | | | |
| Due to Other Governments | | | | |
| Due to Other Funds | | | | 33,179 |
| Deferred Revenue | | 755,500 | 968,557 | |
| Total Liabilities | - | 755,500 | 968,557 | 33,179 |
| Fund Balances: | | | | |
| Restricted | | 23,932 | 3,406 | |
| Assigned | | | | |
| Unassigned | | | | (1,393) |
| Total Fund Balances | - | 23,932 | 3,406 | (1,393) |
| Total Liabilities and Fund Balances | \$ - | \$ 779,432 | \$ 971,963 | \$ 31,786 |

| Capital Projects | | | Debt Service | | | Total Nonmajor Governmental Funds |
|-----------------------|-------------------|-------------------------|------------------------------|-------------------|-------------------|-----------------------------------|
| NAVISP Infrastructure | Storm Drains | Development Impact Fees | 2007 Town Hall Revenue Bonds | 1999 COPS | 2001 COPS | |
| \$ 1,636,056 | \$ 968,361 | \$ 1,201,094 | \$ | \$ 117,250 | \$ 197,394 | \$ 4,876,819 |
| | | | | | | 314,644 |
| | | | | | | 112,292 |
| | | | | | | - |
| 1,115 | 651 | 784 | | | | 1,031,332 |
| | | | | | | 4,482,986 |
| <u>\$ 1,637,171</u> | <u>\$ 969,012</u> | <u>\$ 1,201,878</u> | <u>\$ -</u> | <u>\$ 117,250</u> | <u>\$ 197,394</u> | <u>\$ 10,818,073</u> |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ 193,454 |
| | | | | | | 18,129 |
| | | | | | | - |
| | | | | 120,044 | 199,072 | 1,113,002 |
| | | | | | | 5,118,475 |
| | | | | | | |
| - | - | - | - | 120,044 | 199,072 | 6,443,060 |
| | | | | | | |
| 1,637,171 | 969,012 | 1,201,878 | | (2,794) | (1,678) | 3,241,983 |
| | | | | | | 1,637,171 |
| | | | | | | (504,141) |
| <u>1,637,171</u> | <u>969,012</u> | <u>1,201,878</u> | <u>-</u> | <u>(2,794)</u> | <u>(1,678)</u> | <u>4,375,013</u> |
| <u>\$ 1,637,171</u> | <u>\$ 969,012</u> | <u>\$ 1,201,878</u> | <u>\$ -</u> | <u>\$ 117,250</u> | <u>\$ 197,394</u> | <u>\$ 10,818,073</u> |

Town of Apple Valley, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2012

| | Special Revenue | | | |
|--|-----------------------|--------------------|-----------------------------------|--|
| | Street Maintenance | CDBG | Air Pollution Control District | Neighborhood Stabilization Program |
| REVENUES | | | | |
| Taxes | \$ | \$ | \$ 46,285 | \$ |
| Licenses and Permits | | | | |
| Investment Income | | | 280 | |
| Intergovernmental | 1,952,560 | 414,029 | | 126,792 |
| Other Revenue | 1,705 | | | |
| | <u>1,954,265</u> | <u>414,029</u> | <u>46,565</u> | <u>126,792</u> |
| Total Revenues | <u>1,954,265</u> | <u>414,029</u> | <u>46,565</u> | <u>126,792</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | | | | |
| Public Safety | | | | |
| Transportation | 1,908,776 | | 70,000 | |
| Culture and Recreation | | | | |
| Community Development | | 449,413 | | 126,792 |
| Capital Outlay | 10,779 | | | |
| Debt Service: | | | | |
| Principal | | | | |
| Interest and Fiscal Charges | | | | |
| | <u>1,919,555</u> | <u>449,413</u> | <u>70,000</u> | <u>126,792</u> |
| Total Expenditures | <u>1,919,555</u> | <u>449,413</u> | <u>70,000</u> | <u>126,792</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>34,710</u> | <u>(35,384)</u> | <u>(23,435)</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | | | | |
| Transfers Out | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 34,710 | (35,384) | (23,435) | - |
| Fund Balances - Beginning | <u>(4,959)</u> | <u>(28,290)</u> | <u>109,129</u> | <u>-</u> |
| Fund Balances - Ending | <u>\$ 29,751</u> | <u>\$ (63,674)</u> | <u>\$ 85,694</u> | <u>\$ -</u> |

| Assessment District L-1 | Special Revenue | | | | | |
|----------------------------|---------------------|-----------------|------------------------------------|------------------------------------|------------------|---------------------|
| | HOME | Prop 1B | ADDI Down Payment Assistance | Help Down Payment Assistance | Quimby Fees | FEMA/OES |
| \$ 318,928 | \$ | \$ | \$ | \$ | \$ | \$ |
| 2,743 | 52 | | | | 33,799 | 1 |
| | 391,153 | | | | 96 | |
| | 18,865 | | | | | |
| <u>321,671</u> | <u>410,070</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>33,895</u> | <u>1</u> |
| 166,004 | | 365 | | | | |
| | 544,976 | | | | | |
| <u>166,004</u> | <u>544,976</u> | <u>365</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>155,667</u> | <u>(134,906)</u> | <u>(365)</u> | <u>-</u> | <u>-</u> | <u>33,895</u> | <u>1</u> |
| | | | | | (41,631) | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(41,631)</u> | <u>-</u> |
| 155,667 | (134,906) | (365) | - | - | (7,736) | 1 |
| 742,881 | (22,150) | 4,300 | 1 | - | 33,562 | (277,547) |
| <u>\$ 898,548</u> | <u>\$ (157,056)</u> | <u>\$ 3,935</u> | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ 25,826</u> | <u>\$ (277,546)</u> |

Continued

Town of Apple Valley, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds - Continued
Year Ended June 30, 2012

| | Special Revenue | | | |
|--|-----------------|--------------------------------|------------------------|--------------------|
| | HUD ADDI | HCD State Program Income | CDBG Program Income | SANBAG Stimulus |
| REVENUES | | | | |
| Taxes | \$ | \$ | \$ | \$ |
| Licenses and Permits | | | | |
| Investment Income | | 28 | 2 | |
| Intergovernmental | | | | 990,333 |
| Other Revenue | | 23,895 | 3,403 | |
| Total Revenues | - | 23,923 | 3,405 | 990,333 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | | | | |
| Public Safety | | | | |
| Transportation | | | | 47,868 |
| Culture and Recreation | | | | |
| Community Development | | 10,008 | 3,403 | |
| Capital Outlay | | | | |
| Debt Service: | | | | |
| Principal | | | | |
| Interest and Fiscal Charges | | | | |
| Total Expenditures | - | 10,008 | 3,403 | 47,868 |
| Excess (Deficiency) of Revenues Over Expenditures | - | 13,915 | 2 | 942,465 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | | | | |
| Transfers Out | | | | |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net Change in Fund Balances | - | 13,915 | 2 | 942,465 |
| Fund Balances - Beginning | - | 10,017 | 3,404 | (943,858) |
| Fund Balances - Ending | \$ - | \$ 23,932 | \$ 3,406 | \$ (1,393) |

| Capital Projects | | | Debt Service | | | Total |
|--------------------------|-------------------|----------------------------|------------------------------------|-------------------|-------------------|-----------------------------------|
| NAVISP Infrastructure | Storm Drains | Development Impact Fees | 2007 Town Hall Revenue Bonds | 1999 COPS | 2001 COPS | Nonmajor Governmental Funds |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ 365,213 |
| | 56,918 | 89,243 | | | | 179,960 |
| 6,547 | 2,725 | 3,522 | | | | 15,995 |
| | | | | | | 3,874,868 |
| | | | | | | 47,868 |
| <u>6,547</u> | <u>59,643</u> | <u>92,765</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,483,904</u> |
| | | 356 | 2,581 | 62,715 | 20,520 | 86,172 |
| | | | | | | - |
| | | | | | | 2,193,013 |
| | | | | | | - |
| 370 | 231,110 | | | | | 1,366,072 |
| | | 6,100 | | | | 16,879 |
| | | | 420,000 | 315,000 | 202,500 | 937,500 |
| | | | 462,243 | 4,925 | 2,402 | 469,570 |
| <u>370</u> | <u>231,110</u> | <u>6,456</u> | <u>884,824</u> | <u>382,640</u> | <u>225,422</u> | <u>5,069,206</u> |
| <u>6,177</u> | <u>(171,467)</u> | <u>86,309</u> | <u>(884,824)</u> | <u>(382,640)</u> | <u>(225,422)</u> | <u>(585,302)</u> |
| | | 19,880 | 18,911 | 379,845 | 223,742 | 642,378 |
| | | | (19,880) | | | (61,511) |
| <u>-</u> | <u>-</u> | <u>19,880</u> | <u>(969)</u> | <u>379,845</u> | <u>223,742</u> | <u>580,867</u> |
| 6,177 | (171,467) | 106,189 | (885,793) | (2,795) | (1,680) | (4,435) |
| <u>1,630,994</u> | <u>1,140,479</u> | <u>1,095,689</u> | <u>885,793</u> | <u>1</u> | <u>2</u> | <u>4,379,448</u> |
| <u>\$ 1,637,171</u> | <u>\$ 969,012</u> | <u>\$ 1,201,878</u> | <u>\$ -</u> | <u>\$ (2,794)</u> | <u>\$ (1,678)</u> | <u>\$ 4,375,013</u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 5,100,000 | \$ 5,100,000 | \$ 1,564,656 | \$ (3,535,344) |
| Investment Income | 60,000 | 60,000 | | (60,000) |
| Total Revenues | <u>5,160,000</u> | <u>5,160,000</u> | <u>1,564,656</u> | <u>(3,595,344)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community Development | 8,000 | 8,000 | 7,512 | 488 |
| Debt Service: | | | | |
| Principal | 944,472 | 944,472 | | 944,472 |
| Interest and Fiscal Charges | 2,206,317 | 2,206,317 | 1,112,008 | 1,094,309 |
| Pass-Through Agreements | 775,000 | 775,000 | | 775,000 |
| Capital Outlay | | | | - |
| Total Expenditures | <u>3,933,789</u> | <u>3,933,789</u> | <u>1,119,520</u> | <u>2,814,269</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>1,226,211</u> | <u>1,226,211</u> | <u>445,136</u> | <u>(781,075)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | | | | - |
| Transfers Out | (16,727,101) | (16,727,101) | | 16,727,101 |
| Total Other Financing Sources (Uses) | <u>(16,727,101)</u> | <u>(16,727,101)</u> | <u>-</u> | <u>16,727,101</u> |
| Extraordinary Item | | | (17,097,781) | (17,097,781) |
| Net Change in Fund Balances | (15,500,890) | (15,500,890) | (16,652,645) | (1,151,755) |
| Fund Balance, Beginning | <u>16,652,645</u> | <u>16,652,645</u> | <u>16,652,645</u> | <u>-</u> |
| Fund Balance, Ending | <u>\$ 1,151,755</u> | <u>\$ 1,151,755</u> | <u>\$ -</u> | <u>\$ (1,151,755)</u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Licenses and Permits | \$ 350,000 | \$ 350,000 | \$ 170,602 | \$ (179,398) |
| Investment Income | 25,000 | 25,000 | 28,896 | 3,896 |
| Other Revenue | 350,000 | 350,000 | 452,093 | 102,093 |
| Total Revenues | <u>725,000</u> | <u>725,000</u> | <u>651,591</u> | <u>(73,409)</u> |
| EXPENDITURES | | | | |
| Capital Outlay | 1,250,000 | 1,250,000 | 456,623 | 793,377 |
| Total Expenditures | <u>1,250,000</u> | <u>1,250,000</u> | <u>456,623</u> | <u>793,377</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(525,000)</u> | <u>(525,000)</u> | <u>194,968</u> | <u>719,968</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | | | | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | (525,000) | (525,000) | 194,968 | 719,968 |
| Fund Balance, Beginning | 9,104,848 | 9,104,848 | 9,104,848 | - |
| Fund Balance, Ending | <u>\$ 8,579,848</u> | <u>\$ 8,579,848</u> | <u>\$ 9,299,816</u> | <u>\$ 719,968</u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Capital Projects Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|--------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Investment Income | \$ | \$ | \$ 4,756 | \$ 4,756 |
| Other Revenue | | | 1,989 | 1,989 |
| Total Revenues | | | <u>6,745</u> | <u>6,745</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community Development | 1,004,230 | 1,016,730 | 825,297 | 191,433 |
| Debt Service: | | | | |
| Interest | | | | - |
| Capital Outlay | <u>15,000,000</u> | <u>15,615,500</u> | <u>944,297</u> | <u>14,671,203</u> |
| Total Expenditures | <u>16,004,230</u> | <u>16,632,230</u> | <u>1,769,594</u> | <u>14,862,636</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(16,004,230)</u> | <u>(16,632,230)</u> | <u>(1,762,849)</u> | <u>14,869,381</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 16,727,101 | 16,727,101 | | (16,727,101) |
| Transfers Out | <u>(722,871)</u> | <u>(722,871)</u> | | <u>722,871</u> |
| Total Other Financing Sources (Uses) | <u>16,004,230</u> | <u>16,004,230</u> | <u>-</u> | <u>(16,004,230)</u> |
| Extraordinary Item | | | <u>2,114,322</u> | <u>2,114,322</u> |
| Net Change in Fund Balances | - | (628,000) | 351,473 | 979,473 |
| Fund Balance, Beginning | <u>(351,473)</u> | <u>(351,473)</u> | <u>(351,473)</u> | <u>-</u> |
| Fund Balance, Ending | <u>\$ (351,473)</u> | <u>\$ (979,473)</u> | <u>\$ -</u> | <u>\$ 979,473</u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure I Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 1,500,000 | \$ 1,500,000 | \$ 1,700,596 | \$ 200,596 |
| Investment Income | 142,000 | 142,000 | 17,498 | (124,502) |
| Intergovernmental | | | | - |
| Other Revenue | | | 37,500 | 37,500 |
| | <u>1,642,000</u> | <u>1,642,000</u> | <u>1,755,594</u> | <u>113,594</u> |
| Total Revenues | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 5,310,194 | 5,320,194 | 1,837,603 | 3,482,591 |
| | <u>5,310,194</u> | <u>5,320,194</u> | <u>1,837,603</u> | <u>3,482,591</u> |
| Total Expenditures | | | | |
| Excess (Deficiency) of Revenues over Expenditures | (3,668,194) | (3,678,194) | (82,009) | 3,596,185 |
| Fund Balance, Beginning | 5,757,994 | 5,757,994 | 5,757,994 | - |
| Fund Balance, Ending | <u>\$ 2,089,800</u> | <u>\$ 2,079,800</u> | <u>\$ 5,675,985</u> | <u>\$ 3,596,185</u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Project Manager Grants
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|-------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 15,659,449 | \$ 16,423,982 | \$ 1,040,375 | \$ (15,383,607) |
| Other Income | 10,182 | 9,182 | 22,067 | 12,885 |
| Total Revenues | <u>15,669,631</u> | <u>16,433,164</u> | <u>1,062,442</u> | <u>(15,370,722)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community Development | 15,669,631 | 15,688,199 | 856,595 | 14,831,604 |
| Capital Outlay | | | 31,388 | (31,388) |
| Total Expenditures | <u>15,669,631</u> | <u>15,688,199</u> | <u>887,983</u> | <u>14,800,216</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>744,965</u> | <u>174,459</u> | <u>(570,506)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | | 42,930 | | (42,930) |
| Transfers Out | | | | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>42,930</u> | <u>-</u> | <u>(42,930)</u> |
| Net Change in Fund Balances | <u>-</u> | <u>787,895</u> | <u>174,459</u> | <u>(613,436)</u> |
| Fund Balances, Beginning | <u>(642,919)</u> | <u>(642,919)</u> | <u>(642,919)</u> | |
| Fund Balances, Ending | <u>\$ (642,919)</u> | <u>\$ 144,976</u> | <u>\$ (468,460)</u> | <u>\$ (613,436)</u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Street Maintenance Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 1,884,457 | \$ 2,159,851 | \$ 1,952,560 | \$ (207,291) |
| Other Revenue | | | 1,705 | 1,705 |
| Total Revenues | <u>1,884,457</u> | <u>2,159,851</u> | <u>1,954,265</u> | <u>(205,586)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 1,409,487 | 1,246,287 | 1,908,776 | (662,489) |
| Capital Outlay | <u>13,000</u> | <u>13,000</u> | <u>10,779</u> | <u>2,221</u> |
| Total Expenditures | <u>1,422,487</u> | <u>1,259,287</u> | <u>1,919,555</u> | <u>(660,268)</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>461,970</u> | <u>900,564</u> | <u>34,710</u> | <u>(865,854)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 275,394 | | | - |
| Transfers Out | <u>(737,364)</u> | <u>(737,364)</u> | | <u>737,364</u> |
| Total Other Financing Sources (Uses) | <u>(461,970)</u> | <u>(737,364)</u> | <u>-</u> | <u>737,364</u> |
| Net Change in Fund Balances | - | 163,200 | 34,710 | (128,490) |
| Fund Balance, Beginning | <u>(4,959)</u> | <u>(4,959)</u> | <u>(4,959)</u> | <u>-</u> |
| Fund Balance, Ending | <u>\$ (4,959)</u> | <u>\$ 158,241</u> | <u>\$ 29,751</u> | <u>\$ (128,490)</u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------------|---------------------------|---------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 578,487 | \$ 938,813 | \$ 414,029 | \$ (524,784) |
| Other Revenue | | | | - |
| Total Revenues | <u>578,487</u> | <u>938,813</u> | <u>414,029</u> | <u>(524,784)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community Development | <u>578,487</u> | <u>938,813</u> | <u>449,413</u> | <u>489,400</u> |
| Total Expenditures | <u>578,487</u> | <u>938,813</u> | <u>449,413</u> | <u>489,400</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>(35,384)</u> | <u>(35,384)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | | | | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | - | - | (35,384) | (35,384) |
| Fund Balance, Beginning | <u>(28,290)</u> | <u>(28,290)</u> | <u>(28,290)</u> | <u>-</u> |
| Fund Balance, Ending | <u><u>\$ (28,290)</u></u> | <u><u>\$ (28,290)</u></u> | <u><u>\$ (63,674)</u></u> | <u><u>\$ (35,384)</u></u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Neighborhood Stabilization Program Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 1,464,989 | \$ 1,464,389 | \$ 126,792 | \$ (1,337,597) |
| Total Revenues | <u>1,464,989</u> | <u>1,464,389</u> | <u>126,792</u> | <u>(1,337,597)</u> |
| EXPENDITURES | | | | |
| Community Development | 1,464,989 | 1,464,389 | 126,792 | 1,337,597 |
| Total Expenditures | <u>1,464,989</u> | <u>1,464,389</u> | <u>126,792</u> | <u>1,337,597</u> |
| Excess (Deficiency) of Revenues over Expenditures | - | - | - | - |
| Fund Balance, Beginning | - | - | - | - |
| Fund Balance, Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - HOME Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Investment Income | \$ | \$ | \$ 52 | \$ 52 |
| Intergovernmental | 1,606,834 | 2,458,035 | 391,153 | (2,066,882) |
| | | | 18,865 | 18,865 |
| Total Revenues | 1,606,834 | 2,458,035 | 410,070 | (2,047,965) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community Development | 1,606,834 | 2,458,035 | 544,976 | 1,913,059 |
| Total Expenditures | 1,606,834 | 2,458,035 | 544,976 | 1,913,059 |
| Excess (Deficiency) of Revenues over Expenditures | - | - | (134,906) | (134,906) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | | | | - |
| Transfers Out | | | | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net Change in Fund Balance | - | - | (134,906) | (134,906) |
| Fund Balance, Beginning | (22,150) | (22,150) | (22,150) | - |
| Fund Balance, Ending | \$ (22,150) | \$ (22,150) | \$ (157,056) | \$ (134,906) |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Quimby Fees Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Licenses and Permits | \$ 5,000 | \$ 5,000 | \$ 33,799 | \$ 28,799 |
| Investment Income | 1,000 | 1,000 | 96 | (904) |
| Total Revenues | <u>6,000</u> | <u>6,000</u> | <u>33,895</u> | <u>27,895</u> |
| EXPENDITURES | | | | |
| Culture and Recreation | | | | - |
| Capital Outlay | | | | - |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>6,000</u> | <u>6,000</u> | <u>33,895</u> | <u>27,895</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | | (57,038) | (41,631) | 15,407 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(57,038)</u> | <u>(41,631)</u> | <u>15,407</u> |
| Net Change in Fund Balances | 6,000 | (51,038) | (7,736) | 43,302 |
| Fund Balance, Beginning | <u>33,562</u> | <u>33,562</u> | <u>33,562</u> | |
| Fund Balance, Ending | <u>\$ 39,562</u> | <u>\$ (17,476)</u> | <u>\$ 25,826</u> | <u>\$ 43,302</u> |

Town of Apple Valley
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - HUD ADDI Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|-------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 4,001 | \$ - | \$ - | \$ - |
| Total Revenues | 4,001 | - | - | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community Development | 4,001 | - | - | - |
| Total Expenditures | 4,001 | - | - | - |
| Excess (Deficiency) of Revenues over Expenditures | - | - | - | - |
| Fund Balance, Beginning | - | - | - | - |
| Fund Balance, Ending | \$ - | \$ - | \$ - | \$ - |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - SANBAG Stimulus Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|----------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 990,333 | \$ | \$ 990,333 | \$ 990,333 |
| Total Revenues | 990,333 | - | 990,333 | 990,333 |
| EXPENDITURES | | | | |
| Transportation | 990,333 | 990,333 | 47,868 | 942,465 |
| Total Expenditures | 990,333 | 990,333 | 47,868 | 942,465 |
| Excess (Deficiency) of Revenues over Expenditures | - | (990,333) | 942,465 | 1,932,798 |
| Fund Balance, Beginning | (943,858) | (943,858) | (943,858) | - |
| Fund Balance, Ending | <u>\$ (943,858)</u> | <u>\$(1,934,191)</u> | <u>\$ (1,393)</u> | <u>\$ 1,932,798</u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Development Impact Fees
Year Ended June 30, 2011

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Licenses & Permits | \$ 30,000 | \$ 30,000 | \$ 89,243 | \$ 59,243 |
| Investment Income | | | 3,522 | 3,522 |
| Total Revenues | <u>30,000</u> | <u>30,000</u> | <u>92,765</u> | <u>62,765</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | | | 356 | (356) |
| Capital Outlay | 60,000 | 6,100 | 6,100 | - |
| Total Expenditures | <u>60,000</u> | <u>6,100</u> | <u>6,456</u> | <u>(356)</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(30,000)</u> | <u>23,900</u> | <u>86,309</u> | <u>62,409</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer In | | | 19,880 | 19,880 |
| Transfers Out | | | | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>19,880</u> | <u>19,880</u> |
| Net Change in Fund Balances | (30,000) | 23,900 | 106,189 | 82,289 |
| Fund Balance, Beginning | <u>1,095,689</u> | <u>1,095,689</u> | <u>1,095,689</u> | <u>-</u> |
| Fund Balance, Ending | <u>\$ 1,065,689</u> | <u>\$ 1,119,589</u> | <u>\$ 1,201,878</u> | <u>\$ 82,289</u> |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2007 Town Hall Revenue Bonds
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Investment Income | \$ | \$ | \$ | \$ - |
| Total Revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 2,705 | 2,705 | 2,581 | 124 |
| Debt Service | | | | |
| Principal | 420,000 | 420,000 | 420,000 | - |
| Interest and Fiscal Charges | 470,644 | 470,644 | 462,243 | 8,401 |
| Total Expenditures | 893,349 | 893,349 | 884,824 | 8,525 |
| Excess (Deficiency) of Revenues over Expenditures | (893,349) | (893,349) | (884,824) | 8,525 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 893,349 | 893,349 | 18,911 | (874,438) |
| Transfers Out | | | (19,880) | (19,880) |
| Total Other Financing Sources (Uses) | 893,349 | 893,349 | (969) | (894,318) |
| Net Change in Fund Balances | - | - | (885,793) | (885,793) |
| Fund Balance, Beginning | 885,793 | 885,793 | 885,793 | - |
| Fund Balance, Ending | \$ 885,793 | \$ 885,793 | \$ - | \$ (885,793) |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 1999 COPS Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Investment Income | \$ | \$ | \$ | \$ - |
| Total Revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 75,000 | 75,000 | 62,715 | 12,285 |
| Debt Service | | | | |
| Principal | 315,000 | 315,000 | 315,000 | |
| Interest and Fiscal Charges | 10,000 | 10,000 | 4,925 | 5,075 |
| Total Expenditures | 400,000 | 400,000 | 382,640 | 17,360 |
| Excess (Deficiency) of Revenues over Expenditures | (400,000) | (400,000) | (382,640) | 17,360 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 502,725 | 400,000 | 379,845 | (20,155) |
| Total Other Financing Sources (Uses) | 400,000 | 400,000 | 379,845 | (20,155) |
| Net Change in Fund Balances | - | - | (2,795) | (2,795) |
| Fund Balance, Beginning | 1 | 1 | 1 | - |
| Fund Balance, Ending | \$ 1 | \$ 1 | \$ (2,794) | \$ (2,795) |

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2001 COPS Fund
Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Investment Income | \$ | \$ | \$ | \$ - |
| Total Revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 70,000 | 70,000 | 20,520 | 49,480 |
| Debt Service | | | | |
| Principal | 202,500 | 202,500 | 202,500 | - |
| Interest and Fiscal Charges | 11,000 | 11,000 | 2,402 | 8,598 |
| Total Expenditures | 283,500 | 283,500 | 225,422 | 58,078 |
| Excess (Deficiency) of Revenues over Expenditures | (283,500) | (283,500) | (225,422) | 58,078 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 283,500 | 283,500 | 223,742 | (59,758) |
| Total Other Financing Sources (Uses) | 283,500 | 283,500 | 223,742 | (59,758) |
| Net Change in Fund Balances | - | - | (1,680) | (1,680) |
| Fund Balance, Beginning | 2 | 2 | 2 | - |
| Fund Balance, Ending | \$ 2 | \$ 2 | \$ (1,678) | \$ (1,680) |

Town of Apple Valley, California Agency Funds

Trust and Fiduciary - Maintains the Town's Building and Safety trust deposits.

Victor Valley Transit Authority - Town acts as an administrator for the Joint Powers Authority.

Assessment District 98-1 - Town acts as the agent for the homeowners of Assessment District 98-1, and makes principal and interest payments for the Assessment District's 1915 Improvement Act Bonds.

Village PBID – To account for the assessments received and expenditures made on behalf of the Apple Valley Village Property and Business Improvement District.

Victor Valley Economic Development Authority - Town is a member of the Authority and administers the treasurer function of the Authority.

Mojave Desert and Mountain Integrated Waste Management Authority - Town is a member of the Authority and administers the treasurer function of the Authority.

Town of Apple Valley, California
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

| | Trust and Fiduciary | Victor Valley Transit Authority | Assessment District 98-1 | Village PBID | Victor Valley Economic Dev. Authority | Mojave Desert and Mountain Integrated Waste Mgmt. Authority | Total |
|----------------------------|------------------------|---------------------------------------|-----------------------------|-------------------|---|---|----------------------|
| ASSETS | | | | | | | |
| Cash and Investments | \$ 307,677 | \$ 2,245 | \$ | \$ 873,976 | \$ 9,189,116 | \$ 280,065 | \$ 10,653,079 |
| Cash with Fiscal Agent | | | 238,270 | | | | 238,270 |
| Accounts Receivable | | | | | | 93,054 | 93,054 |
| Due from Other Governments | | | | 8,061 | 673,067 | | 681,128 |
| | <u>307,677</u> | <u>2,245</u> | <u>238,270</u> | <u>882,037</u> | <u>9,862,183</u> | <u>373,119</u> | <u>11,665,531</u> |
| Total Assets | <u>\$ 307,677</u> | <u>\$ 2,245</u> | <u>\$ 238,270</u> | <u>\$ 882,037</u> | <u>\$ 9,862,183</u> | <u>\$ 373,119</u> | <u>\$ 11,665,531</u> |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ | \$ 2,245 | \$ | \$ 9,048 | \$ | \$ | \$ 11,293 |
| Accrued Liabilites | | | 155 | | 9,862,183 | 183,944 | 10,046,282 |
| Deposits | 307,677 | | | 872,989 | | 189,175 | 1,369,841 |
| Amounts Due Bondholders | | | 238,115 | | | | 238,115 |
| | <u>307,677</u> | <u>2,245</u> | <u>238,270</u> | <u>882,037</u> | <u>9,862,183</u> | <u>373,119</u> | <u>11,665,531</u> |
| Total Liabilities | <u>\$ 307,677</u> | <u>\$ 2,245</u> | <u>\$ 238,270</u> | <u>\$ 882,037</u> | <u>\$ 9,862,183</u> | <u>\$ 373,119</u> | <u>\$ 11,665,531</u> |

Town of Apple Valley, California
Statement of Changes in Fiduciary Net Assets
Agency Funds
Year Ended June 30, 2012

| | Balance at July 1, 2011 | Additions | Deletions | Balance at June 30, 2012 |
|--|----------------------------|-------------------|-------------------|-----------------------------|
| <u>TRUST AND FIDUCIARY FUND</u> | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 663,378 | \$ 37,905 | \$ 393,606 | \$ 307,677 |
| Total Assets | <u>\$ 663,378</u> | <u>\$ 37,905</u> | <u>\$ 393,606</u> | <u>\$ 307,677</u> |
| LIABILITIES | | | | |
| Deposits | \$ 663,378 | \$ 50,495 | \$ 406,196 | \$ 307,677 |
| Total Liabilities | <u>\$ 663,378</u> | <u>\$ 50,495</u> | <u>\$ 406,196</u> | <u>\$ 307,677</u> |
| <u>VICTOR VALLEY TRANSIT AUTHORITY FUND</u> | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 1,720 | \$ 8,965 | \$ 8,440 | \$ 2,245 |
| Due From Other Governments | - | | | - |
| Total Assets | <u>\$ 1,720</u> | <u>\$ 8,965</u> | <u>\$ 8,440</u> | <u>\$ 2,245</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 1,720 | \$ 8,565 | \$ 8,040 | \$ 2,245 |
| Due to Other Governments | - | | | - |
| Total Liabilities | <u>\$ 1,720</u> | <u>\$ 8,565</u> | <u>\$ 8,040</u> | <u>\$ 2,245</u> |
| <u>ASSESSMENT DISTRICT 98-1</u> | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ - | \$ 227,334 | \$ 227,334 | \$ - |
| Cash with Fiscal Agent | 245,213 | 175,986 | 182,929 | 238,270 |
| Total Assets | <u>\$ 245,213</u> | <u>\$ 403,320</u> | <u>\$ 410,263</u> | <u>\$ 238,270</u> |
| LIABILITIES | | | | |
| Amount Due Bondholders | \$ 244,925 | | \$ 6,810 | \$ 238,115 |
| Accounts Payable | - | 50,672 | 50,672 | - |
| Accrued Liabilities | 63 | 155 | 63 | 155 |
| Due to Other Governments | 225 | | 225 | - |
| Total Liabilities | <u>\$ 245,213</u> | <u>\$ 50,827</u> | <u>\$ 57,770</u> | <u>\$ 238,270</u> |
| <u>VILLAGE PBID</u> | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 791,508 | \$ 385,516 | \$ 303,048 | \$ 873,976 |
| Accounts Receivable | 27,585 | 182,700 | 210,285 | - |
| Interest Receivable | 205 | | 205 | - |
| Due From Other Governments | 9,022 | 8,061 | 9,022 | 8,061 |
| Total Assets | <u>\$ 828,320</u> | <u>\$ 576,277</u> | <u>\$ 522,560</u> | <u>\$ 882,037</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 1,779 | \$ 324,929 | \$ 317,660 | \$ 9,048 |
| Accrued Liabilities | 26,914 | | 26,914 | - |
| Deposits | 799,627 | 400,881 | 327,519 | 872,989 |
| Total Liabilities | <u>\$ 828,320</u> | <u>\$ 725,810</u> | <u>\$ 672,093</u> | <u>\$ 882,037</u> |

Town of Apple Valley, California
Statement of Changes in Fiduciary Net Assets
Agency Funds - Continued
Year Ended June 30, 2012

| | Balance at July 1, 2011 | Additions | Deletions | Balance at June 30, 2012 |
|--|----------------------------|----------------------|----------------------|-----------------------------|
| <u>VICTOR VALLEY ECONOMIC DEVELOPMENT AUTHORITY</u> | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 13,913,086 | \$ 17,736,829 | \$ 22,460,799 | \$ 9,189,116 |
| Due From Other Governments | 1,153,477 | 673,067 | 1,153,477 | 673,067 |
| Total Assets | <u>\$ 15,066,563</u> | <u>\$ 18,409,896</u> | <u>\$ 23,614,276</u> | <u>\$ 9,862,183</u> |
| LIABILITIES | | | | |
| Accrued Liabilities | \$ 15,066,563 | \$ 1,856,979 | \$ 7,061,359 | \$ 9,862,183 |
| Deposits | - | | | - |
| Total Liabilities | <u>\$ 15,066,563</u> | <u>\$ 1,856,979</u> | <u>\$ 7,061,359</u> | <u>\$ 9,862,183</u> |
| <u>MOJAVE DESERT AND MOUNTAIN INTEGRATED WASTE MANAGEMENT AUTHORITY</u> | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 250,915 | \$ 823,395 | \$ 794,245 | \$ 280,065 |
| Accounts Receivable | 96,833 | 2,644,099 | 2,647,878 | 93,054 |
| Due From Other Governments | - | | | - |
| Prepaid Items | 837 | | 837 | - |
| Total Assets | <u>\$ 348,585</u> | <u>\$ 3,467,494</u> | <u>\$ 3,442,960</u> | <u>\$ 373,119</u> |
| LIABILITIES | | | | |
| Accrued Liabilities | \$ 30,633 | \$ 183,944 | \$ 30,633 | \$ 183,944 |
| Deposits | 231,131 | 3,023,698 | 3,065,654 | 189,175 |
| Due to Other Governments | 86,821 | | 86,821 | - |
| Total Liabilities | <u>\$ 348,585</u> | <u>\$ 3,207,642</u> | <u>\$ 3,183,108</u> | <u>\$ 373,119</u> |
| <u>TOTALS - ALL AGENCY FUNDS</u> | | | | |
| ASSETS | | | | |
| Cash and Investments | \$ 15,620,607 | \$ 19,219,944 | \$ 24,187,472 | \$ 10,653,079 |
| Cash with Fiscal Agent | 245,213 | 175,986 | 182,929 | 238,270 |
| Accounts Receivable | 124,418 | 2,826,799 | 2,858,163 | 93,054 |
| Interest Receivable | 205 | | 205 | - |
| Due From Other Governments | 1,162,499 | 681,128 | 1,162,499 | 681,128 |
| Prepaid Items | 837 | | 837 | - |
| Total Assets | <u>\$ 17,153,779</u> | <u>\$ 22,903,857</u> | <u>\$ 28,392,105</u> | <u>\$ 11,665,531</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 3,499 | \$ 384,166 | \$ 376,372 | \$ 11,293 |
| Accrued Liabilities | 15,124,173 | 2,041,078 | 7,118,969 | 10,046,282 |
| Deposits | 1,694,136 | 3,475,074 | 3,799,369 | 1,369,841 |
| Amounts Due Bondholders | 244,925 | | 6,810 | 238,115 |
| Due to Other Governments | 87,046 | | 87,046 | - |
| Total Liabilities | <u>\$ 17,153,779</u> | <u>\$ 5,900,318</u> | <u>\$ 11,388,566</u> | <u>\$ 11,665,531</u> |

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Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source¹
June 30, 2012

GOVERNMENTAL FUNDS CAPITAL ASSETS

| | |
|---|------------------------------|
| Land | \$ 98,526,741 |
| Furniture and Equipment | 3,041,420 |
| Computer Equipment | 1,617,454 |
| Auto Equipment | 1,434,704 |
| Structures and Improvements | 91,917,995 |
| Infrastructure | 350,169,755 |
| Construction in Progress | <u>7,484,310</u> |
| Total Governmental Funds Capital Assets | <u><u>\$ 554,192,379</u></u> |

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE

| | |
|---|------------------------------|
| General Fund | \$ 216,217,028 |
| Special Revenue Funds | 135,593,595 |
| Capital Project Funds | <u>202,381,756</u> |
| Total Governmental Funds Capital Assets | <u><u>\$ 554,192,379</u></u> |

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in enterprise funds are excluded from the above amounts. The capital assets of enterprise funds are included as business-type activities in the statement of net assets.

Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2012

| | <u>Land</u> | <u>Furniture and Equipment</u> | <u>Computer Equipment</u> |
|--|--------------------------|--|-------------------------------|
| FUNCTION AND ACTIVITY | | | |
| General Government | \$ 2,114,277 | \$ 920,309 | \$ 1,327,140 |
| Public Safety | 1,375,585 | 728,893 | 144,353 |
| Transportation | 87,620,047 | 5,623 | 26,591 |
| Culture and Recreation | 6,826,654 | 1,095,740 | 11,250 |
| Cumminity Development | <u>590,178</u> | <u>290,855</u> | <u>108,120</u> |
| Total Governmental Funds Capital Assets | <u>\$ 98,526,741</u> | <u>\$ 3,041,420</u> | <u>\$ 1,617,454</u> |

| <u>Auto Equipment</u> | <u>Structures and Improvements</u> | <u>Infrastructure</u> | <u>Construction in Progress</u> | <u>Totals</u> |
|---------------------------|--|-----------------------|---|-----------------------|
| \$ 86,797 | \$ 6,193,158 | \$ | \$ | \$ 10,641,681 |
| 86,123 | 11,321,334 | | | 13,656,288 |
| 807,213 | 5,948,469 | 349,689,769 | 7,457,804 | 451,555,516 |
| 454,571 | 57,644,341 | 479,986 | 26,506 | 66,539,048 |
| | 10,810,693 | | | 11,799,846 |
| <u>\$ 1,434,704</u> | <u>\$ 91,917,995</u> | <u>\$ 350,169,755</u> | <u>\$ 7,484,310</u> | <u>\$ 554,192,379</u> |

Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
Year Ended June 30, 2012

| | Governmental Funds Capital Assets July 1, 2011 | Additions | Deletions | Governmental Funds Capital Assets June 30, 2012 |
|------------------------------|---|---------------------|-----------------------|--|
| FUNCTION AND ACTIVITY | | | | |
| General Government | \$ 9,805,440 | \$ 889,080 | \$ (52,839) | \$ 10,641,681 |
| Public Safety | 13,620,945 | 35,343 | | 13,656,288 |
| Transportation | 448,679,149 | 6,379,698 | (3,503,331) | 451,555,516 |
| Culture and Recreation | 66,486,349 | 52,699 | | 66,539,048 |
| Community Development | 11,799,846 | | | 11,799,846 |
| | <u>\$ 550,391,729</u> | <u>\$ 7,356,820</u> | <u>\$ (3,556,170)</u> | <u>\$ 554,192,379</u> |

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in enterprise funds are excluded from the above amounts. The capital assets of enterprise funds are included as business-type activities in the statement of net assets.

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the Town of Apple Valley's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| CONTENTS | PAGE |
|--|-------------|
| Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. | 106 |
| Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. | 116 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. | 121 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. | 128 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. | 131 |

**Town of Apple Valley
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)**

| | Fiscal Year | | | |
|--|-----------------------------|-----------------------------|-----------------------------|------------------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 24,149,542 | \$ 28,574,732 | \$ 31,814,365 | \$ 44,949,377 |
| Restricted | 17,316,503 | 15,657,349 | 27,481,178 | 24,316,125 |
| Unrestricted | <u>5,450,039</u> | <u>7,352,641</u> | <u>2,326,377</u> | <u>10,467,168</u> |
| Total governmental activities net assets | <u>\$ 46,916,084</u> | <u>\$ 51,584,722</u> | <u>\$ 61,621,920</u> | <u>\$ 79,732,670</u> |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ 4,719,212 | \$ 6,044,409 | \$ 5,957,139 | \$ 5,311,877 |
| Restricted | 1,845,857 | 971,834 | 985,215 | 1,740,000 |
| Unrestricted | <u>9,306,329</u> | <u>9,653,971</u> | <u>11,975,813</u> | <u>14,021,426</u> |
| Total business-type activities net assets | <u>\$ 15,871,398</u> | <u>\$ 16,670,214</u> | <u>\$ 18,918,167</u> | <u>\$ 21,073,303</u> |
| Primary government | | | | |
| Invested in capital assets, net of related debt | \$ 28,868,754 | \$ 34,619,141 | \$ 37,771,504 | \$ 50,261,254 |
| Restricted | 19,162,360 | 16,629,183 | 28,466,393 | 26,056,125 |
| Unrestricted | <u>14,756,368</u> | <u>17,006,612</u> | <u>14,302,190</u> | <u>24,488,594</u> |
| Total primary government net assets | <u>\$ 62,787,482</u> | <u>\$ 68,254,936</u> | <u>\$ 80,540,087</u> | <u>\$ 100,805,973</u> |

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 384,061,630 | \$ 387,123,900 | \$ 381,677,955 | \$ 390,657,277 | \$ 388,785,477 | \$ 379,669,535 |
| 25,102,142 | 51,867,938 | 40,971,278 | 32,983,379 | 34,274,504 | 17,206,203 |
| 10,418,490 | (13,367,654) | (1,410,378) | (9,726,145) | (15,234,171) | 16,418,211 |
| <u>\$ 419,582,262</u> | <u>\$ 425,624,184</u> | <u>\$ 421,238,855</u> | <u>\$ 413,914,511</u> | <u>\$ 407,825,810</u> | <u>\$ 413,293,949</u> |
| | | | | | |
| \$ 33,492,509 | \$ 33,768,176 | \$ 32,459,593 | \$ 31,382,013 | \$ 30,868,062 | \$ 34,441,896 |
| 1,792,823 | 1,816,804 | 1,818,304 | 1,818,186 | 1,818,204 | 1,744,747 |
| 16,231,747 | 14,731,511 | 14,119,730 | 12,167,184 | 9,627,346 | 7,221,444 |
| <u>\$ 51,517,079</u> | <u>\$ 50,316,491</u> | <u>\$ 48,397,627</u> | <u>\$ 45,367,383</u> | <u>\$ 42,313,612</u> | <u>\$ 43,408,087</u> |
| | | | | | |
| \$ 417,554,139 | \$ 420,892,076 | \$ 414,137,548 | \$ 422,039,290 | \$ 419,653,539 | \$ 414,111,431 |
| 26,894,965 | 53,684,742 | 42,789,582 | 34,801,565 | 36,092,708 | 18,950,950 |
| 26,650,237 | 1,363,857 | 12,709,352 | 2,441,039 | (5,606,825) | 23,639,655 |
| <u>\$ 471,099,341</u> | <u>\$ 475,940,675</u> | <u>\$ 469,636,482</u> | <u>\$ 459,281,894</u> | <u>\$ 450,139,422</u> | <u>\$ 456,702,036</u> |

**Town of Apple Valley
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)**

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|----------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 3,456,533 | \$ 4,021,314 | \$ 4,589,971 | \$ 3,353,017 |
| Public safety | 5,352,003 | 5,825,048 | 6,918,109 | 7,690,948 |
| Transportation | 1,584,217 | 2,092,417 | 5,206,120 | 6,247,368 |
| Culture and recreation | 1,718,816 | 2,162,080 | 2,075,242 | 3,029,203 |
| Community development | 3,082,190 | 3,539,601 | 4,880,605 | 6,337,878 |
| Health | 19,410 | 36,409 | - | - |
| Interest on long-term debt | 196,101 | 195,487 | 166,708 | 555,475 |
| Total governmental activities expenses | <u>15,409,270</u> | <u>17,872,356</u> | <u>23,836,755</u> | <u>27,213,889</u> |
| Business-type activities: | | | | |
| Sewer | 1,968,979 | 2,106,083 | 2,397,868 | 3,261,816 |
| Waste Management | 5,144,538 | 5,469,778 | 5,741,487 | 6,919,321 |
| Apple Valley Golf Club | - | - | - | - |
| Total business-type activities expenses | <u>7,113,517</u> | <u>7,575,861</u> | <u>8,139,355</u> | <u>10,181,137</u> |
| Total primary government expenses | <u>\$ 22,522,787</u> | <u>\$ 25,448,217</u> | <u>\$ 31,976,110</u> | <u>\$ 37,395,026</u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 236,440 | \$ 267,842 | \$ 284,055 | \$ 533,383 |
| Public safety | 276,316 | 299,352 | 276,734 | 203,130 |
| Transportation | 58,035 | 89,649 | 178,529 | 197,867 |
| Culture and recreation | 333,956 | 383,969 | 459,414 | 602,915 |
| Community development | 2,152,251 | 2,441,845 | 3,805,029 | 4,683,154 |
| Operating grants and contributions | 3,378,546 | 3,401,284 | 4,441,304 | 8,200,337 |
| Capital grants and contributions | 4,521,524 | 4,552,971 | 8,487,126 | 11,547,363 |
| Total governmental activities program revenues | <u>10,957,068</u> | <u>11,436,912</u> | <u>17,932,191</u> | <u>25,968,149</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Sewer | 1,687,270 | 2,233,120 | 3,275,423 | 3,343,651 |
| Waste Management | 6,383,560 | 6,711,171 | 7,109,629 | 8,171,421 |
| Apple Valley Golf Club | - | - | - | - |
| Operating grants and contributions | - | - | - | - |
| Capital grants and contributions | 718,828 | 317,141 | 1,109,372 | 620,351 |
| Total business-type activities program revenues | <u>8,789,658</u> | <u>9,261,432</u> | <u>11,494,424</u> | <u>12,135,423</u> |
| Total primary government program revenues | <u>\$ 19,746,726</u> | <u>\$ 20,698,344</u> | <u>\$ 29,426,615</u> | <u>\$ 38,103,572</u> |
| Net (expense)/revenue | | | | |
| Governmental activities | \$ (4,452,202) | \$ (6,435,444) | \$ (5,904,564) | \$ (1,245,740) |
| Business-type activities | <u>1,676,141</u> | <u>1,685,571</u> | <u>3,355,069</u> | <u>1,954,286</u> |
| Total primary government net (expense)/revenue | <u>\$ (2,776,061)</u> | <u>\$ (4,749,873)</u> | <u>\$ (2,549,495)</u> | <u>\$ 708,546</u> |

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------------|------------------------|------------------------|------------------------|-----------------------|------------------------|
| \$ 3,347,001 | \$ 3,533,678 | \$ 3,351,071 | \$ 1,841,391 | \$ 1,236,348 | \$ 2,039,052 |
| 9,119,965 | 10,430,291 | 11,783,023 | 11,784,128 | 11,904,334 | 13,289,970 |
| 8,279,686 | 9,854,747 | 14,238,533 | 12,126,936 | 12,045,684 | 12,098,378 |
| 5,122,716 | 5,188,538 | 5,827,113 | 5,893,089 | 6,188,596 | 5,817,520 |
| 7,534,045 | 8,805,564 | 9,753,475 | 15,313,506 | 9,087,396 | 6,540,877 |
| - | 3,539,966 | - | - | - | - |
| 635,095 | - | 3,203,143 | 3,062,557 | 3,057,653 | 1,693,798 |
| <u>34,038,508</u> | <u>41,352,784</u> | <u>48,156,358</u> | <u>50,021,607</u> | <u>43,520,011</u> | <u>41,479,595</u> |
| 4,322,383 | 4,977,119 | 5,593,652 | 5,995,219 | 6,576,431 | 6,042,959 |
| 7,582,185 | 8,817,281 | 8,825,868 | 8,572,856 | 9,402,873 | 9,028,518 |
| - | - | 1,276,919 | 3,092,747 | 1,978,306 | 1,448,041 |
| <u>11,904,568</u> | <u>13,794,400</u> | <u>15,696,439</u> | <u>17,660,822</u> | <u>17,957,610</u> | <u>16,519,518</u> |
| <u>\$ 45,943,076</u> | <u>\$ 55,147,184</u> | <u>\$ 63,852,797</u> | <u>\$ 67,682,429</u> | <u>\$ 61,477,621</u> | <u>\$ 57,999,113</u> |
| \$ 418,186 | \$ 388,483 | \$ 301,671 | \$ 933,000 | \$ 754,552 | \$ 616,694 |
| 287,931 | 243,106 | 163,165 | 147,533 | 172,376 | 74,159 |
| 228,453 | 88,491 | 39,773 | 45,510 | 53,300 | 86,071 |
| 827,385 | 919,425 | 938,167 | 941,862 | 1,121,273 | 935,060 |
| 3,205,184 | 1,699,164 | 2,266,134 | 1,850,721 | 1,795,168 | 1,568,168 |
| 5,116,858 | 7,034,992 | 4,533,857 | 8,423,410 | 5,595,047 | 4,472,410 |
| 8,396,253 | 7,719,437 | 6,620,923 | 5,218,590 | 5,234,738 | 3,827,135 |
| <u>18,480,250</u> | <u>18,093,098</u> | <u>14,863,690</u> | <u>17,560,626</u> | <u>14,726,454</u> | <u>11,579,697</u> |
| 3,247,042 | 2,852,961 | 2,994,301 | 3,691,818 | 3,967,178 | 4,005,430 |
| 9,529,788 | 9,124,792 | 9,827,664 | 9,690,701 | 9,894,028 | 9,733,428 |
| - | - | 535,589 | 1,188,655 | 864,060 | 767,832 |
| - | - | - | - | 25,066 | 20,410 |
| 7,787,415 | 1,173,704 | 586,969 | 438,301 | 474,689 | 3,534,874 |
| <u>20,564,245</u> | <u>13,151,457</u> | <u>13,944,523</u> | <u>15,009,475</u> | <u>15,225,021</u> | <u>18,061,974</u> |
| <u>\$ 39,044,495</u> | <u>\$ 31,244,555</u> | <u>\$ 28,808,213</u> | <u>\$ 32,570,101</u> | <u>\$ 29,951,475</u> | <u>\$ 29,641,671</u> |
| \$(15,558,258) | \$ (23,259,686) | \$ (33,292,668) | \$ (32,460,981) | \$(28,793,557) | \$ (29,899,898) |
| 8,659,677 | (642,943) | (1,751,916) | (2,651,347) | (2,732,589) | 1,542,456 |
| <u>\$ (6,898,581)</u> | <u>\$ (23,902,629)</u> | <u>\$ (35,044,584)</u> | <u>\$ (35,112,328)</u> | <u>\$(31,526,146)</u> | <u>\$ (28,357,442)</u> |

(Continued)

Town of Apple Valley
Changes in Net Assets
Last Ten Fiscal Years - (Continued)
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities: | | | | |
| Taxes | | | | |
| Property taxes | \$ 2,659,056 | \$ 2,877,102 | \$ 3,196,875 | \$ 4,310,247 |
| Tax increment | 239,570 | 656,283 | 2,431,898 | 3,364,320 |
| Franchise taxes | 805,889 | 797,818 | 890,573 | 943,162 |
| Sales taxes | 2,568,169 | 2,801,931 | 2,409,148 | 2,904,475 |
| Transient occupancy taxes | 8,957 | 10,125 | 13,367 | 13,252 |
| Motor vehicle in-lieu | 3,288,941 | 2,875,445 | 4,436,541 | 4,820,766 |
| Sales tax in-lieu | - | - | 682,603 | 787,964 |
| Pass through revenues | 91,825 | 192,790 | 135,094 | 164,673 |
| Miscellaneous revenues | 133,406 | 148,981 | 237,545 | 595,429 |
| Unrestricted grants and contributions | 165,231 | 12,353 | 16,342 | 16,399 |
| Investment income | 221,059 | 12,438 | 246,687 | 1,117,643 |
| Transfers | 881,026 | 960,264 | 1,245,089 | - |
| Extraordinary Item | - | - | - | - |
| Total governmental activities | <u>11,063,129</u> | <u>11,345,530</u> | <u>15,941,762</u> | <u>19,038,330</u> |
| Business-type activities: | | | | |
| Investment income | 72,516 | 73,509 | 137,973 | 356,099 |
| Transfers | <u>(881,026)</u> | <u>(960,264)</u> | <u>(1,245,089)</u> | <u>(155,249)</u> |
| Total business-type activities | <u>(808,510)</u> | <u>(886,755)</u> | <u>(1,107,116)</u> | <u>200,850</u> |
| Total primary government | <u>\$ 10,254,619</u> | <u>\$ 10,458,775</u> | <u>\$ 14,834,646</u> | <u>\$ 19,239,180</u> |
| Change in Net Assets | | | | |
| Governmental activities | \$ 6,610,927 | \$ 4,910,086 | \$ 10,037,198 | \$ 17,792,590 |
| Business-type activities | <u>867,631</u> | <u>798,816</u> | <u>2,247,953</u> | <u>2,155,136</u> |
| Total primary government | <u>\$ 7,478,558</u> | <u>\$ 5,708,902</u> | <u>\$ 12,285,151</u> | <u>\$ 19,947,726</u> |

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------------|----------------------|-----------------------|------------------------|-----------------------|----------------------|
| \$ 5,035,277 | \$ 4,825,727 | \$ 4,190,359 | \$ 3,816,749 | \$ 3,601,017 | \$ 3,718,455 |
| 7,350,520 | 10,097,187 | 9,469,194 | 7,203,291 | 5,688,809 | 1,955,820 |
| 1,215,293 | 1,128,946 | 1,461,374 | 1,565,696 | 1,727,194 | 1,460,033 |
| 3,458,264 | 3,424,928 | 3,668,463 | 3,689,967 | 3,819,221 | 4,139,105 |
| 21,600 | 15,175 | 10,960 | 9,823 | 6,051 | 6,670 |
| 5,616,051 | 6,493,901 | 6,670,204 | 5,931,473 | 5,487,173 | 5,167,516 |
| 1,075,221 | 1,220,476 | 1,167,513 | 1,189,135 | 1,382,393 | 1,267,248 |
| 189,851 | 417,770 | 563,609 | 488,762 | 288,495 | 266,405 |
| 386,446 | 169,328 | 105,846 | 112,597 | 50,623 | 72,527 |
| 23,094 | 19,310 | 9,686 | 11,498 | 10,985 | 18,962 |
| 1,555,032 | 2,442,247 | 1,090,479 | 628,373 | 172,385 | 36,750 |
| 284,036 | 792,788 | 499,652 | 489,273 | 470,510 | 483,655 |
| - | - | - | - | - | 17,818,231 |
| <u>26,210,685</u> | <u>31,047,783</u> | <u>28,907,339</u> | <u>25,136,637</u> | <u>22,704,856</u> | <u>36,411,377</u> |
| 477,888 | 613,328 | 332,704 | 110,376 | 149,328 | 35,674 |
| (284,036) | (792,788) | (499,652) | (489,273) | (470,510) | (483,655) |
| <u>193,852</u> | <u>(179,460)</u> | <u>(166,948)</u> | <u>(378,897)</u> | <u>(321,182)</u> | <u>(447,981)</u> |
| <u>\$ 26,404,537</u> | <u>\$ 30,868,323</u> | <u>\$ 28,740,391</u> | <u>\$ 24,757,740</u> | <u>\$ 22,383,674</u> | <u>\$ 35,963,396</u> |
| \$ 10,652,427 | \$ 7,788,097 | \$ (4,385,329) | \$ (7,324,344) | \$ (6,088,701) | \$ 6,511,479 |
| 8,853,529 | (822,403) | (1,918,864) | (3,030,244) | (3,053,771) | 1,094,475 |
| <u>\$ 19,505,956</u> | <u>\$ 6,965,694</u> | <u>\$ (6,304,193)</u> | <u>\$ (10,354,588)</u> | <u>\$ (9,142,472)</u> | <u>\$ 7,605,954</u> |

Town of Apple Valley
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| General fund | | | | |
| Reserved | \$ 6,714,294 | \$ 6,422,735 | \$ 2,110,156 | \$ 2,197,378 |
| Unreserved | 2,667,685 | 4,277,267 | 9,546,039 | 12,435,177 |
| Nonspendable | - | - | - | - |
| Committed | - | - | - | - |
| Unassigned | - | - | - | - |
| Total general fund | <u><u>\$ 9,381,979</u></u> | <u><u>\$ 10,700,002</u></u> | <u><u>\$ 11,656,195</u></u> | <u><u>\$ 14,632,555</u></u> |
| All other governmental funds | | | | |
| Reserved | \$ 524,022 | \$ 1,383,845 | \$ 6,672,544 | \$ 6,089,259 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 7,180,798 | 7,481,395 | 8,300,277 | 10,095,398 |
| Debt service funds | (690,941) | (1,946,929) | (313,308) | (289,670) |
| Capital projects funds | 6,084,646 | 5,978,948 | 9,809,894 | 7,351,812 |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total all other governmental funds | <u><u>\$ 13,098,525</u></u> | <u><u>\$ 12,897,259</u></u> | <u><u>\$ 24,469,407</u></u> | <u><u>\$ 23,246,799</u></u> |

(1) The requirements of Governmental Accounting Standard Board (GASB) Statement Number 54 became effective for financial statements for periods beginning after June 15, 2010. This Statement requires the reclassification of fund balance for governmental funds into five fund balance classifications; Nonspendable, Restricted, Committed, Assigned and Unassigned. See Note disclosure IV) I) for additional information.

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>(1)</u> | <u>2011</u> | <u>2012</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------|
| \$ - | \$ - | \$ 546,925 | \$ 5,013 | \$ - | \$ - | \$ - |
| 17,021,153 | 17,686,555 | 17,094,067 | 17,587,279 | - | - | - |
| - | - | - | - | 9,979,517 | 8,155,142 | - |
| - | - | - | - | 3,789,352 | 4,221,151 | - |
| - | - | - | - | 4,576,951 | 4,979,355 | - |
| <u>\$ 17,021,153</u> | <u>\$ 17,686,555</u> | <u>\$ 17,640,992</u> | <u>\$ 17,592,292</u> | <u>\$ 18,345,820</u> | <u>\$ 17,355,648</u> | |
| \$ 14,470,360 | \$ 1,255,854 | \$ 1,883,553 | \$ 1,313,680 | \$ - | \$ - | \$ - |
| 3,004,014 | 12,048,634 | 11,359,223 | 11,529,459 | - | - | - |
| (304,156) | 38,651,853 | 34,010,895 | 23,106,470 | - | - | - |
| 12,365,664 | 29,659,709 | 23,216,796 | 16,331,898 | - | - | - |
| - | - | - | - | 56,188 | - | - |
| - | - | - | - | 46,020,428 | 8,997,316 | - |
| - | - | - | - | 11,621,638 | - | - |
| - | - | - | - | - | 10,936,987 | - |
| - | - | - | - | (11,825,614) | (6,776,370) | - |
| <u>\$ 29,535,882</u> | <u>\$ 81,616,050</u> | <u>\$ 70,470,467</u> | <u>\$ 52,281,507</u> | <u>\$ 45,872,640</u> | <u>\$ 13,157,933</u> | |

Town of Apple Valley
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | |
|--|---------------------|---------------------|----------------------|---------------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Revenues | | | | |
| Taxes | \$ 9,170,108 | \$ 10,157,037 | \$ 15,470,448 | \$ 20,032,577 |
| Licenses & permits | 3,074,520 | 3,590,372 | 8,114,884 | 10,854,816 |
| Fines & forfeitures | 330,868 | 347,979 | 344,442 | 270,221 |
| Investment income | 348,456 | 170,726 | 491,966 | 1,339,294 |
| Intergovernmental | 6,400,125 | 5,265,911 | 4,154,501 | 4,691,900 |
| Charges for services | 1,664,178 | 2,156,871 | 2,279,639 | 2,850,938 |
| Other revenue | 89,807 | 148,981 | 310,416 | 1,740,403 |
| Total revenues | <u>21,078,062</u> | <u>21,837,877</u> | <u>31,166,296</u> | <u>41,780,149</u> |
| Expenditures | | | | |
| General government | 2,958,168 | 3,453,804 | 4,049,347 | 2,737,172 |
| Public safety | 5,331,411 | 5,783,864 | 6,914,374 | 7,686,653 |
| Transportation | 1,357,089 | 2,028,771 | 5,195,394 | 6,229,216 |
| Culture and recreation | 1,537,699 | 1,962,789 | 1,896,733 | 2,793,204 |
| Community development | 3,266,462 | 3,511,421 | 4,850,538 | 6,235,437 |
| Health | 19,269 | 36,409 | - | - |
| Capital outlay | 3,464,232 | 4,049,891 | 4,132,944 | 13,321,512 |
| Debt service | | | | |
| Principal | 403,750 | 417,500 | 435,577 | 578,602 |
| Interest | 196,101 | 195,487 | 137,311 | 556,878 |
| Pass-Through Agreements | - | - | - | - |
| Debt issue costs | - | - | 444,207 | - |
| Total expenditures | <u>18,534,181</u> | <u>21,439,936</u> | <u>28,056,425</u> | <u>40,138,674</u> |
| Excess of revenues over (under) expenditures | 2,543,881 | 397,941 | 3,109,871 | 1,641,475 |
| Other financing sources (uses) | | | | |
| Transfers in | 2,569,397 | 2,602,026 | 4,921,278 | 453,347 |
| Transfers out | (1,688,371) | (1,641,762) | (3,682,716) | (453,347) |
| Transfer to Agency Fund | - | - | - | - |
| Payment to refunding escrow agent | - | (241,448) | - | - |
| Bond proceeds | - | - | 8,130,000 | - |
| Premium on bonds | - | - | 49,908 | - |
| Extraordinary Item | - | - | - | - |
| Total other financing sources (uses) | <u>881,026</u> | <u>718,816</u> | <u>9,418,470</u> | <u>-</u> |
| Net change in fund balances | <u>\$ 3,424,907</u> | <u>\$ 1,116,757</u> | <u>\$ 12,528,341</u> | <u>\$ 1,641,475</u> |
| Debt service as a percentage of noncapital expenditures | 4.0% | 3.5% | 2.4% | 4.2% |

* Data not available

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---------------------|----------------------|------------------------|------------------------|-----------------------|------------------------|
| \$ 26,950,090 | \$ 33,501,685 | \$ 30,939,770 | \$ 27,901,025 | \$ 24,454,747 | \$ 20,307,062 |
| 6,854,873 | 3,206,675 | 1,887,117 | 1,289,438 | 1,349,630 | 1,080,599 |
| 332,520 | 304,502 | 256,286 | 677,847 | 293,531 | 597,178 |
| 1,748,713 | 3,870,731 | 1,676,919 | 781,680 | 306,145 | 92,542 |
| 3,991,008 | 6,361,818 | 5,459,295 | 8,326,444 | 6,988,774 | 5,237,601 |
| 2,854,451 | 1,880,474 | 2,075,526 | 1,710,654 | 2,036,857 | 1,579,416 |
| 850,299 | 288,102 | 573,052 | 280,646 | 1,032,654 | 1,149,386 |
| <u>43,581,954</u> | <u>49,413,987</u> | <u>42,867,965</u> | <u>40,967,734</u> | <u>36,462,338</u> | <u>30,043,784</u> |
| 2,902,773 | 3,321,030 | 2,762,209 | 1,229,444 | 852,315 | 1,191,810 |
| 9,109,124 | 10,352,133 | 11,618,591 | 11,659,112 | 11,470,972 | 12,719,721 |
| 6,329,832 | 4,516,941 | 8,943,287 | 5,838,362 | 4,253,987 | 4,030,616 |
| 3,439,782 | 3,686,296 | 3,797,115 | 3,898,837 | 4,198,051 | 3,761,328 |
| 6,472,588 | 7,458,977 | 8,273,777 | 14,480,657 | 8,378,965 | 6,210,336 |
| - | - | - | - | - | - |
| 13,512,547 | 9,589,502 | 12,703,815 | 16,891,968 | 7,863,918 | 1,592,445 |
| 587,956 | 1,557,245 | 1,701,616 | 1,839,827 | 1,902,963 | 952,370 |
| 603,772 | 3,220,495 | 3,166,831 | 3,011,497 | 3,007,047 | 1,689,990 |
| - | 1,341,736 | 1,329,805 | 844,963 | 659,969 | - |
| 1,012,494 | 1,036,953 | - | - | - | - |
| <u>43,970,868</u> | <u>46,081,308</u> | <u>54,297,046</u> | <u>59,694,667</u> | <u>42,588,187</u> | <u>32,148,616</u> |
| (388,914) | 3,332,679 | (11,429,081) | (18,726,933) | (6,125,849) | (2,104,832) |
| 6,268,509 | 12,682,479 | 9,058,685 | 21,672,848 | 12,158,838 | 1,968,354 |
| (5,984,473) | (11,889,691) | (8,559,033) | (21,183,575) | (11,688,328) | (1,484,699) |
| - | - | (261,717) | - | - | - |
| - | - | - | - | - | - |
| 9,067,464 | 48,585,000 | - | - | - | - |
| (284,905) | 35,102 | - | - | - | - |
| - | - | - | - | - | (31,265,732) |
| <u>9,066,595</u> | <u>49,412,890</u> | <u>237,935</u> | <u>489,273</u> | <u>470,510</u> | <u>(30,782,077)</u> |
| <u>\$ 8,677,681</u> | <u>\$ 52,745,569</u> | <u>\$ (11,191,146)</u> | <u>\$ (18,237,660)</u> | <u>\$ (5,655,339)</u> | <u>\$ (32,886,909)</u> |
| 3.9% | 14.9% | 13.1% | 12.4% | 15.2% | 9.3% |

**Town of Apple Valley
Assessed Value of Taxable Property
Last Ten Fiscal Years**

| Fiscal Year | Residential Property | Commercial Property | Industrial Property | Vacant Land |
|--------------------|-----------------------------|----------------------------|----------------------------|--------------------|
| 2003 | 1,963,534,907 | 155,362,669 | 19,368,118 | 183,817,121 |
| 2004 | 2,150,609,817 | 163,267,677 | 20,180,871 | 189,747,260 |
| 2005 | 2,489,438,754 | 169,228,003 | 76,930,383 | 209,898,269 |
| 2006 | 2,903,209,136 | 185,807,290 | 80,859,615 | 318,287,291 |
| 2007 | 3,702,610,075 | 218,826,360 | 85,520,475 | 422,316,489 |
| 2008 | 4,400,289,170 | 244,221,927 | 91,173,729 | 510,056,236 |
| 2009 | 4,427,159,519 | 370,595,628 | 104,193,318 | 527,756,171 |
| 2010 | 3,727,991,951 | 451,912,848 | 109,259,356 | 508,707,791 |
| 2011 | 3,287,296,617 | 465,526,817 | 111,617,208 | 430,839,207 |
| 2012 | 3,266,196,822 | 480,536,311 | 105,788,103 | 411,335,510 |

Note: Beginning with the fiscal year ended June 30, 2001, exemptions are netted directly against the individual property categories.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL Coren & Cone, San Bernardino County Assessor 2011/2012 Combined Tax Rolls

| Unsecured | Other | Less: Tax-Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate |
|------------------|--------------|--|---|--------------------------------------|
| 77,948,527 | 40,474,276 | - | 2,440,505,618 | 0.08355% |
| 70,946,145 | 45,385,216 | - | 2,640,136,986 | 0.09310% |
| 84,718,542 | 48,891,755 | - | 3,079,105,706 | 0.10755% |
| 109,822,596 | 51,850,870 | - | 3,649,836,798 | 0.12947% |
| 118,624,490 | 63,047,232 | - | 4,610,945,121 | 0.16646% |
| 129,233,682 | 71,450,735 | - | 5,446,425,479 | 0.18415% |
| 154,190,423 | 87,406,824 | - | 5,671,301,883 | 0.18399% |
| 169,846,550 | 80,709,595 | - | 5,048,428,091 | 0.16801% |
| 173,885,410 | 82,348,845 | - | 4,551,514,104 | 0.15174% |
| 164,165,317 | 91,203,867 | - | 4,519,225,930 | 0.15036% |

Town of Apple Valley
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|-------------|-------------|-------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| City Direct Rates: | | | | | | | | | | |
| City Basic Rate | 0.09438 | 0.09438 | 0.09438 | 0.09438 | 0.09438 | 0.09438 | 0.09438 | 0.09438 | 0.09438 | 0.09438 |
| Overlapping Rates: | | | | | | | | | | |
| A V Fire Protection District | * | * | * | 0.09302 | 0.09263 | 0.09263 | 0.09263 | 0.09263 | 0.09263 | 0.09263 |
| Apple Valley Unified | * | * | * | 0.34330 | 0.31078 | 0.31079 | 0.31079 | 0.31079 | 0.31079 | 0.31079 |
| County Free Library | * | * | * | ** | 0.01431 | 0.01431 | 0.01431 | 0.01431 | 0.01431 | 0.01431 |
| San Bernardino County | * | * | * | 0.18465 | 0.14778 | 0.14778 | 0.14778 | 0.14778 | 0.14778 | 0.14778 |
| County Superintendent | * | * | * | ** | 0.01006 | 0.01006 | 0.01006 | 0.01006 | 0.01006 | 0.01006 |
| Csa 60 Victorville | * | * | * | ** | 0.01024 | 0.01024 | 0.01024 | 0.01024 | 0.01024 | 0.01024 |
| Education Revenue Aug Fund | * | * | * | ** | 0.22378 | 0.22378 | 0.22378 | 0.22378 | 0.22378 | 0.22378 |
| Flood Control Admin 3-6 | * | * | * | 0.02446 | 0.00089 | 0.00089 | 0.00089 | 0.00089 | 0.00089 | 0.00089 |
| Flood Control Zone 4 | * | * | * | ** | 0.02335 | 0.02335 | 0.02335 | 0.02335 | 0.02335 | 0.02335 |
| Mojave Desert Resource Conservation District | * | * | * | ** | 0.00013 | 0.00013 | 0.00013 | 0.00013 | 0.00013 | 0.00013 |
| Mojave Water Agency | * | * | * | ** | 0.00526 | 0.00526 | 0.00526 | 0.00526 | 0.00526 | 0.00526 |
| Victor Valley Com. College | * | * | * | 0.06728 | 0.06641 | 0.06641 | 0.06641 | 0.06641 | 0.06641 | 0.06641 |
| Other | * | * | * | <u>0.24177</u> | - | - | - | - | - | - |
| Total Prop. 13 Rate | <u>*</u> | <u>*</u> | <u>*</u> | <u>1.04886</u> | <u>1.00000</u> | <u>1.00000</u> | <u>1.00000</u> | <u>1.00000</u> | <u>1.00000</u> | <u>1.00000</u> |
| Apple Valley Unified | * | * | * | * | 0.03030 | 0.02470 | 0.02550 | 0.02760 | 0.03870 | 0.03740 |
| Mojave Water Agency - Land Only | * | * | * | * | 0.11250 | 0.11250 | 0.11250 | 0.11250 | 0.11250 | 0.11250 |
| Morongo Water Agency | * | * | * | * | <u>0.05500</u> | <u>0.05500</u> | <u>0.05500</u> | <u>0.05500</u> | <u>0.05500</u> | <u>0.05500</u> |
| Total Voter Approved Rate | <u>*</u> | <u>*</u> | <u>*</u> | <u>0.19871</u> | <u>0.19780</u> | <u>0.19220</u> | <u>0.19300</u> | <u>0.19510</u> | <u>0.20620</u> | <u>0.20490</u> |
| Total Tax Rate | <u>*</u> | <u>*</u> | <u>*</u> | <u>1.24757</u> | <u>1.19780</u> | <u>1.19220</u> | <u>1.19300</u> | <u>1.19510</u> | <u>1.20620</u> | <u>1.20490</u> |

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

General fund tax rates are representative and based upon the direct and overlapping rates for the largest General Fund tax rate area by net taxable value.

Total Direct Rate is the weighted average of all individual direct rates applied by the City. The Total Direct Rate percentages presented in the row above is not the sum of the City Basic Rate and the Redevelopment Agency Rate.

RDA rate is based on the largest RDA tax rate area and includes only rates from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

Source: San Bernardino County Assessor 2002/03 - 2011/12 Tax Rate Table as summarized by HdL Coren & Cone

* Information not available

** Details listed in 2006/2007. Prior year totals were included in "Other" category

**Town of Apple Valley
Principal Property Tax Payers
Current Year and Nine Years Ago**

| <u>Taxpayer</u> | <u>2012</u> | | <u>2003</u> | |
|---|---------------------------------------|---|---------------------------------------|---|
| | <u>Taxable Assessed Value</u> | <u>Percent of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Percent of Total City Taxable Assessed Value</u> |
| Wal Mart Store East Limited Partnership | \$ 108,008,347 | 2.39% | \$ - | - |
| WRI Alliance Riley Venture III | 38,461,646 | 0.85% | - | - |
| Apple Valley Rancho Water Company | 35,972,258 | 0.80% | 20,488,899 | 0.84% |
| Target Corporation | 32,134,369 | 0.71% | 7,878,811 | 0.32% |
| WRI Alliance Riley Venture | 28,239,188 | 0.62% | - | - |
| Apple Valley Commons I, LLC | 27,320,074 | 0.60% | - | - |
| Watson Land Company | 19,112,752 | 0.42% | - | - |
| Winco Foods LLC | 18,665,042 | 0.41% | - | - |
| Pulte Home Corporation | 16,327,873 | 0.36% | - | - |
| Lowe's H/W Inc. | 14,880,191 | 0.33% | - | - |
| Heavy Lift Helicopter | - | - | 21,674,138 | 0.89% |
| Albertson's | - | - | 11,981,897 | 0.49% |
| Apple Valley Real Estate Holdings LLC | - | - | 9,554,408 | 0.39% |
| CWS Communities LP | - | - | 8,238,362 | 0.34% |
| Walmart Real Estate Business Trust | - | - | 7,578,575 | 0.31% |
| Son of Caduceus | - | - | 6,394,187 | 0.26% |
| Troy CMBS Property LLC | - | - | 5,402,040 | 0.22% |
| Prem N Reddy | - | - | 5,309,196 | 0.22% |
| | <u>\$ 339,121,740</u> | <u>7.50%</u> | <u>\$ 104,500,513</u> | <u>4.28%</u> |

The amounts shown above include assessed value data for both the City and the Redevelopment Agency

Source: San Bernardino County Assessor 2002/03 and 2011/12 Combined Tax Rolls as summarized by HdL Coren & Cone

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**Town of Apple Valley
Property Tax Levies and Collections
Last Ten Fiscal Years**

| Fiscal Year Ended June 30 | Taxes Levied (2) for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date (1) | |
|--|---|---|-------------------------------|--|--|-------------------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2003 | * | * | * | - | * | * |
| 2004 | * | * | * | - | * | * |
| 2005 | * | * | * | - | * | * |
| 2006 | 2,919,359 | 2,919,359 | 100.00% | - | 2,919,359 | 100.00% |
| 2007 | 4,005,347 | 4,005,347 | 100.00% | - | 4,005,347 | 100.00% |
| 2008 | 4,579,518 | 4,579,518 | 100.00% | - | 4,579,518 | 100.00% |
| 2009 | 4,120,024 | 4,120,024 | 100.00% | - | 4,120,024 | 100.00% |
| 2010 | 3,772,351 | 3,772,351 | 100.00% | - | 3,772,351 | 100.00% |
| 2011 | 3,502,562 | 3,502,562 | 100.00% | - | 3,502,562 | 100.00% |
| 2012 | 3,307,004 | 3,307,004 | 100.00% | - | 3,307,004 | 100.00% |

(1) Note: The Town participates in the San Bernardino County "Teeter" program and is guaranteed 100%

(2) Note: Taxes Levied does not include RDA revenue

Source: HdL Coren & Cone, San Bernardino County Assessor 2011/12 Combined Tax Rolls

* Data not available

**Town of Apple Valley
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

| Fiscal Year | Governmental Activities | | | Business-type Activities | | | |
|------------------------|--|-------------------------------------|--------------------------------------|--|---|--------------------------------------|---|
| | Certificates of Participation | Tax Allocation Bonds | Capital Lease Payable | Certificates of Participation | Special Assessment Bonds | Capital Lease Payable | Installment Purchase Agreement |
| 2003 | 7,897,000 | - | - | 813,000 | 7,012,778 | 173,294 | 2,882,500 |
| 2004 | 7,479,500 | - | - | 760,500 | 6,089,445 | 164,466 | 2,955,000 |
| 2005 | 7,053,250 | 8,130,000 | 155,139 | 706,750 | 5,636,112 | - | 2,808,125 |
| 2006 | 6,614,500 | 8,000,000 | 145,287 | 650,500 | 5,265,000 | - | 2,665,208 |
| 2007 | 6,162,000 | 16,860,000 | 134,879 | 593,000 | 4,715,000 | - | 2,518,958 |
| 2008 | 17,065,750 | 53,005,000 | 123,884 | 534,250 | 3,750,000 | - | 2,366,250 |
| 2009 | 16,280,750 | 52,090,000 | 112,268 | 474,250 | 3,410,000 | - | 2,210,205 |
| 2010 | 15,403,250 | 51,140,000 | 99,997 | 411,750 | 3,015,000 | - | 2,048,958 |
| 2011 | 14,498,250 | 50,155,000 | 87,034 | 346,750 | 2,579,700 | - | 1,880,625 |
| 2012 | 13,560,750 ⁽¹⁾ | - | 72,164 | 279,250 | 2,130,000 | - | 1,706,458 |

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) As of January 31, 2012, Tax Allocation Bonds were transferred to the Successor Agency of the Redevelopment Agency of the Town of Apple Valley.

| Total Primary Government | Percentage of Personal Income | Per Capita |
|---|--|-----------------------|
| 18,778,572 | * | 318 |
| 17,448,911 | 1508.60% | 284 |
| 24,489,376 | 1981.82% | 384 |
| 23,340,495 | 1714.70% | 347 |
| 30,983,837 | 2130.30% | 443 |
| 76,845,134 | 5274.75% | 1,104 |
| 74,577,473 | 5211.22% | 1,069 |
| 72,118,955 | 5039.43% | 1,034 |
| 69,547,359 | 4622.53% | 993 |
| 17,748,622 | 1175.15% | 253 |

Town of Apple Valley
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

| Fiscal Year | General Bonded Debt Outstanding | | Percent of Assessed Value | Per Capita |
|--------------------|--|--------------|----------------------------------|-------------------|
| | Tax Allocation Bonds | Total | | |
| 2002 | * | - | * | * |
| 2003 | * | - | * | * |
| 2004 | * | - | * | * |
| 2005 | 8,130,000 | 8,130,000 | 0.26% | 127 |
| 2006 | 8,000,000 | 8,000,000 | 0.22% | 119 |
| 2007 | 16,860,000 | 16,860,000 | 0.37% | 241 |
| 2008 | 53,005,000 | 53,005,000 | 0.97% | 761 |
| 2009 | 52,090,000 | 52,090,000 | 0.92% | 747 |
| 2010 | 51,140,000 | 51,140,000 | 1.01% | 730 |
| 2011 | 50,155,000 | 50,155,000 | 1.10% | 716 |
| 2012 (1) | - | - | 0.00% | 0 |

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial

* Data not available

(1) As of January 31, 2012, Tax Allocation Bonds were transfers to the Successor Agency of the Redevelopment Agency of the Town of Apple Valley.

Town of Apple Valley
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

| | |
|--|-------------------------|
| City Assessed Valuation | \$ 4,513,279,442 |
| Redevelopment Agency Incremental Valuation | 822,239,197 |
| Total Assessed Valuation | <u>\$ 3,691,040,245</u> |

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Percentage Applicable</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|--|-----------------------------|----------------------------------|---|
| Overlapping Tax and Assessment Debt: | | | |
| Mojave Water Agency | \$ 16,755,000 | 18.1300% | \$ 3,037,682 |
| Victor Valley Joint Community College District | 135,332,026 | 21.9670% | 29,728,386 |
| Victor Valley Union High School District | 85,111,880 | 0.0003% | 255 |
| Apple Valley Unified School District | 32,488,758 | 80.5260% | 26,161,897 |
| Oro Grande School District | 557,700 | 0.0140% | 78 |
| Town of Apple Valley 1915 Act Bonds | 4,100,000 | 100.0000% | 4,100,000 |
| Direct and Overlapping General Fund Debt: | | | |
| San Bernardino County General Fund Obligations | 613,235,000 | 3.2430% | 19,887,211 |
| San Bernardino County Pension Obligations | 547,885,591 | 3.2430% | 17,767,930 |
| San Bernardino County Flood Control General Fund Obligations | 108,210,000 | 3.2430% | 3,509,250 |
| Victor Valley Union High School District Certificates of Participation | 6,550,000 | 0.0003% | 20 |
| Apple Valley Unified School District Certificates of Participation | 4,600,000 | 80.5260% | 3,704,196 |
| Hesperia Unified School District Certificates of Participation | 101,890,000 | 0.0040% | 4,076 |
| Oro Grande School district Certificates of Participation | 35,715,000 | 0.0140% | <u>5,000</u> |
| Subtotal, overlapping debt | | | 107,905,981 |
| City direct debt | 13,840,000 | 100.0000% | <u>13,840,000</u> |
| Total direct and overlapping debt | | | <u>\$ 121,745,981</u> |

Notes:

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by the city.

Source: San Bernardino County Assessor and Auditor

**Town of Apple Valley
Legal Debt Margin Information
Last Ten Fiscal Years**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--|-------------|-------------|-----------------------|-----------------------|-----------------------|
| Assessed valuation | * | * | \$ 3,078,656,762 | \$ 3,649,295,318 | \$ 4,610,716,666 |
| Conversion percentage | * | * | 25% | 25% | 25% |
| Adjusted assessed valuation | * | * | 769,664,191 | 912,323,830 | 1,152,679,167 |
| Debt limit percentage | * | * | 15% | 15% | 15% |
| Debt limit | * | * | 115,449,629 | 136,848,574 | 172,901,875 |
| Total net debt applicable to limit: Certificates of Participation | * | * | <u>7,760,000</u> | <u>7,265,000</u> | <u>6,755,000</u> |
| Legal debt margin | * | * | <u>\$ 107,689,629</u> | <u>\$ 129,583,574</u> | <u>\$ 166,146,875</u> |
| Total debt applicable to the limit as a percentage of debt limit | * | * | 6.7% | 5.3% | 3.9% |

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: San Bernardino County Assessor's Office 2011/2012 Combined Tax Rolls

* Data not available

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 5,445,989,305 | \$ 5,670,597,064 | \$ 5,048,428,091 | \$ 4,551,514,104 | \$ 4,519,225,930 |
| 25% | 25% | 25% | 25% | 25% |
| 1,361,497,326 | 1,417,649,266 | 1,262,107,023 | 1,137,878,526 | 1,129,806,483 |
| 15% | 15% | 15% | 15% | 15% |
| 204,224,599 | 212,647,390 | 189,316,053 | 170,681,779 | 169,470,972 |
| <u>17,590,000</u> | <u>16,755,000</u> | <u>15,815,000</u> | <u>14,845,000</u> | <u>13,840,000</u> |
| <u>\$ 186,634,599</u> | <u>\$ 195,892,390</u> | <u>\$ 173,501,053</u> | <u>\$ 155,836,779</u> | <u>\$ 155,630,972</u> |
| 8.6% | 7.9% | 8.4% | 8.7% | 8.2% |

**Town of Apple Valley
Pledged-Revenue Coverage
Last Ten Fiscal Years**

| Special Assessment Bonds | | | | | | | |
|---------------------------------|---------------------------|---------------------------|---|------------------|-----------------|--------------|-----------------|
| Fiscal Year | Gross Revenues (1) | Gross Expenses (2) | Net Revenue Available for Debt Service | Principal | Interest | Total | Coverage |
| 2003 | 2,466,716 | 1,435,673 | 1,031,043 | 501,250 | 555,926 | 1,057,176 | 97.53% |
| 2004 | 2,623,577 | 1,570,861 | 1,052,716 | 546,328 | 507,780 | 1,054,108 | 99.87% |
| 2005 | 4,522,768 | 1,862,646 | 2,660,122 | 542,778 | 449,535 | 992,313 | 268.07% |
| 2006 | 4,273,523 | 2,716,227 | 1,557,296 | 576,250 | 422,108 | 998,358 | 155.99% |
| 2007 | 4,231,588 | 2,705,872 | 1,525,716 | 607,500 | 386,338 | 993,838 | 153.52% |
| 2008 | 3,474,982 | 3,332,796 | 142,186 | 1,023,750 | 301,310 | 1,325,060 | 10.73% |
| 2009 | 3,814,764 | 3,607,565 | 207,199 | 400,000 | 247,590 | 647,590 | 32.00% |
| 2010 | 4,197,645 | 3,464,210 | 733,435 | 457,500 | 215,977 | 673,477 | 108.90% |
| 2011 | 4,554,042 | 5,091,496 | (537,454) | 500,300 | 186,642 | 686,942 | -78.24% |
| 2012 | 4,373,054 | 4,120,838 | 252,216 | 517,200 | 152,559 | 669,759 | 37.66% |

Note 1: Total revenues (including taxes and interest).

Note 2: Includes operating and non-operating expenses, except depreciation and amortizations.

Source: Town of Apple Valley Finance Department.

**Town of Apple Valley
Demographic and Economic Statistics
Last Ten Fiscal Years**

| Fiscal Year | Population (1) | Personal Income In Thousands | Per Capita Personal Income (2) | Unemployment Rate (3) |
|--------------------|-----------------------|-------------------------------------|---------------------------------------|------------------------------|
| 2002 | 57,161 | 1,025,716 | 17,944 | 6.70% |
| 2003 | 59,046 | 1,076,274 | 18,228 | 6.90% |
| 2004 | 61,464 | 1,156,630 | 18,818 | 6.40% |
| 2005 | 63,738 | 1,235,704 | 19,387 | 5.80% |
| 2006 | 67,276 | 1,361,200 | 20,233 | 5.30% |
| 2007 | 69,941 | 1,454,437 | 20,795 | 6.10% |
| 2008 | 69,622 | 1,456,850 | 20,925 | 8.70% |
| 2009 | 69,748 | 1,431,094 | 20,518 | 14.30% |
| 2010 | 70,040 | 1,504,529 | 21,481 | 15.60% |
| 2011 | 70,033 | 1,510,332 | 21,566 | 14.40% |

1) Population Source: California State Department of finance

2) 2000-2009 Income, Age, and Education Data: ESRI - *Demographic Estimates are based on the last available Census.* Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled by Census Block Groups that overlaid the Town's boundaries

2010 and later Income, Age and Education Data - US Census Bureau, most recent American Community Survey

3) Unemployment Data: California Employment Development Department

**Town of Apple Valley
Principal Employers
Current Year and Nine Years Ago**

| <u>Employer</u> | <u>2012</u> | | <u>2003</u> | |
|----------------------------------|--------------------------------|--|--------------------------------|--|
| | <u>Number of Employees</u> | <u>Percent of Total Employment</u> | <u>Number of Employees</u> | <u>Percent of Total Employment</u> |
| Apple Valley School District | 1,800 | 7.89% | * | * |
| St. Mary Regional Medical Center | 1,700 | 7.46% | * | * |
| Wal-Mart Distribution Center | 750 | 3.29% | * | * |
| Target Stores | 461 | 2.02% | * | * |
| Stater Brothers | 251 | 1.10% | * | * |
| Wal-Mart Stores | 218 | 0.96% | * | * |
| Town of Apple Valley | 156 | 0.68% | * | * |
| Lowe's Home Imp Warehouse | 124 | 0.54% | * | * |
| McDonalds | 112 | 0.49% | * | * |
| The Home Depot | 110 | 0.48% | * | * |

"Total Employment" as used above represents the total employment of all employers located within City limits.

Source: Town of Apple Valley Community Development Department

* Data unavailable

Town of Apple Valley
Full-time and Part-time City Employees
by Function
Last Ten Fiscal Years

| <u>Function</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government | 53 | 46 | 47 | 57 | 33 | 34 | 33 | 33 | 35 | 35 |
| Public safety | 49 | 49 | 53 | 55 | 40 | 39 | 35 | 30 | 34 | 35 |
| Economic Development | 5 | 4 | 4 | 4 | 7 | 7 | 9 | 9 | 10 | 9 |
| Public Works/Wastewater | 5 | 6 | 6 | 9 | 14 | 13 | 14 | 21 | 20 | 23 |
| Community Development | 6 | 4 | 6 | 6 | 9 | 8 | 12 | 12 | 13 | 11 |
| Parks & Recreation | 64 | 47 | 65 | 75 | 124 | 118 | 109 | 107 | 109 | 116 |
| Total | 182 | 156 | 181 | 206 | 227 | 219 | 212 | 212 | 221 | 229 |

Source: Town of Apple Valley

Note: Totals represent total number of employees including Full Time and Part Time.

**Town of Apple Valley
Operating Indicators
by Function
Last Ten Fiscal Years**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Police: | | | | | | |
| Arrests | 1,083 | 1,152 | 1,317 | 1,544 | 1,996 | 2,009 |
| Parking citations issued | 245 | 345 | 249 | 97 | 57 | 78 |
| Public works: | | | | | | |
| Street resurfacing (miles) | 68.37 | 29.50 | 97.08 | 31.13 | 52.92 | 48.10 |
| Parks and recreation: | | | | | | |
| Number of recreation classes | 193 | 195 | 230 | 227 | 499 | 483 |
| Number of facility rentals (1) | 3,467 | 3,873 | 4,172 | 3,764 | 4,713 | 4,086 |
| Sewer: | | | | | | |
| New connections | 486 | 563 | 1,181 | 1,464 | 829 | 576 |
| Average daily sewage treatment (thousands of gallons) | 1,271 | 1,380 | 2,044 | 1,971 | 1,567 | 1,930 |

Source: Town of Apple Valley
(1) Based on the # of participants

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------|-------------|-------------|-------------|
| 1,952 | 1,937 | 1,927 | 2,164 |
| 78 | 93 | 203 | 114 |
| 65.28 | 5.97 | 1.30 | 2.00 |
| 552 | 584 | 513 | 554 |
| 3,925 | 3,886 | 3,628 | 3,373 |
| 327 | 180 | 134 | 61 |
| 1,919 | 1,670 | 1,814 | 1,656 |

**Town of Apple Valley
Capital Asset Statistics
by Function
Last Ten Fiscal Years**

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public works: | | | | | | |
| Streets (miles) | * | * | 411.07 | 414.57 | 417.17 | 422.71 |
| Streetlights | * | * | 621 | 625 | 628 | 628 |
| Traffic signals | * | * | 17 | 17 | 17 | 21 |
| Parks and recreation: | | | | | | |
| Parks | * | * | 13 | 13 | 14 | 13 |
| Community centers | * | * | 2 | 2 | 2 | 2 |
| Wastewater: | | | | | | |
| Sanitary sewers (miles) | * | * | * | * | 140 | 142 |
| Storm drains (miles) | * | * | * | * | 1 | 2 |
| Number of Service Connections | * | * | * | * | 12,313 | 13,179 |

Source: Town of Apple Valley

* Data not available

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------|-------------|-------------|-------------|
| 422.71 | 422.71 | 422.71 | 422.71 |
| 628 | 628 | 628 | 629 |
| 22 | 22 | 22 | 24 |
| 13 | 13 | 13 | 12 |
| 2 | 2 | 3 | 3 |
| 142 | 142 | 142 | 142 |
| 2 | 2 | 2 | 2 |
| 13,506 | 13,686 | 13,820 | 13,881 |