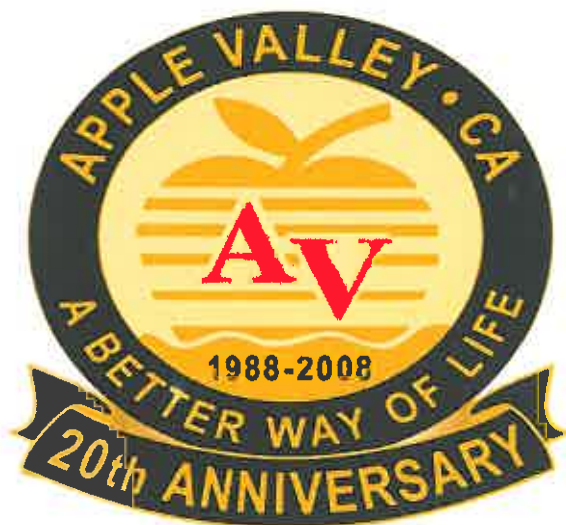


# *Comprehensive Annual Financial Report*

Fiscal Year

July 1, 2007 through June 30, 2008



Town of Apple Valley, California

*A Better Way of Life*

**TOWN OF APPLE VALLEY, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2008**

**Prepared by**  
**Finance Department**

**William Pattison**  
**Director of Finance**



**Town of Apple Valley, California**  
**Comprehensive Annual Financial Report**  
Year Ended June 30, 2008

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**Town of Apple Valley, California  
Comprehensive Annual Financial Report  
Year Ended June 30, 2008**

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## **INTRODUCTORY SECTION**

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# Town of Apple Valley

14955 Dale Evans Parkway • Apple Valley, California 92307

December 22, 2008

*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, 2008.

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, 2008, 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 1983, following local voter approval.

The Town's modern history stems from 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, 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 1980's, 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 over 75,000 in 2007. The three major industries within Apple Valley became the building of single family homes, real estate sales and the medical industry.

With the downturn in the Southern California economy in the early 1990's, 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 had been experiencing 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. However, this trend is begun changing in 2005. One factor is 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 factor is the increasing traffic congestion along routes to the freeway retailers is encouraging 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, 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 Wal-Mart Distribution Center and a 70,000 square foot Fresenius Medical Care Distribution Center. Major industrial developers, including First Industrial Realty Trust and Watson Land Company are actively marketing 900-plus total acres. 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 for Apple Valley 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 Medical Center—a 186-bed acute care hospital that provides diagnostic, radiology and surgical procedures as well as wellness and prevention programs. Significantly, 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 1980's—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**

A major focus of the Town Council is economic development. The Council has directed implementation of a highly publicized economic development effort. The effort includes a highly proactive, customer service oriented approach toward redevelopment, economic development and various housing functions.

This past year, such goals were highly successful. More than 200 stores have opened since 2005, 53 of which have opened within the last 15 months, including; WinCo Foods, Super Target, Best Buy, Bed Bath and Beyond, and UltraStar Cinema. Another 25 retailers are expected to open by summer 2009, including; Cinemark Theater, 24-Hour Fitness, Ross Dress for Less, and Buffalo Wild Wings.

As retail development continues to expand into the Apple Valley market, the Town Council has made the implementation of a targeted marketing and industrial business attraction program a priority of economic development for the coming years. The Town's goal for the next 12 months is to focus on attracting logistics based industrial development, including 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.

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

#### **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. During the last four years, the Town 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 north/south arterial, was extended northward

to connect Apple Valley's western perimeter to Interstate 15. This \$1.2 million road improvement project was funded by one of two Apple Valley redevelopment project areas. Another major north/south arterial, Kiowa Road, has been resurfaced and widened to three lanes (one lane in each direction and a center divider lane for left hand turns), between Bear Valley Road and Yucca Loma Road. Dakota Road, between Corwin Road and Altadena Street, and Altadena Street, between Dakota Road and Navajo Road, has recently been paved to provide a secondary paved access into the North Apple Valley Industrial Specific Plan area.

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 is currently involved in the update of the General Plan, to make recommendations to update land use patterns. Once 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 project will improve the functional efficiency of this very heavily traveled intersection, to relieve congestion, and improve safety. Also during this time frame both Corwin Road, from Highway 18 to the airport, and Navajo Road, from Highway 18 to Waalew Road, will be resurfaced and, where possible, widened to three lanes (one lane in each direction and a left hand turn lane).
- 2-5 years: A joint Highway 18 corridor study between the Town and the California Department of Transportation (Caltrans) is evaluating 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. In addition, the Yucca Loma Bridge and ultimate widening of Yucca Loma Road, from Apple Valley Road to the Mojave River, will just begin 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 most direct access to Interstate 15. The Yucca Loma Bridge over the Mojave River linking Yucca Loma Road with Victorville is anticipated to be well 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 crime that are in progress along with those with suspects either known or present.

### **AWARDS AND ACKNOWLEDGEMENTS**

#### **Awards**

The Town's comprehensive financial report for the year ended June 30, 2007, 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 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***

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. was also invaluable. I would like to acknowledge the following individuals who directly contributed to the publication of this document: Kaye Reynolds, Assistant Director of Finance; Orlando Acevedo, Economic Development Specialist II, Brad Miller, Town Engineer and Dennis Cron, Director of Public Services.

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

Sincerely,

William B. Pattison Jr.  
Director of Finance



## **-Town Officials-**

*June 30, 2008*

### Town Council

Timothy Jasper, *Mayor*

Bob Sagona, *Mayor Pro-Tem*

Peter Allan

Scott Nassif

Rick Roelle

### Town Staff

Frank Robinson, *Town Manager*

Patty Saady, *Deputy Town Manager*

Bart Belknap, *Chief of Police*

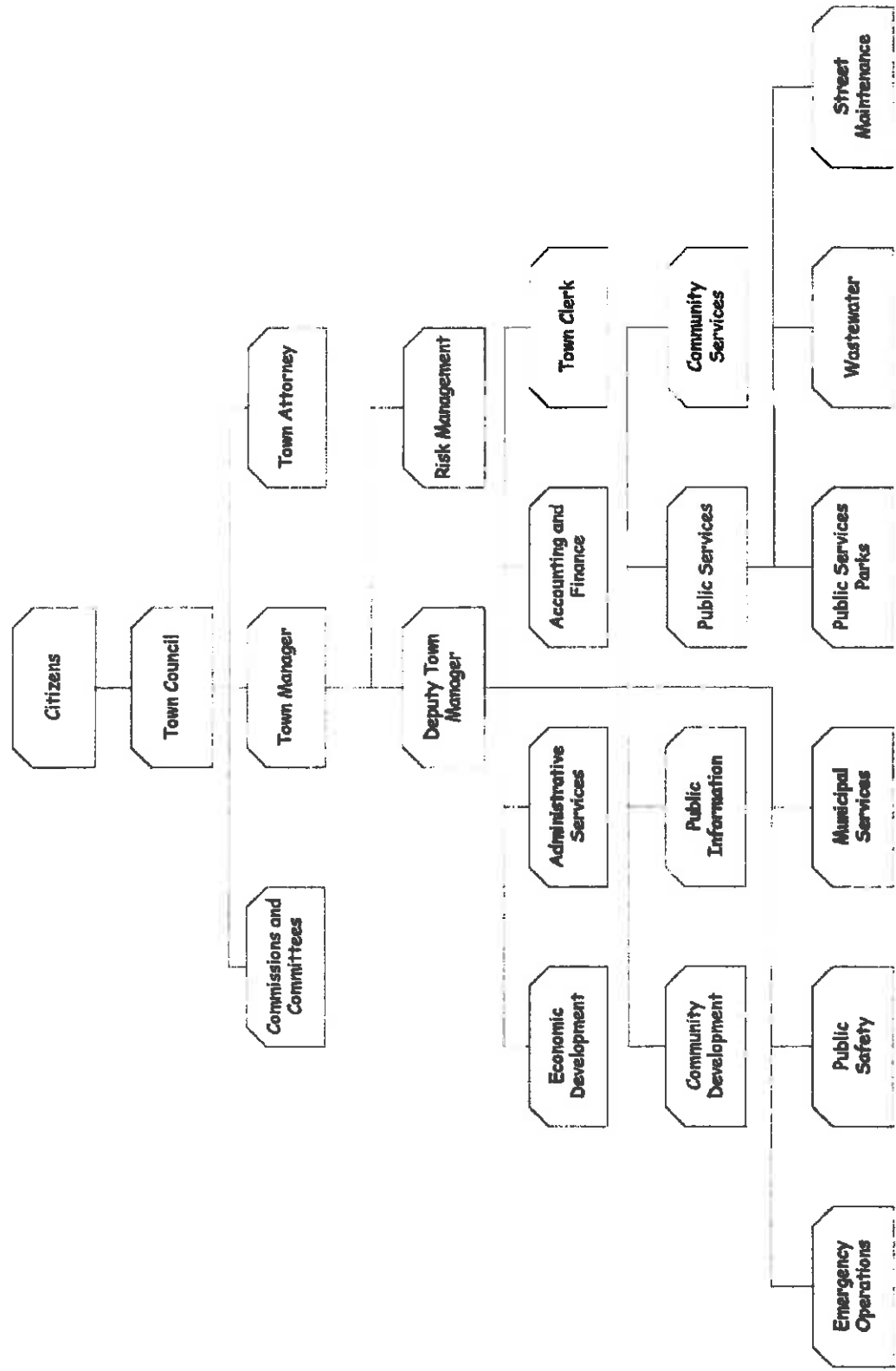
LaVonda Pearson, *Town Clerk*

Neil Singer, *Town Attorney*, Coffin and Singer

William Pattison, *Finance Director/Treasurer*

# TOWN OF APPLE VALLEY ORGANIZATION CHART

(as of July 01, 2008)





# 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey P. Egan*

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, 2008, 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 basic 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 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, 2008, and the respective changes in financial position and cash flows, where applicable, 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 December 22, 2008 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 the 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.

The management's discussion and analysis and budgetary comparison information on pages 2 through 11 and 57 through 61 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Apple Valley's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Teaman Ramirez & Smith*

December 22, 2008

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**Town of Apple Valley  
Management Discussion and Analysis**

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The management of the Town of Apple Valley provides this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007. Please consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii, and the Town's basic financial statements, which follow this section.

**Financial Highlights**

The assets of the Town exceeded its liabilities at the close of the Fiscal Year 2007-08 by \$475,940,675 (*net assets*). Of this amount, \$1,363,857 (*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 \$4,841,334.

As of FY 2007-08 year end, the Town of Apple Valley's governmental funds reported combined ending fund balances of \$99,302,605, an increase of \$52,745,570 in comparison with the prior year. Nearly 99% of this total amount, \$98,046,751, is available for spending at the government's discretion (*unreserved fund balance*).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$17,686,555, or 99 percent of total general fund expenditures.

The Town of Apple Valley's total debt increased by \$47,680,578 (150 percent) during the current fiscal year. This increase was due to the issuance of Tax Allocation and Lease Revenue Bonds in July, 2007.

**Overview of the Financial Statements**

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

The Apple Valley Redevelopment Agency and the Apple Valley Public Financing Authority are legally separate for which the Town is financially accountable. They both function for all practical purposes as departments of the

Town of Apple Valley, and therefore have been included in the governmental activities of the Town. Separate financial statements for the Redevelopment Agency can be obtained at the Town Hall.

The government-wide financial statements can be found on pages 12-14 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 29 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, Home fund, RDA Debt Service fund, Capital Projects fund, Development Impact 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 nineteen 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 and Waste Management operations.

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 and Waste Management, both of which 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 page 24.

**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 25-56 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 nonmajor 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 Town's case, assets exceeded liabilities by \$475,940,675 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (88 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 (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,363,857) 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 all three 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 except unrestricted.

The government's net assets increased by \$4,841,334 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$109,942,098	\$56,914,406	\$20,612,731	\$21,950,454	\$130,554,829	\$78,864,860
Capital assets	<u>392,824,650</u>	<u>390,358,509</u>	<u>37,983,539</u>	<u>38,704,955</u>	<u>430,808,189</u>	<u>429,063,464</u>
<b>Total assets</b>	<u>\$502,766,748</u>	<u>\$447,272,915</u>	<u>\$58,596,270</u>	<u>\$60,655,409</u>	<u>\$561,363,018</u>	<u>\$507,928,324</u>
Long-term liabilities outstanding	72,940,091	24,109,514	6,581,405	7,731,404	79,521,496	31,840,918
Other liabilities	<u>4,202,473</u>	<u>3,581,139</u>	<u>1,698,374</u>	<u>1,406,926</u>	<u>5,900,847</u>	<u>4,988,065</u>
<b>Total liabilities</b>	<u>\$77,142,564</u>	<u>\$27,690,653</u>	<u>\$8,279,779</u>	<u>\$9,138,330</u>	<u>\$85,422,343</u>	<u>\$36,828,983</u>
Net assets:						
Invested in capital assets, net of related debt	387,123,900	384,061,630	33,768,176	33,492,509	420,892,076	417,554,139
Restricted	51,867,938	25,102,142	1,816,804	1,792,823	53,684,742	26,894,965
Unrestricted	<u>(13,367,654)</u>	<u>10,418,490</u>	<u>14,731,511</u>	<u>16,231,747</u>	<u>1,363,857</u>	<u>26,732,701</u>
<b>Total net assets</b>	<u>\$425,624,184</u>	<u>\$419,582,262</u>	<u>\$50,316,491</u>	<u>\$51,517,079</u>	<u>\$475,940,675</u>	<u>\$471,099,341</u>

*Governmental activities.* Governmental activities increased the Town's net assets by \$6,041,922 (1.4%). Key elements of this increase are as follows:

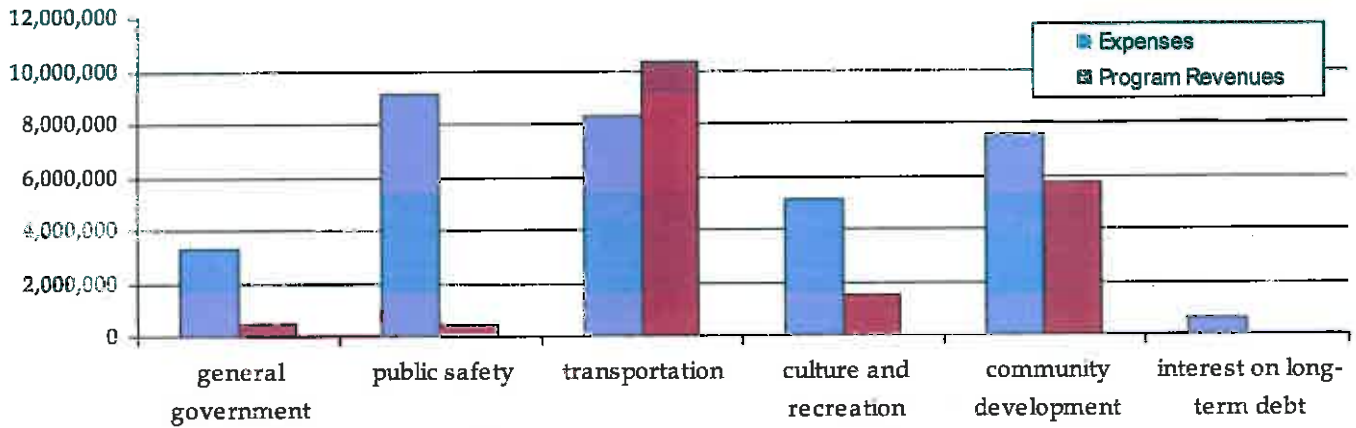
- Investment income increased \$887,215 (57 percent).
- Tax Increment increased \$2,746,667 (37 percent). This is due to major retail development within the Town.

For the most part, increases in expenses closely paralleled inflation and the demand for services. One noteworthy exception, however, was the Town's transportation function. In that instance, for the 3<sup>rd</sup> year in a row, the growth in expenses of \$1,575,061 (19 percent) reflects the cost of increased road programs.

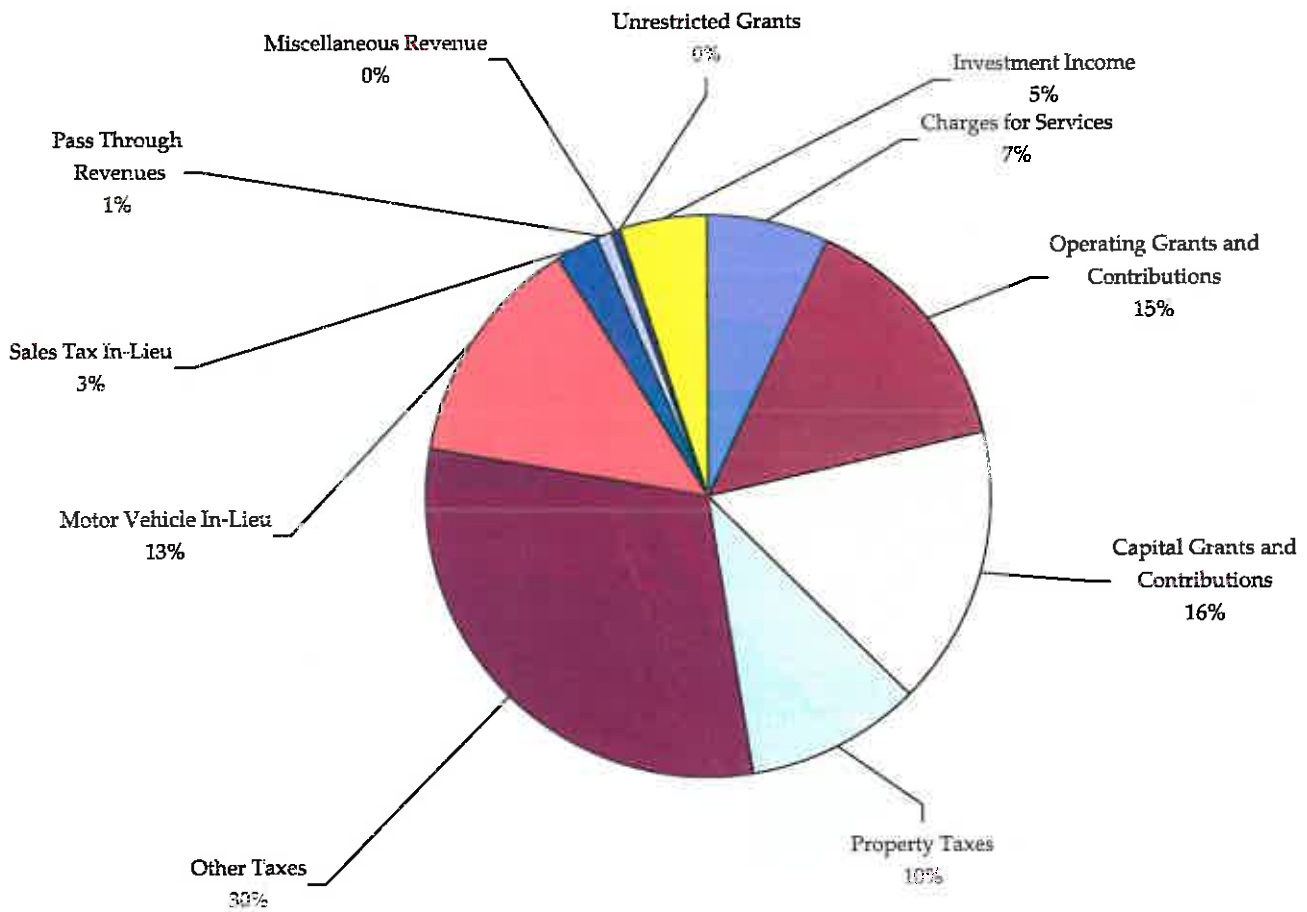
**Town of Apple Valley's Changes in Net Assets**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for service	\$3,338,669	\$4,967,139	\$11,977,753	\$12,776,830	15,316,422	17,743,969
Operating grants and contributions	7,034,992	5,116,858			7,034,992	5,116,858
Capital grants and contributions	7,719,437	8,396,253	1,173,704	7,787,415	8,893,141	16,183,668
<b>General revenues:</b>						
Property taxes	4,825,727	5,035,277			4,825,727	5,035,277
Other taxes	14,666,236	12,045,677			14,666,236	12,045,677
Motor Vehicle in-Lieu	6,493,901	5,616,051			6,493,901	5,616,051
Sales Tax in-Lieu	1,220,476	1,075,221			1,220,476	1,075,221
Pass Through Revenues	417,770	189,851			417,770	189,851
Miscellaneous Revenues	169,328	386,446			169,328	386,446
Grants and contribution not restricted to specific programs	19,310	23,094			19,310	23,094
Investment Income	2,442,247	1,555,032	613,328	477,888	3,055,575	2,032,920
<b>Total revenues</b>	<b>48,348,093</b>	<b>44,406,899</b>	<b>13,764,785</b>	<b>21,042,133</b>	<b>62,112,878</b>	<b>65,449,032</b>
<b>Expenses</b>						
General government	3,533,678	3,347,001			3,533,678	3,347,001
Public safety	10,430,291	9,119,965			10,430,291	9,119,965
Transportation	9,854,747	8,279,686			9,854,747	8,279,686
Culture and recreation	5,188,538	5,122,716			5,188,538	5,122,716
Community Development	8,805,564	7,534,045			8,805,564	7,534,045
Interest on long-term debt	3,539,966	635,095			3,539,966	635,095
Sewer			4,977,119	4,322,383	4,977,119	4,322,383
Waste Management			8,817,281	7,582,185	8,817,281	7,582,185
<b>Total expenses</b>	<b>41,352,784</b>	<b>34,038,508</b>	<b>13,794,400</b>	<b>11,904,568</b>	<b>55,147,184</b>	<b>45,943,076</b>
<b>Change in net assets before transfers</b>	<b>6,995,309</b>	<b>10,368,391</b>	<b>(29,615)</b>	<b>9,137,565</b>	<b>6,965,694</b>	<b>19,505,956</b>
<b>Transfers</b>	<b>792,788</b>	<b>284,036</b>	<b>(792,788)</b>	<b>(284,036)</b>	<b>0</b>	<b>0</b>
<b>Change in net assets</b>	<b>7,788,097</b>	<b>10,652,427</b>	<b>(822,403)</b>	<b>8,853,529</b>	<b>6,965,694</b>	<b>19,505,956</b>
<b>Net assets (beginning)</b>	<b>419,582,262</b>	<b>79,732,670</b>	<b>51,517,079</b>	<b>21,073,303</b>	<b>471,099,341</b>	<b>100,805,973</b>
<b>Prior Period Adjustment</b>	<b>(1,746,175)</b>	<b>329,197,165</b>	<b>(378,185)</b>	<b>21,590,247</b>	<b>(2,124,360)</b>	<b>350,787,412</b>
<b>Net assets (ending)</b>	<b>\$425,624,184</b>	<b>\$419,582,262</b>	<b>\$50,316,491</b>	<b>\$51,517,079</b>	<b>\$475,940,675</b>	<b>\$471,099,341</b>

### Expenses and Program Revenues - Governmental Activities



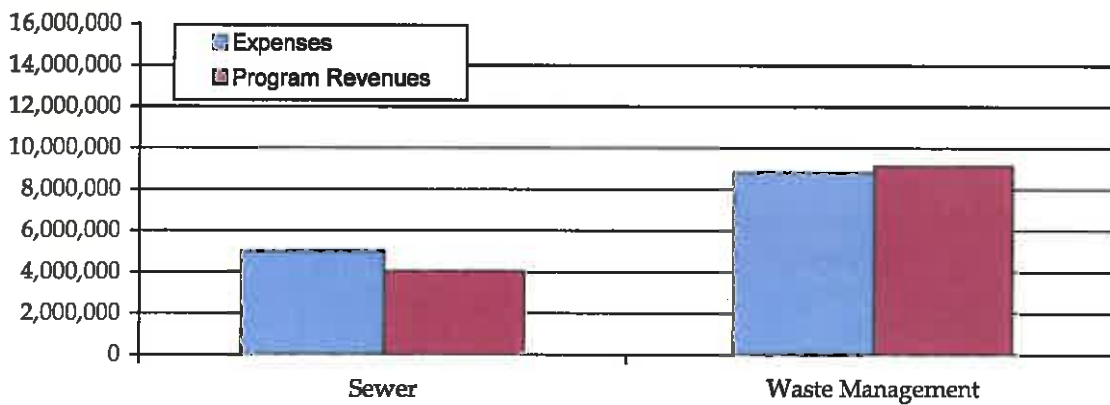
### Revenues by Source - Governmental Activities



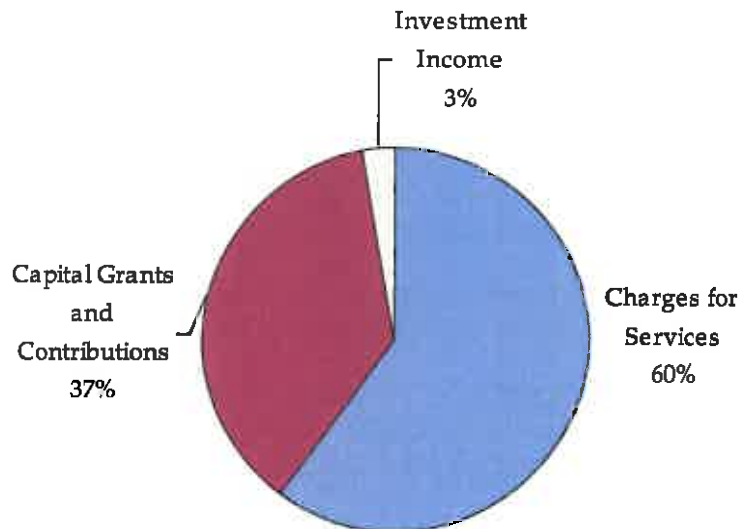
**Business-type activities.** Business-type activities decreased the Town’s net assets by \$1,200,588. Key elements of this decrease are as follows:

- Reserves for uncollectible accounts were adjusted \$553,830. \$378,185 of the \$553,830 is reported as a prior period adjustment.

**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, *unreserved 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 \$99,302,605, an increase of \$52,745,570 in comparison with the prior year. Approximately 99% of this total amount (\$98,046,751) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service (\$1,255,854).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, 100% of the total fund balance (\$17,686,555) was unreserved. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 99 percent of total general fund expenditures.

The fund balance of the Town's general fund increased by \$665,402 during the current fiscal year. Key factors in this growth are as follows:

- An increase in population led to an increase in motor vehicle fee revenues by \$877,850.

The Article 8 fund has as a total fund balance of \$2,217,992, all of which is reported as unreserved. The net decrease in fund balance during the current year in the Article 8 fund was \$1,504,523. This decrease was the result of fund balance being used to fund various projects.

The Parks and Recreation fund has a total fund balance of \$(2,267,919), which is reported as unreserved. The net decrease in fund balance during the current year in the Parks and Recreation fund was \$742,090. As was the case last year, this is primarily due to the increase in operation costs for the Civic Center Park and Aquatic Center.

The RDA Debt Service Fund has a total fund balance of \$39,907,707. The net increase in fund balance during the current year was \$29,003,789. This is mainly due to \$32,730,000 received from a bond issue in July, 2007.

The Measure I fund has a fund balance of \$3,922,372, all of which is unreserved. The net increase in the fund during the current year for the Measure I fund was \$2,004,736. The increase is due to the delay in the completion of several street projects which will be completed in the subsequent fiscal year.

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

Unrestricted net assets of the Sewer fund were \$11,704,088 and \$3,027,423 for the Solid Waste Management fund as of June 30, 2008. The total decrease in net assets for the Solid Waste Management fund was \$1,967 while the decrease in the Sewer fund was \$1,198,621. The decrease in fund balance, as previously discussed, was mainly due to the creation of a reserve for uncollectible accounts receivable.

**General Fund Budgetary Highlights**

The original budget approved by the Town Council projected a balanced budget for the year. Final numbers resulted in a \$665,402 positive change in fund balance. Actual revenues were under budget by \$681,702. Property taxes and motor vehicle in-lieu taxes increased due to an increase in property values and population, respectively. The biggest reason for the overall decrease in revenues this year was the decrease in building permits which were \$860,783 under budget. Actual expenditures were under budget by \$818,825. The decrease in revenues in building permits mentioned above resulted in a reduction of operating costs.

**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, 2008, amounts to \$430,808,189 (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 increase in the Town’s investment in capital assets for the current fiscal year was \$1,744,725 (a \$2,466,141 increase for governmental activities and a \$721,416 decrease 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 96,386,563	\$ 93,189,576	\$ 385,744	\$ 385,871	\$ 96,772,307	\$ 93,575,447
Construction in Progress	8,563,543	12,724,386			8,563,543	12,724,386
Furniture and Equipment	216,404	160,816			160,816	160,816
Computer Equipment	548,810	119,277			604,398	119,277
Trucks and Automobiles	526,585	528,525	293,912	20,747	820,497	549,272
Structures and Improvements Infrastructure	54,284,415	47,501,750			54,284,415	47,501,750
	232,298,330	236,134,179			232,298,330	236,134,179
Building and System Machinery and Equipment			121,516	127,326	121,516	127,326
			60,607	65,119	60,607	65,119
Collector Lines			37,121,760	38,105,892	37,121,760	38,105,892
<b>Total Capital Assets</b>	<b>\$ 392,824,650</b>	<b>\$ 390,358,509</b>	<b>\$ 37,983,539</b>	<b>\$ 38,704,955</b>	<b>\$ 430,808,189</b>	<b>\$ 429,063,464</b>

Additional information on the Town of Apple Valley’s capital assets can be found in note IV.D on pages 39 - 40 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town had total bonded debt outstanding of \$74,045,000. Of this amount, \$70,295,000 comprises debt backed by the full faith and credit of the government and \$3,750,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the Town’s debt represents bonds secured solely by specified revenue sources.

The Town's total bonded debt increased by \$45,715,000 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 reflect a conversion of assessed valuation data from the current full valuation perspective to the 25% level. The current debt limitation for the Town is \$204,224,599, 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Certificates of Participation	\$ 16,755,750	\$ 6,162,000	\$ 534,250	\$ 593,000	\$ 17,290,000	\$ 6,755,000
Tax Allocation Bonds	53,005,000	16,860,000			53,005,000	16,860,000
Claims Payable	45,000	45,000			45,000	45,000
Special assessment debt with Governmental commitment			3,750,000	4,715,000	3,750,000	4,715,000
California Housing Loan	250,000	250,000			250,000	250,000
Capital Lease Payable	123,884	134,879			123,884	134,879
Installment Purchase Agreement			2,366,250	2,518,958	2,366,250	2,518,958
<b>Total</b>	<u>\$ 70,179,634</u>	<u>\$ 23,451,879</u>	<u>\$ 6,650,500</u>	<u>\$ 7,826,958</u>	<u>\$ 76,830,134</u>	<u>\$ 31,278,837</u>

Additional information of the Town of Apple Valley's long-term debt can be found in note IV.E on pages 41 - 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 Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 14955 Dale Evans Parkway, Apple Valley, CA 92307.

**Town of Apple Valley  
Statement of Net Assets  
June 30, 2008**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 37,974,236	\$ 11,750,744	\$ 49,724,980
Accounts Receivable	808,036	1,126,510	1,934,546
Interest Receivable	1,243,539	54,943	1,298,482
Due from Other Governments	8,154,595	323,663	8,478,258
Due from Agency Funds	89,697		89,697
Special Assessments Receivable		3,247,173	3,247,173
Loans Receivable	2,303,151		2,303,151
Investment in Joint Venture		2,056,909	2,056,909
Debt Issuance Costs	1,485,923	235,985	1,721,908
Restricted Assets:			
Cash with Fiscal Agent	57,882,921	1,816,804	59,699,725
Capital Assets, Not Being Depreciated:			
Land	96,386,563	385,744	96,772,307
Construction in Progress	8,563,543		8,563,543
Capital Assets Net of Accumulated Depreciation:			
Buildings and Improvement	54,284,415	121,516	54,405,931
Machinery and Equipment	765,214	60,607	825,821
Trucks and Automobiles	526,585	293,912	820,497
Collector Lines		37,121,760	37,121,760
Infrastructure	232,298,330		232,298,330
<b>Total Assets</b>	<b>502,766,748</b>	<b>58,596,270</b>	<b>561,363,018</b>
<b>LIABILITIES</b>			
Accounts Payable	1,382,486	130,667	1,513,153
Accrued Liabilities	2,205,608	499,478	2,705,086
Interest Payable	408,665	86,250	494,915
Due to Other Governments		401,044	401,044
Unearned Revenue	205,714	536,340	742,054
Amounts Due Bondholders		44,595	44,595
Noncurrent Liabilities			
Due Within One Year	2,028,846	625,417	2,654,263
Due in More Than One Year, Net of Unamortized Premium	70,911,245	5,955,988	76,867,233
<b>Total Liabilities</b>	<b>77,142,564</b>	<b>8,279,779</b>	<b>85,422,343</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	387,123,900	33,768,176	420,892,076
Restricted for:			
Transportation	20,666,027		20,666,027
Culture and Recreation	107,198		107,198
Community Development	30,094,203		30,094,203
Capital Projects		1,101,651	1,101,651
Debt Service	1,000,510	715,153	1,715,663
Unrestricted	(13,367,654)	14,731,511	1,363,857
<b>Total Net Assets</b>	<b>\$ 425,624,184</b>	<b>\$ 50,316,491</b>	<b>\$ 475,940,675</b>

The accompanying notes are an integral part of this statement.



**Town of Apple Valley  
Statement of Activities  
Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 3,533,678	\$ 388,483	\$ 22,783	\$
Public Safety	10,430,291	243,106	511,027	
Transportation	9,854,747	88,491	2,775,798	6,922,228
Culture and Recreation	5,188,538	919,425		585,564
Community Development	8,805,564	1,699,164	3,725,384	211,645
Health				
Interest on Long-Term Debt	3,539,966			
<b>Total Governmental Activities</b>	<b>41,352,784</b>	<b>3,338,669</b>	<b>7,034,992</b>	<b>7,719,437</b>
<b>Business-type Activities:</b>				
Sewer	4,977,119	2,852,961		1,173,704
Waste Management	8,817,231	9,124,792		
<b>Total Business-type Activities</b>	<b>13,794,400</b>	<b>11,977,753</b>	<b>-</b>	<b>1,173,704</b>
<b>Total Primary Government</b>	<b>\$ 55,147,184</b>	<b>\$ 15,316,422</b>	<b>\$ 7,034,992</b>	<b>\$ 8,893,141</b>

**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**

**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
\$ (3,122,412)	\$	\$ (3,122,412)
(9,676,158)		(9,676,158)
(68,230)		(68,230)
(3,683,549)		(3,683,549)
(3,169,371)		(3,169,371)
-		-
<u>(3,539,966)</u>		<u>(3,539,966)</u>
<u>(23,259,686)</u>	-	<u>(23,259,686)</u>
	(950,454)	(950,454)
	307,511	307,511
-	(642,943)	(642,943)
<u>(23,259,686)</u>	(642,943)	<u>(23,902,629)</u>
4,825,727		4,825,727
10,097,187		10,097,187
1,128,946		1,128,946
3,424,928		3,424,928
15,175		15,175
6,493,901		6,493,901
1,220,476		1,220,476
417,770		417,770
169,328		169,328
19,310		19,310
2,442,247	613,328	3,055,575
792,788	(792,788)	-
<u>31,047,783</u>	(179,460)	<u>30,868,323</u>
7,788,097	(822,403)	6,965,694
419,582,262	51,517,079	471,099,341
<u>(1,746,175)</u>	(378,185)	<u>(2,124,360)</u>
<u>\$ 425,624,184</u>	<u>\$ 50,316,491</u>	<u>\$ 475,940,675</u>

The accompanying notes are an integral part of this statement.

**Town of Apple Valley  
Balance Sheet  
Governmental Funds  
June 30, 2008**

	<u>General</u>	<u>Article 8</u>	<u>Parks and Recreation</u>	<u>Home</u>	<u>RDA Debt Service</u>
<b>ASSETS</b>					
Cash and Investments	\$ 9,027,633	\$ 2,200,633	\$	\$	\$
Cash with Fiscal Agent					41,955,269
Accounts Receivable	648,150		19,774		
Interest Receivable	61,076	8,017		129	713,694
Due from Other Funds	7,987,279		35,323		
Due from Other Governments	1,255,697	9,342	482,153	689,329	1,944,375
Loans Receivable				1,184,826	
<b>Total Assets</b>	<b><u>\$ 18,979,855</u></b>	<b><u>\$ 2,217,992</u></b>	<b><u>\$ 537,250</u></b>	<b><u>\$ 1,874,284</u></b>	<b><u>\$ 44,613,338</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 206,574	\$	\$ 128,648	\$	\$
Accrued Liabilities	297,330		94,262	339,509	589,144
Due to Other Governments					
Due to Other Funds			2,282,681	320,764	3,995,419
Deferred Revenue	789,396		299,578	1,670,342	121,068
<b>Total Liabilities</b>	<b><u>1,293,300</u></b>	<b><u>-</u></b>	<b><u>2,805,169</u></b>	<b><u>2,330,615</u></b>	<b><u>4,705,631</u></b>
<b>Fund Balances:</b>					
Reserved for:					
Debt Service					1,255,854
Unreserved, Reported In:					
General Fund	17,686,555				
Special Revenue Funds		2,217,992	(2,267,919)	(456,331)	
Debt Service Funds					38,651,853
Capital Projects Funds					
<b>Total Fund Balances</b>	<b><u>17,686,555</u></b>	<b><u>2,217,992</u></b>	<b><u>(2,267,919)</u></b>	<b><u>(456,331)</u></b>	<b><u>39,907,707</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 18,979,855</u></b>	<b><u>\$ 2,217,992</u></b>	<b><u>\$ 537,250</u></b>	<b><u>\$ 1,874,284</u></b>	<b><u>\$ 44,613,338</u></b>

The accompanying notes are an integral part of this statement.

<u>Capital Projects</u>	<u>Development Impact Fees</u>	<u>RDA Capital Projects</u>	<u>Measure I</u>	<u>Project Manager Grants</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
\$ 12,931,559	\$ 725,579 11,106,963	\$ 709,396	\$ 4,101,010	\$	\$ 8,278,406 4,820,689 132,812 129,868	\$ 37,974,236 57,882,921 808,036 1,243,539 8,022,602 8,154,595 2,303,151
7,300 56,427	256,802		17,526			
398,065	2,419		224,662	723,643	2,424,910 1,118,325	
<u>\$ 13,393,351</u>	<u>\$ 12,091,763</u>	<u>\$ 709,396</u>	<u>\$ 4,343,198</u>	<u>\$ 723,643</u>	<u>\$ 16,905,010</u>	<u>\$ 116,389,080</u>
\$ 36,295 27,745	\$ 20,151 10,020	\$ 472,196 237,200	\$ 403,684 17,142	\$ 385	\$ 114,938 592,871	\$ 1,382,486 2,205,608
65,197				672,863 773,097	661,178 1,846,798	7,932,905 5,565,476
<u>129,237</u>	<u>30,171</u>	<u>709,396</u>	<u>420,826</u>	<u>1,446,345</u>	<u>3,215,785</u>	<u>17,086,475</u>
						1,255,854
						17,686,555 12,048,634 38,651,853 29,659,709
<u>13,264,114</u>	<u>12,061,592</u>		<u>3,922,372</u>	<u>(722,702)</u>	<u>1,134,333</u>	
<u>13,264,114</u>	<u>12,061,592</u>	<u>-</u>	<u>3,922,372</u>	<u>(722,702)</u>	<u>13,689,225</u>	<u>99,302,605</u>
<u>\$ 13,393,351</u>	<u>\$ 12,091,763</u>	<u>\$ 709,396</u>	<u>\$ 4,343,198</u>	<u>\$ 723,643</u>	<u>\$ 16,905,010</u>	<u>\$ 116,389,080</u>

The accompanying notes are an integral part of this statement.

**Town of Apple Valley**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2008**

Fund balances of governmental funds	\$ 99,302,605
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.	392,824,650
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	5,359,762
Long term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated Absences	(907,650)
Claims Payable	(45,000)
Certificates of Participation	(5,700,750)
Tax Allocation Bonds	(53,005,000)
Lease Revenue Bonds	(11,355,000)
Unamortized Premium	(163,693)
Unamortized Discount	359,600
Capital Lease Payable	(123,884)
CA Housing Loan	(250,000)
Pension-related Debt	(1,748,714)
Issuance costs net of accumulated amortization were recorded as expenditures in the governmental funds.	1,485,923
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	<u>(408,665)</u>
Net assets of governmental activities	<u><u>\$ 425,624,184</u></u>

The accompanying notes are an integral part of this statement.

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**Town of Apple Valley**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2008**

	General	Article 8	Parks and Recreation	Home	RDA Debt Service
<b>REVENUES</b>					
Taxes	\$ 15,056,817	\$ 1,322,880	\$ 2,171,261	\$	\$ 8,260,783
Licenses & Permits	1,152,257				
Fines & Forfeitures	304,502				
Investment Income	580,911	126,457		476	1,430,245
Intergovernmental	524,513			1,133,437	
Charges for Services	962,484		917,990		
Other Revenue	169,328				
<b>Total Revenues</b>	<b>18,750,812</b>	<b>1,449,337</b>	<b>3,089,251</b>	<b>1,133,913</b>	<b>9,691,028</b>
<b>EXPENDITURES</b>					
Current:					
General Government	3,225,569				
Public Safety	10,191,713				
Transportation		2,953,860			
Culture and Recreation			3,326,177		
Community Development	4,392,758			1,155,953	4,225
Capital Outlay			505,164		
Debt Service:					
Principal	10,995				989,012
Interest & Fiscal Charges	7,145				2,156,664
Pass-Through Agreements					1,341,736
Bond Issuance Costs					699,009
<b>Total Expenditures</b>	<b>17,828,180</b>	<b>2,953,860</b>	<b>3,831,341</b>	<b>1,155,953</b>	<b>5,190,646</b>
Excess (Deficiency) of Revenues over Expenditures	922,632	(1,504,523)	(742,090)	(22,040)	4,500,382
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Issuance					32,730,000
Premium on Bonds					123,016
Discount On Bonds					
Transfer In	466,966			87,509	
Transfer Out	(724,196)			(65,604)	(8,349,609)
<b>Total Other Financing Sources (Uses)</b>	<b>(257,230)</b>	<b>-</b>	<b>-</b>	<b>21,905</b>	<b>24,503,407</b>
<b>Net Change in Fund Balances</b>	<b>665,402</b>	<b>(1,504,523)</b>	<b>(742,090)</b>	<b>(135)</b>	<b>29,003,789</b>
Fund Balances, Beginning	17,021,153	3,722,515	(1,525,829)	(456,196)	10,903,918
Fund Balances, Ending	<u>\$ 17,686,555</u>	<u>\$ 2,217,992</u>	<u>\$ (2,267,919)</u>	<u>\$ (456,331)</u>	<u>\$ 39,907,707</u>

The accompanying notes are an integral part of this statement.

Capital Projects	Development Impact Fees	RDA Capital Projects	Measure I	Project Manager Grants	Other Governmental Funds	Total Governmental Funds
\$ 1,640,162	\$ 199,088	\$	\$ 2,633,556	\$	\$ 4,056,388	\$ 33,501,685
538,357	593,944	22,122	115,445		215,168	3,206,675
446,763				457,932	462,774	304,502
					3,799,173	3,870,731
		375	40,201		78,198	6,361,818
						1,880,474
						288,102
<u>2,625,282</u>	<u>793,032</u>	<u>22,497</u>	<u>2,789,202</u>	<u>457,932</u>	<u>8,611,701</u>	<u>49,413,987</u>
					95,461	3,321,030
					160,420	10,352,133
			100,000		1,463,081	4,516,941
		622,653			360,119	3,686,296
959,877	536,534	6,158,982	684,466	423,671	859,717	7,458,977
					744,479	9,589,502
	196,061	147,859			557,238	1,557,245
					712,766	3,220,495
						1,341,736
					337,944	1,036,953
<u>959,877</u>	<u>732,595</u>	<u>6,929,494</u>	<u>784,466</u>	<u>423,671</u>	<u>5,291,225</u>	<u>46,081,308</u>
<u>1,665,405</u>	<u>60,437</u>	<u>(6,906,997)</u>	<u>2,004,736</u>	<u>34,261</u>	<u>3,320,476</u>	<u>3,332,679</u>
	11,000,000				4,855,000	48,585,000
						123,016
1,484,095	347,606	8,364,359		620,763	(87,914)	(87,914)
	(326,959)	(1,457,362)		(28,161)	1,311,181	12,682,479
					(937,800)	(11,889,691)
<u>1,484,095</u>	<u>11,020,647</u>	<u>6,906,997</u>	<u>-</u>	<u>592,602</u>	<u>5,140,467</u>	<u>49,412,890</u>
3,149,500	11,081,084	-	2,004,736	626,863	8,460,943	52,745,569
10,114,614	980,508	-	1,917,636	(1,349,565)	5,228,282	46,557,036
<u>\$ 13,264,114</u>	<u>\$ 12,061,592</u>	<u>\$ -</u>	<u>\$ 3,922,372</u>	<u>\$(722,702)</u>	<u>\$ 13,689,225</u>	<u>\$ 99,302,605</u>

The accompanying notes are an integral part of this statement.



**Town of Apple Valley**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2008**

Net change in fund balances-total governmental funds \$ 52,745,569

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 Capital Outlay over Depreciation 2,466,141

The net effect of disposals of capital assets is to decrease net assets. -

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. (1,065,895)

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.

Issuance Costs	1,124,867
Premium on Bonds	(123,016)
Debt Issuance	(48,585,000)
Discount on Bonds	87,914
Amortization of Premium	5,766
Amortization of Discounts	(12,427)
Amortization of Issuance Costs	(52,303)
Principal Paid on Long-Term Debt	1,557,245
Increase in Pension-related Debt	(2,539)

Accrued interest for long-term debt. This is the net change in accrued interest for the current period. (345,881)

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	(12,344)
Net Change in Claims Payable	-

Change in Net Assets of Governmental Activities \$ 7,788,097

The accompanying notes are an integral part of this statement.

**Town of Apple Valley  
Statement of Net Assets  
Proprietary Funds  
June 30, 2008**

	Sewer	Solid Waste Management	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 9,092,843	\$ 2,657,901	\$ 11,750,744
Accounts Receivable	230,545	895,965	1,126,510
Interest Receivable	41,810	13,133	54,943
Due from Other Governments	138,630	185,033	323,663
<b>Total Current Assets</b>	<b>9,503,828</b>	<b>3,752,032</b>	<b>13,255,860</b>
<b>Noncurrent Assets:</b>			
Special Assessments Receivable	3,247,173		3,247,173
Investment in Joint Venture (Net)		2,056,909	2,056,909
Debt Issuance Costs, Net of Accumulated Amortization	124,000	111,985	235,985
<b>Restricted Assets:</b>			
Cash with Fiscal Agent	1,816,804		1,816,804
<b>Capital Assets, Not Being Depreciated:</b>			
Land	385,744		385,744
Capital Assets, Net of Accumulated Depreciation	37,597,795		37,597,795
<b>Total Noncurrent Assets</b>	<b>43,171,516</b>	<b>2,168,894</b>	<b>45,340,410</b>
<b>Total Assets</b>	<b>52,675,344</b>	<b>5,920,926</b>	<b>58,596,270</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	124,463	6,204	130,667
Accrued Liabilities	364,880	134,598	499,478
Interest Payable	86,250		86,250
Due to Other Governments	401,044		401,044
Unearned Revenue	149,681	386,659	536,340
Amounts Due Bondholders	44,595		44,595
Current Portion of Long-Term Debt	470,000	155,417	625,417
<b>Total Current Liabilities</b>	<b>1,640,913</b>	<b>682,878</b>	<b>2,323,791</b>
<b>Noncurrent Liabilities:</b>			
Noncurrent Portion of Long-Term Debt	3,745,363	2,210,625	5,955,988
<b>Total Noncurrent Liabilities</b>	<b>3,745,363</b>	<b>2,210,625</b>	<b>5,955,988</b>
<b>Total Liabilities</b>	<b>5,386,276</b>	<b>2,893,503</b>	<b>8,279,779</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	33,768,176		33,768,176
Restricted for Capital Projects	1,101,651		1,101,651
Restricted for Debt Service	715,153		715,153
Unrestricted	11,704,088	3,027,423	14,731,511
<b>Total Net Assets</b>	<b>\$ 47,289,068</b>	<b>\$ 3,027,423</b>	<b>\$ 50,316,491</b>

The accompanying notes are an integral part of this statement.

**Town of Apple Valley**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2008**

	Sewer	Solid Waste Management	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 2,852,961	\$ 9,124,792	\$ 11,977,753
<b>Total Operating Revenue</b>	<u>2,852,961</u>	<u>9,124,792</u>	<u>11,977,753</u>
<b>OPERATING EXPENSES</b>			
Salaries and Benefits	462,396	11,618	474,014
Contract Services	94,721	7,765,037	7,859,758
Maintenance and Treatment	1,082,101		1,082,101
Depreciation	1,690,618		1,690,618
Other	1,293,804	807,130	2,100,934
<b>Total Operating Expenses</b>	<u>4,623,640</u>	<u>8,583,785</u>	<u>13,207,425</u>
<b>Operating Income (Loss)</b>	<u>(1,770,679)</u>	<u>541,007</u>	<u>(1,229,672)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Change in Investment in Joint Venture		(67,561)	(67,561)
Investment Income	477,624	135,704	613,328
Assessment Income - Debt Service	540,958		540,958
Interest	(301,310)	(155,754)	(457,064)
Bond Issuance Costs	(52,169)	(10,181)	(62,350)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>665,103</u>	<u>(97,792)</u>	<u>567,311</u>
<b>Income Before Contributions and Transfers</b>	<u>(1,105,576)</u>	<u>443,215</u>	<u>(662,361)</u>
Capital Contributions	632,746		632,746
Transfers In			-
Transfers Out	(347,606)	(445,182)	(792,788)
<b>Change in Net Assets</b>	<u>(820,436)</u>	<u>(1,967)</u>	<u>(822,403)</u>
<b>Total Net Assets, Beginning</b>	<u>48,487,689</u>	<u>3,029,390</u>	<u>51,517,079</u>
<b>Prior Period Adjustment</b>	<u>(378,185)</u>		<u>(378,185)</u>
<b>Total Net Assets, Ending</b>	<u>\$ 47,289,068</u>	<u>\$ 3,027,423</u>	<u>\$ 50,316,491</u>

The accompanying notes are an integral part of this statement.

**Town of Apple Valley  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2008**

	Sewer	Solid Waste Management	Total
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 2,983,272	\$ 9,803,817	\$ 12,787,089
Cash Paid to Suppliers	(2,586,899)	(8,571,061)	(11,157,960)
Cash Paid to Employees for Services	(168,974)	(189,400)	(358,374)
Net Cash Provided by Operating Activities	<u>227,399</u>	<u>1,043,356</u>	<u>1,270,755</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Cash Received from Other Governments			-
Cash Collected on Behalf of Other Governments (Paid to)	(168,977)		(168,977)
Cash Paid to Other Funds	(347,606)	(445,182)	(792,788)
Principal Paid on Debt		(152,916)	(152,916)
Interest Paid on Debt		(155,754)	(155,754)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(516,583)</u>	<u>(753,852)</u>	<u>(1,270,435)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital Asset Purchases	(336,456)		(336,456)
Special Assessments Collected for Debt Service	1,029,173		1,029,173
Principal Paid on Debt	(1,023,750)		(1,023,750)
Interest Paid on Debt	(325,338)		(325,338)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(656,371)</u>	<u>-</u>	<u>(656,371)</u>
<b>Cash Flows from Investing Activities</b>			
Interest Received on Investments	448,266	126,369	574,635
Net Cash Provided (Used) by Investing Activities	<u>448,266</u>	<u>126,369</u>	<u>574,635</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(497,289)	415,873	(81,416)
Cash and Cash Equivalents, Beginning of Fiscal Year	11,406,936	2,242,028	13,648,964
<b>Cash and Cash Equivalents, End of Fiscal Year</b>	<u>\$ 10,909,647</u>	<u>\$ 2,657,901</u>	<u>\$ 13,567,548</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
<b>Cash Flows from Operating Activities</b>			
Operating income (loss)	\$ (1,770,679)	\$ 541,007	\$ (1,229,672)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,690,618		1,690,618
(Increase) Decrease in Accounts Receivable	50,469	335,352	385,821
(Increase) Decrease in Due from Other Governments	(17,479)	(42,986)	(60,465)
Increase (Decrease) in Accounts Payable	(116,273)	1,106	(115,167)
Increase (Decrease) in Accrued Liabilities	293,422	(177,782)	115,640
Increase (Decrease) in Deferred Revenue	97,321	386,659	483,980
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 227,399</u>	<u>\$ 1,043,356</u>	<u>\$ 1,270,755</u>
<b>Non Cash Investing, Capital and Financing Activities</b>			
Bond Issuance Cost Amortization	\$ 25,502	\$ 10,181	\$ 35,683
Refunding Costs	26,667		26,667
Change in Investment in Joint Venture		67,561	67,561
Capital Assets Contributed	632,746		

The accompanying notes are an integral part of this statement.

**Town of Apple Valley**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2008**

**ASSETS**

Cash and Investments	\$ 932,706
Cash with Fiscal Agent	244,330
	<hr/>
Total Assets	<u>1,177,036</u>

**LIABILITIES**

Accounts Payable	5,793
Deposits	927,761
Due to Other Funds	89,697
Amounts Due to Bondholders	153,785
	<hr/>
Total Liabilities	<u>\$ 1,177,036</u>

The accompanying notes are an integral part of this statement.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**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. Separate financial statements are available at the Town of Apple Valley. The Agency's activities are reported as governmental funds.

**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.

**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.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B) Government-wide and Fund Financial Statements - Continued**

**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) 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 enterprise 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, 2008

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

The Town reports the following major governmental funds:

The General Fund is used to account for all financial resources of the City, except for those required to be accounted for in another fund.

The Article 8 Fund accounts for the revenues and expenditures of the Town's share of Article 8 monies which are used for transit or street repair.

Parks and Recreation Fund accounts for revenues and expenditures of the Apple Valley Parks and Recreation Department.

The Home Fund account for revenue received from the Department of Housing and Urban Development for assisting low and moderate income individuals to purchase a home.

The RDA Debt Service Fund accounts for the payments of advances from the Town to the Redevelopment Agency and other Agency debt.

The Capital Projects Fund accounts for all capital projects not being accounted for in other capital project funds.

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

The Redevelopment Agency Capital Projects Fund accounts for revenues and expenditures associated with the Town's Redevelopment Agency.

The Measure I Fund accounts for all capital projects funded with Measure I monies.

The Project Manager Grants Fund accounts for non-budgeted funds awarded to the Town.

The Town reports the following major proprietary funds:

The Sewer Fund accounts for the costs of providing sewer services to the general public and the user charges by which these costs are recovered.

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

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, and certain deposits in Agency funds.



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

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.

**D) 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.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D) Assets, Liabilities, and Net Assets or Equity - Continued**

**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 a fund balance reserve account 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	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 <sup>st</sup> Installment
	February 1	2 <sup>nd</sup> Installment
Delinquent Dates	December 10	1 <sup>st</sup> Installment
	April 10	2 <sup>nd</sup> 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.

**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.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D) Assets, Liabilities, and Net Assets or Equity - Continued**

**4) Capital Assets - Continued**

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

**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.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D) Assets, Liabilities, and Net Assets or Equity - Continued**

**5) Deferred/Uncearned Revenue - Continued**

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.

**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, 2007 and 2008, 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.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**D) Assets, Liabilities, and Net Assets or Equity - Continued**

**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) Fund Equity**

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

**11) 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, 2008

**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 \$2,466,141 difference are as follows:

Capital Outlay	\$ 14,024,258
Depreciation Expense	<u>(11,558,117)</u>
Net adjustment to increase <i>net change in fund balances -total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i> .	<u>\$ 2,466,141</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, 2008:

	<u>Deficit Balance</u>
Special Revenue Funds:	
CDBG	\$ (426,540)
HUD ADDI	<u>(9,903)</u>

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

**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.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**A) Cash and Investments - Continued**

Cash and Investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

<b>Statement of Net Assets:</b>	
Cash and Investments	\$ 50,657,686
Cash and Investments with Fiscal Agent	<u>59,944,055</u>
<b>Total Cash and Investments</b>	<b><u>\$ 110,601,741</u></b>

Cash and investments as of June 30, 2007 consist of the following:

Petty Cash	\$ 2,970
Deposits with Financial Institutions	1,457,202
Local Agency Investment Fund	27,706,794
U.S. Agency Securities	
Fannie Mae Notes	7,492,969
Federal Home Loan Banks Bonds	5,997,750
Federal Home Loan MTG Corp Notes	8,000,000
Held by Fiscal Agent:	
Fannie Mae Medium Term Notes	33,193,178
Mutual Fund	26,326,628
Investment Agreement with AIG	<u>424,250</u>
<b>Total Cash and Investments</b>	<b><u>\$ 110,601,741</u></b>

**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.

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**A) Cash and Investments - Continued**

**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

**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, 2008 the Town had the following investments.

<u>Investment Type</u>	<u>Maturity Date</u>
State Investment Pool - LAIF	N/A
U.S. Agency Securities	2009
U.S. Agency Securities	2010
U.S. Agency Securities	2011
U.S. Agency Securities	2013
Held by Bond Trustee:	
Fannie Mae Medium Term Notes	2009
Mutual Fund	N/A
Investment Agreement with AIG	June 1, 2035
Total	<u>\$ 109,141,569</u>



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**A) Cash and Investments - Continued**

**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	\$ 27,706,794	N/A	\$	\$	\$ 27,706,794
U.S. Agency Securities					
Fannie Mae Notes	7,492,969	N/A		7,492,969	
Federal Home Loan Banks Bonds	5,997,750	N/A	5,997,750		
Federal Home Loan MTG Corp Notes	8,000,000	N/A	8,000,000		
Held by Bond Trustee:					
Fannie Mae Medium Term Notes	33,193,178	N/A		33,193,178	
Mutual Fund	26,326,628	N/A			26,326,628
Investment Agreement with AIG	424,250	N/A		424,250	
<b>Total</b>	<b>\$ 109,141,569</b>		<b>\$ 13,997,750</b>	<b>\$ 41,110,397</b>	<b>\$ 54,033,422</b>

**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. 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 are as follows:

Issuer	Investment Type	Reported Amount
U.S. Agency Securities:		
Fannie Mae Notes	U.S. Agency Securities	\$ 7,492,969
Federal Home Loan Banks Bonds	U.S. Agency Securities	\$ 5,997,750
Federal Home Loan MTG Corp Notes	U.S. Agency Securities	\$ 8,000,000
Held by Bond Trustee:		
Fannie Mae Medium Term Notes	Medium Term Notes	\$ 33,193,178

There were no investments in any one issuer that represent 5% or more of total investments in any of the major funds.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**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, 2008, Agency investments in the following investment types were held by the broker-dealer that was used by the Town to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Fannie Mae Medium Term Notes	33,193,178
U.S. Treasury Mutual Fund	26,326,628
Investment Agreement with AIG	424,250

**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, 2008**

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**B) Interfund Receivables, Payables, and Transfers**

Amounts due to/from other funds at June 30, 2008 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 7,987,279	\$
Parks and Recreation	35,323	2,282,681
Nonmajor Funds		661,178
Home Fund		320,764
RDA Debt Service		3,995,419
Project Manager Grants		672,863
Assessment District 98-1 (Agency Fund)		89,697
<b>Total</b>	<b>\$ 8,022,602</b>	<b>\$ 8,022,602</b>

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.

Interfund transfers for the year ended June 30, 2008 are as follows:

	General Fund	Home Fund	Capital Projects Fund	Development Impact Fees	RDA Capital Projects Fund	Project Manager Fund	Non-Major Governmental Funds	Total
General Fund	\$	\$	\$	\$	\$	\$	724,196	\$ 724,196
Home Fund							65,604	65,604
RDA Debt Service Fund					8,349,609			8,349,609
Capital Projects Fund								
Development Impact Fees Fund							326,959	326,959
RDA Capital Projects Fund			1,457,362					1,457,362
Project Manager Grants Fund	1,428		26,733					28,161
Non-Major Governmental Funds	20,356	87,509			14,750	620,763	194,422	937,800
Sewer Fund				347,606				347,606
Solid Waste Fund	445,182							445,182
<b>Total</b>	<b>\$ 466,966</b>	<b>\$ 87,509</b>	<b>\$ 1,484,095</b>	<b>\$ 347,606</b>	<b>\$ 8,364,359</b>	<b>\$ 620,763</b>	<b>\$ 1,311,181</b>	<b>\$12,682,479</b>

The General Fund transferred \$724,196 to various non-major funds to eliminate deficits in those funds. The RDA Debt Service Fund transferred \$8,349,609 of bond proceeds to the RDA Capital Projects Fund to be used for RDA projects. The RDA Capital Projects Fund transferred \$1,457,362 to the Capital Projects Fund for certain capital projects.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**C) 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, 2008, the outstanding loans receivable totaled \$1,403,741.

**D) Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Adjustments*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 93,189,576	\$	\$ 3,197,828	\$ (841)	\$ 96,386,563
Construction in Progress	<u>12,724,386</u>	<u>13,627</u>	<u>8,660,485</u>	<u>(12,834,955)</u>	<u>8,563,543</u>
Total Capital Assets Not Being Depreciated	<u>105,913,962</u>	<u>13,627</u>	<u>11,858,313</u>	<u>(12,835,796)</u>	<u>104,950,106</u>
Capital Assets Being Depreciated:					
Furniture and Equipment	912,665		112,325		1,024,990
Computer Equipment	249,603		490,286		739,889
Trucks and Automobiles	1,233,729		143,487		1,377,216
Structures and Improvements	55,668,924		8,634,042		64,302,966
Infrastructure	<u>324,299,559</u>		<u>5,607,974</u>		<u>329,907,533</u>
Total Capital Assets Being Depreciated	<u>382,364,480</u>	<u>-</u>	<u>14,988,114</u>	<u>-</u>	<u>397,352,594</u>
Less Accumulated Depreciation:					
Furniture and Equipment	(751,849)		(56,737)		(808,586)
Computer Equipment	(130,326)		(60,753)		(191,079)
Trucks and Automobiles	(705,204)		(145,427)		(850,631)
Structures and Improvements	(8,167,174)		(1,851,377)		(10,018,551)
Infrastructure	<u>(88,165,380)</u>		<u>(9,443,823)</u>		<u>(97,609,203)</u>
Total Accumulated Depreciation	<u>(97,919,933)</u>	<u>-</u>	<u>(11,558,117)</u>	<u>-</u>	<u>(109,478,050)</u>
Total Capital Assets Being Depreciated, Net	<u>284,444,547</u>	<u>13,627</u>	<u>3,429,997</u>	<u>-</u>	<u>287,874,544</u>
Governmental Activities Capital Assets, Net	<u>\$ 390,358,509</u>	<u>\$ 13,627</u>	<u>\$ 15,288,310</u>	<u>\$ (12,835,796)</u>	<u>\$ 392,824,650</u>

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**D) Capital Assets - Continued**

	<u>Beginning Balance</u>	<u>Adjustments*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>					
<b>Capital Assets, Not Being Depreciated:</b>					
Land	\$ 385,871	\$	\$	\$ (127)	\$ 385,744
Total Capital Assets Not Depreciated	<u>385,871</u>	<u>-</u>	<u>-</u>	<u>(127)</u>	<u>385,744</u>
<b>Capital Assets Being Depreciated:</b>					
Buildings and System	177,664			-	177,664
Machinery and Equipment	154,573		15,076	-	169,649
Trucks and Automobiles	67,524		283,368	-	350,892
Collector Lines	<u>67,502,306</u>		<u>670,883</u>	-	<u>68,173,189</u>
Total Capital Assets Being Depreciated	<u>67,902,067</u>	<u>-</u>	<u>969,327</u>	<u>-</u>	<u>68,871,394</u>
<b>Less Accumulated Depreciation:</b>					
Buildings and System	(50,338)		(5,810)	-	(56,148)
Machinery and Equipment	(89,454)		(19,588)	-	(109,042)
Trucks and Automobiles	(46,777)		(10,203)	-	(56,980)
Collector Lines	<u>(29,396,414)</u>	<u>2</u>	<u>(1,655,017)</u>	-	<u>(31,051,429)</u>
Total Accumulated Depreciation	<u>(29,582,983)</u>	<u>2</u>	<u>(1,690,618)</u>	<u>-</u>	<u>(31,273,599)</u>
Total Capital Assets Being Depreciated, Net	<u>38,319,084</u>	<u>2</u>	<u>(721,291)</u>	<u>-</u>	<u>37,597,795</u>
Business-type Activities Capital Assets, Net	<u>\$ 38,704,955</u>	<u>\$ 2</u>	<u>\$ (721,291)</u>	<u>\$ (127)</u>	<u>\$ 37,983,559</u>

\*Adjustments represent capital assets that should have been reported in previous years, but were expensed.

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

<b>Governmental Activities:</b>	
General Government	\$ 239,745
Public Safety	79,880
Transportation	9,533,089
Parks and Recreation	<u>1,705,403</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 11,558,117</u>
<b>Business-type Activities:</b>	
Sewer	<u>\$ 1,690,618</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 1,690,618</u>

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Long-Term Debt**

Long term liabilities for the year ended June 30, 2008 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Certificates of Participation:					
1999 Certificates of Participation	\$ 4,325,000	\$ -	\$ (285,000)	\$ 4,040,000	\$ 295,000
2001 Certificates of Participation	<u>1,837,000</u>	<u>-</u>	<u>(176,250)</u>	<u>1,660,750</u>	<u>180,000</u>
Total Certificates of Participation	<u>6,162,000</u>	<u>-</u>	<u>(461,250)</u>	<u>5,700,750</u>	<u>475,000</u>
2005 Tax Allocation Bonds	7,875,000	-	(160,000)	7,715,000	165,000
Unamortized Premium on Tax Allocation Bonds	46,442	-	(1,664)	44,778	-
2007 Tax Allocation Bonds VVEDA Project Area	8,985,000	-	(145,000)	8,840,000	135,000
Unamortized Discount on Tax Allocation Bonds VVEDA Project Area	(284,113)	-	9,497	(274,616)	-
2007 Tax Allocation Bonds Project Area 2	-	37,230,000	(780,000)	36,450,000	615,000
Unamortized Premium on Tax Allocation Bonds Project Area 2	<u>-</u>	<u>123,016</u>	<u>(4,101)</u>	<u>118,915</u>	<u>-</u>
Total Tax Allocation Bonds	<u>16,622,329</u>	<u>37,353,016</u>	<u>(1,081,268)</u>	<u>52,894,077</u>	<u>915,000</u>
2007 Lease Revenue Bonds Series A	-	11,355,000	-	11,355,000	300,000
Unamortized Discount on Lease Revenue Bonds	<u>-</u>	<u>(87,914)</u>	<u>2,930</u>	<u>(84,984)</u>	<u>-</u>
Total Lease Revenue Bonds	<u>-</u>	<u>11,267,086</u>	<u>2,930</u>	<u>11,270,016</u>	<u>300,000</u>
Capital Lease Payable	<u>134,879</u>	<u>-</u>	<u>(10,995)</u>	<u>123,884</u>	<u>11,616</u>
California Housing Loan	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Compensated Absences	<u>895,306</u>	<u>289,889</u>	<u>(227,545)</u>	<u>907,650</u>	<u>285,650</u>
Claims Payable	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>40,000</u>
Pension-related Debt	<u>-</u>	<u>1,748,714*</u>	<u>-</u>	<u>1,748,714</u>	<u>1,580</u>
Governmental Activities Long-term Liabilities	<u>\$ 24,109,514</u>	<u>\$ 50,658,705</u>	<u>\$ (1,828,128)</u>	<u>\$ 72,940,091</u>	<u>\$ 2,028,846</u>

\*Included in this amount is a \$1,746,175 prior period adjustment to record the June 30, 2007 balance of the pension-related debt.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Long-Term Debt - Continued**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities:</b>					
2001 Certificates of Participation	\$ 593,000	\$ -	\$ (58,750)	\$ 534,250	\$ 60,000
<b>Special Assessment Debt with Government Commitment:</b>					
Special Assessment No. 3	500,000	-	(500,000)		
Special Assessment No. 2B-R	4,215,000	-	(465,000)	3,750,000	410,000
<b>Less Deferred Amounts:</b>					
On Refunding	(95,554)	-	26,667	(68,887)	-
Total Special Assessment Debt	<u>4,619,446</u>	<u>-</u>	<u>(938,333)</u>	<u>3,681,113</u>	<u>410,000</u>
<b>Obligation Under Installment Purchase Agreement</b>	<u>2,518,958</u>	<u>-</u>	<u>(152,916)</u>	<u>2,366,042</u>	<u>155,417</u>
<b>Business-type Activity Long-term Liabilities</b>	<u>\$ 7,731,404</u>	<u>\$ -</u>	<u>\$ (1,149,999)</u>	<u>\$ 6,581,405</u>	<u>\$ 625,417</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, 2008 is \$4,040,000. As of June 30, 2008, the future annual maturities are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 295,000	\$ 230,037
2010	300,000	214,088
2011	305,000	197,725
2012	315,000	181,088
2013	325,000	164,037
2014-2018	1,740,000	547,525
2019-2020	<u>760,000</u>	<u>93,913</u>
	<u>\$ 4,040,000</u>	<u>\$ 1,628,413</u>

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**E) 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, 2008 is \$2,195,000, allocated \$1,660,750 and \$534,250 to governmental activities and business-type activities, respectively.

As of June 30, 2008, the future annual maturities are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 240,000	\$ 66,289
2010	250,000	59,041
2011	260,000	51,491
2012	270,000	43,639
2013	280,000	35,485
2014-2016	<u>895,000</u>	<u>54,662</u>
	<u>\$ 2,195,000</u>	<u>\$ 310,607</u>



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**V) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Long-Term Debt - Continued**

**2) 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, 2008, the Bond Reserve Fund was \$514,775 which was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest
2009	\$ 165,000	\$ 348,960
2010	170,000	343,935
2011	175,000	338,760
2012	175,000	333,095
2013	185,000	327,213
2014-2018	1,035,000	1,524,930
2019-2023	1,265,000	1,287,683
2024-2028	1,580,000	972,780
2029-2033	2,015,000	544,650
2034-2035	950,000	71,125
	\$ 7,715,000	\$ 6,093,133

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 2008 to 2037 with interest payments of 4.00% to 4.750% payable semi-annually on June 1 and December 1 of each year.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Long-Term Debt - Continued**

**2) Tax Allocation Bonds - Continued**

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, 2008, 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:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 135,000	\$ 407,383
2010	140,000	401,982
2011	145,000	393,382
2012	160,000	390,582
2013	160,000	384,183
2014-2018	915,000	1,813,805
2019-2023	1,140,000	1,597,175
2024-2028	1,435,000	1,305,538
2029-2033	1,790,000	932,662
2034-2037	<u>2,820,000</u>	<u>390,213</u>
	<u>\$ 8,840,000</u>	<u>\$ 8,016,905</u>

**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, 2008**

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Long-Term Debt - Continued**

**2) Tax Allocation Bonds - Continued**

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

Fiscal Year Ending June 30.	Principal	Interest	Total
2009	\$ 615,000	\$ 1,769,000	\$ 2,384,000
2010	640,000	1,744,400	2,384,400
2011	665,000	1,718,800	2,383,800
2012	695,000	1,690,700	2,385,700
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
<b>Total</b>	<b>\$ 36,450,000</b>	<b>\$ 32,678,785</b>	<b>\$ 69,128,785</b>

**3) 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.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Long-Term Debt - Continued**

**3) Lease Revenue Bonds - Continued**

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 300,000	\$ 505,894	\$ 805,894
2010	390,000	493,143	883,143
2011	405,000	478,237	883,237
2012	420,000	462,243	882,243
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	<u>850,000</u>	<u>21,250</u>	<u>871,250</u>
Total	<u>\$ 11,355,000</u>	<u>\$ 6,139,325</u>	<u>\$ 17,494,325</u>

**4) 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, 2008**

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Lease Revenue Bonds - Continued**

**4) 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, 2007 is \$4,215,000. 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 \$701,960. The Town has \$720,911 on reserve with the fiscal agent at June 30, 2008. The future annual maturities as of June 30, 2008, are as follows:

Year Ending	Principal	Interest
2009	\$ 410,000	\$ 250,125
2010	440,000	220,800
2011	470,000	189,405
2012	500,000	155,940
2013	535,000	120,233
2014-2016	1,395,000	132,997
	\$ 3,750,000	\$ 1,069,500

**5) 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 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, 2008, future lease payments are as follows:

Year Ending	Principal	Interest
2009	\$ 11,616	\$ 6,524
2010	12,271	5,868
2011	12,963	5,176
2012	13,694	4,445
2013	14,467	3,673
2014-2017	58,873	6,126
	\$ 123,884	\$ 31,812

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Long-Term Debt - Continued**

**6) 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, 2008 is \$250,000. As of June 30, 2008, the future annual maturities are as follows:

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

**7) 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 refunding of the Bonds issued by the Authority reduced the Town's aggregate debt service payments by approximately \$1,470,000 over the next 20 years and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,260,000.

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.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Long-Term Debt - Continued**

**7) Obligation Under Installment Purchase Agreement - Continued**

The Town's liability for unpaid installment payments at June 30, 2008 is \$2,366,042. As of June 30, 2008, installment purchase payment requirements to maturity are as follows:

Year Ended	Principal	Interest
2009	\$ 155,417	\$ 109,773
2010	160,625	104,443
2011	167,917	98,370
2012	173,333	91,457
2013	183,125	83,973
2014-2018	1,051,875	282,218
2019-2020	473,750	36,019
	\$ 2,366,042	\$ 806,253

**8) 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.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**E) Long-Term Debt - Continued**

**8) Pension-Related Debt - Continued**

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

Year Ending June 30,	Pension-related Debt		Total
	Principal	Interest	
2009	\$ 1,580	\$ 130,503	\$ 132,083
2010	6,158	130,217	136,375
2011	11,236	129,571	140,807
2012	16,857	128,526	145,383
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	92,843	193,876
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	<u>233,642</u>	<u>8,883</u>	<u>242,525</u>
Total	<u>\$ 1,748,714</u>	<u>\$ 1,892,037</u>	<u>\$ 3,640,751</u>

**9) Debt Issuance Costs**

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

	Sewer Fund Certificates of Participation	Assessment District 3A	Assessment District 2B-R	Tax Allocation Bonds	Lease Revenue Bonds	Installment Purchase Agreement	Total
Debt issuance costs	\$ 51,686	\$ 129,270	\$ 311,840	\$ 1,224,777	\$ 344,297	\$ 152,708	\$ 2,214,578
Less:							
Accumulated Amortization	<u>(37,903)</u>	<u>(128,197)</u>	<u>(202,696)</u>	<u>(71,674)</u>	<u>(11,477)</u>	<u>(40,723)</u>	<u>(492,670)</u>
Unamortized portion of bond issuance Costs	<u>\$ 13,783</u>	<u>\$ 1,073</u>	<u>\$ 109,144</u>	<u>\$ 1,153,103</u>	<u>\$ 332,820</u>	<u>\$ 111,985</u>	<u>\$ 1,721,908</u>
Current amortization	<u>\$ 3,446</u>	<u>\$ 6,464</u>	<u>\$ 15,592</u>	<u>\$ 40,826</u>	<u>\$ 11,477</u>	<u>\$ 10,181</u>	<u>\$ 87,986</u>



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**IV) DETAILED NOTES ON ALL FUNDS - Continued**

**F) 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, 2008, the outstanding balance is \$8,335,000.

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, 2008 the outstanding balance is \$2,385,000.

**G) Fund Balance**

The Town has established the following fund balance reserves and designations at June 30, 2008:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Reserved for:				
Debt Service	\$	\$	1,255,854	\$
Total Reserved	-	-	1,255,854	-
Undesignated	17,686,555	12,048,634	38,651,853	29,659,709
Total Unreserved	17,686,555	12,048,634	38,651,853	29,659,709
Total Fund Balance	\$ 17,686,555	\$ 12,048,634	\$ 39,907,707	\$ 29,659,709

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**V) OTHER INFORMATION**

**A) Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 89 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 government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$20,000 of each occurrence is charged directly to the city; costs from \$20,001 to \$500,000 are pooled based on a member's share of costs under \$20,000; costs from \$500,001 to \$5,000,000 are pooled based on payroll. Costs of covered claims above \$5,000,000 are currently paid by reinsurance. The protection for the City is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

The Town also participates in the worker's compensation pool administered by the Authority. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability pool. The Town of Apple Valley is charged for the first \$10,000 of each claim. Costs above that level are pooled to \$50,000. Costs from \$50,001 to \$100,000 per claim are pooled based on the Town's losses under its retention level. Costs between \$100,001 and \$500,000 per claim are pooled based on payroll. Costs in excess of \$500,000 are paid by excess insurance purchased by the Authority. The excess insurance provides coverage to statutory limits.

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. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

The Town purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection program of the Authority. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

The Town purchases blanket fidelity bond 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 have had settlements or judgements that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from 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, 2008, 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, 2008**

**V) OTHER INFORMATION - Continued**

**A) Risk Management - Continued**

Changes in Claims Payable were as follows:

	<u>2007-2008</u>	<u>2006-2007</u>
Claims payable, beginning of fiscal year	\$ 45,000	\$ 45,000
Current year claims and changes in estimates	-	10,000
Claim payments	<u>-</u>	<u>(80,000)</u>
Claims payable, end of fiscal year	<u>\$ 45,000</u>	<u>\$ 45,000</u>

**H) Participation in Joint Ventures**

**Victor Valley Wastewater Reclamation Authority** - The Town of Apple Valley is a member of the Victor Valley Wastewater Reclamation Authority ("VWVRA"), 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 VWVRA is made up of representatives from each significant participant in VWVRA. 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 VWVRA.

The Town makes monthly payments to VWVRA for sewer treatment and connection fee services. During the 2007-2008 fiscal year, the Town remitted approximately \$2,748,188 to VWVRA.

The audited financial statements of the VWVRA 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.E. 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, 2007 was \$2,056,909. The remaining 50% interest is maintained by the City of Victorville.

The audited financial statements of the Authority can be obtained by request from the City of Victorville at 14343 Civic Center Drive, Victorville, California 92392.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2008

**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, City 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 City 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 City of Victorville.

The financial statements of the VVEDA can be obtained by request from the City of Victorville at 14343 Civic Drive, Victorville, California 92392.

**C) City 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 city 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 14.279% 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
6/30/06	582,986	100%
6/30/07	827,306	100%
6/30/08	892,223	100%

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**V) OTHER INFORMATION - Continued**

**D) 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.

**E) Commitments**

The Town entered into a development agreement with New Century/Summer, LLC. Under the agreement, the Town is to make various offsite improvements in connection with a new entertainment center.

**F) Prior Period Adjustments**

The prior period adjustment of \$378,185 in business-type activities and the enterprise fund financial statements represents an adjustment for over-stated revenues in previous years. The \$1,746,175 prior period adjustment in governmental activities was made to properly report pension-related debt.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Apple Valley, California**  
**Notes to Required Supplementary Information**  
**Year Ended June 30, 2008**

**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. No supplemental appropriations were made during the year.

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

Air Pollution Control District, FEMA, Assessment District L-1, Police Grants, Village PBID, CDBG Program Income, Road Bond Projects, and Storm Drains.

The following funds had an excess of expenditures over appropriations:

RDA Debt Service Fund, HCD State Program Income Fund, and the 2007 Town Hall Revenue Bonds Fund.

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 13,544,144	\$ 13,544,144	\$ 15,056,817	\$ 1,512,673
Licenses & Permits	1,822,900	1,822,900	1,152,257	(670,643)
Fines & Forfeitures	226,000	226,000	304,502	78,502
Investment Income	850,000	851,800	580,911	(270,889)
Intergovernmental	853,200	853,200	524,513	(328,687)
Charges for Services	2,108,825	2,108,825	962,484	(1,146,341)
Other Revenue	25,000	25,645	169,328	143,683
<b>Total Revenues</b>	<b>19,430,069</b>	<b>19,432,514</b>	<b>18,750,812</b>	<b>(681,702)</b>
<b>EXPENDITURES</b>				
Current:				
General Government	3,678,007	3,836,796	3,225,569	611,227
Public Safety	10,059,794	10,061,594	10,191,713	(130,119)
Community Development	4,712,668	4,733,615	4,392,758	340,857
Capital Outlay				
Debt Service:				
Principal	8,850	8,850	10,995	(2,145)
Interest and Fiscal Charges	6,150	6,150	7,145	(995)
<b>Total Expenditures</b>	<b>18,465,469</b>	<b>18,647,005</b>	<b>17,828,180</b>	<b>818,825</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>964,600</b>	<b>785,509</b>	<b>922,632</b>	<b>137,123</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			466,966	466,966
Transfers Out	(964,600)	(964,600)	(724,196)	240,404
<b>Total Other Financing Sources (Uses)</b>	<b>(964,600)</b>	<b>(964,600)</b>	<b>(257,230)</b>	<b>707,370</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(179,091)</b>	<b>665,402</b>	<b>844,493</b>
<b>Fund Balances, Beginning</b>	<b>17,021,153</b>	<b>17,021,153</b>	<b>17,021,153</b>	
<b>Fund Balances, Ending</b>	<b>\$ 17,021,153</b>	<b>\$ 16,842,062</b>	<b>\$ 17,686,555</b>	<b>\$ 844,493</b>



**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Article 8 Fund**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,322,880	\$ (377,120)
Investment Income	<u>125,000</u>	<u>125,000</u>	<u>126,457</u>	<u>1,457</u>
Total Revenues	<u>1,825,000</u>	<u>1,825,000</u>	<u>1,449,337</u>	<u>(375,663)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	<u>2,637,792</u>	<u>3,582,113</u>	<u>2,953,860</u>	<u>628,253</u>
Total Expenditures	<u>2,637,792</u>	<u>3,582,113</u>	<u>2,953,860</u>	<u>628,253</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(812,792)</u>	<u>(1,757,113)</u>	<u>(1,504,523)</u>	<u>252,590</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(812,792)	(1,757,113)	(1,504,523)	252,590
Fund Balances, Beginning	<u>3,722,515</u>	<u>3,722,515</u>	<u>3,722,515</u>	
Fund Balances, Ending	<u>\$ 2,909,723</u>	<u>\$ 1,965,402</u>	<u>\$ 2,217,992</u>	<u>\$ 252,590</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Parks and Recreation Fund**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,880,000	\$ 1,919,000	\$ 2,171,261	\$ 252,261
Charges for Services	704,069	940,597	917,990	(22,607)
Other Revenue				-
Total Revenues	<u>2,584,069</u>	<u>2,859,597</u>	<u>3,089,251</u>	<u>229,654</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Culture and Recreation	3,304,444	3,491,711	3,326,177	165,534
Capital Outlay	<u>647,100</u>	<u>647,100</u>	<u>505,164</u>	<u>141,936</u>
Total Expenditures	<u>3,951,544</u>	<u>4,138,811</u>	<u>3,831,341</u>	<u>307,470</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,367,475)</u>	<u>(1,279,214)</u>	<u>(742,090)</u>	<u>537,124</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,367,475)	(1,279,214)	(742,090)	537,124
Fund Balance, Beginning	<u>(1,525,829)</u>	<u>(1,525,829)</u>	<u>(1,525,829)</u>	
Fund Balance, Ending	<u>\$ (2,893,304)</u>	<u>\$ (2,805,043)</u>	<u>\$ (2,267,919)</u>	<u>\$ 537,124</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - HOME Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 476	\$ 476
Intergovernmental	3,126,114	3,320,088	1,133,437	(2,186,651)
Total Revenues	3,126,114	3,320,088	1,133,913	(2,186,175)
<b>EXPENDITURES</b>				
Current:				
Community Development	3,146,445	3,321,730	1,155,953	2,165,777
Total Expenditures	3,146,445	3,321,730	1,155,953	2,165,777
Excess (Deficiency) of Revenues over Expenditures	(20,331)	(1,642)	(22,040)	(20,398)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			87,509	87,509
Transfers Out		(18,689)	(65,604)	46,915
Total Other Financing Sources (Uses)	-	(18,689)	21,905	40,594
Net Change in Fund Balance	(20,331)	(20,331)	(135)	20,196
Fund Balance, Beginning	(456,196)	(456,196)	(456,196)	-
Fund Balance, Ending	\$ (476,527)	\$ (476,527)	\$ (456,331)	\$ 20,196

**SUPPLEMENTARY INFORMATION**

## 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 used 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.

**FEMA Fund** - To account for funds received in connection with the 2003 wildfires and related expenditures.

**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.

**Low/Moderate Housing Fund** – To account for 20% set aside of tax increment revenue.

**Federal Grants Fund** – To account for small grants received from the federal government.

**Prop 1B** – 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 for the development of parks.

**Police Grant** – To account for JAG grant funds from the County used to supplement current police services.

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

**HUD ADDI** – To account for Federal HUD expenditures and reimbursements.

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

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

**NONMAJOR GOVERNMENTAL FUNDS - Continued**

**Capital Projects Funds:**

**Road Bonds Projects Fund** – To account for the construction of roads.

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

**Debt Service Funds:**

**2007 Town Hall Revenue Bonds** – Established to account for the payment of interest and principal on the 2007 Town Hall Revenue Bonds.

**1999 COPS Fund** – Used to account for the payment of interest and principal on the 1999 Public Facilities Financing Project Certificates of Participation.

**2001 COPS Fund** – Established to provide funds to advance refund and economically defease the \$2,570,000 Certificates of Participation issued on August 1, 1995 and finance certain capital expenditures of the Town Hall.

**Town of Apple Valley  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2008**

	Special Revenue				
	Street Maintenance	CDBG	Air Pollution Control District	FEMA	Assessment District L-1
<b>ASSETS</b>					
Cash and Investments	\$	\$	\$ 66,965	\$	\$ 247,466
Cash with Fiscal Agent					6,762
Accounts Receivable	147				1,067
Interest Receivable			224		
Due from Other Funds					3,572
Due from Other Governments	410,764	569,405	261	26,654	
Loans Receivable					
<b>Total Assets</b>	<b>\$ 410,911</b>	<b>\$ 569,405</b>	<b>\$ 67,450</b>	<b>\$ 26,654</b>	<b>\$ 258,867</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 84,043	\$ 11,278	\$	\$	\$ 17,617
Accrued Liabilities	171,825	416,662			1,142
Due to Other Funds	155,043	141,465		26,654	
Deferred Revenue		426,540			
<b>Total Liabilities</b>	<b>410,911</b>	<b>995,945</b>	<b>-</b>	<b>26,654</b>	<b>18,759</b>
<b>Fund Balances:</b>					
<b>Reserved:</b>					
<b>Reserved for Debt Service</b>					
<b>Unreserved:</b>					
Undesignated		(426,540)	67,450		240,108
<b>Total Fund Balances</b>	<b>-</b>	<b>(426,540)</b>	<b>67,450</b>	<b>-</b>	<b>240,108</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 410,911</b>	<b>\$ 569,405</b>	<b>\$ 67,450</b>	<b>\$ 26,654</b>	<b>\$ 258,867</b>

<u>Low/Moderate Housing</u>	<u>Federal Grants</u>	<u>Prop 1B</u>	<u>ADDI Down Payment Assistance</u>	<u>Help Down Payment Assistance</u>	<u>Quimby Fees</u>
\$ 5,310,929 4,492,576	\$	\$ 1,118,595	\$ 1	\$	\$ 106,166
116,861		4,888			477
1,385,994		5,697			555
				250,000	
<u>\$ 11,306,360</u>	<u>\$ -</u>	<u>\$ 1,129,180</u>	<u>\$ 1</u>	<u>\$ 250,000</u>	<u>\$ 107,198</u>
\$ 1,315	\$	\$ 278	\$	\$	\$
166,127				250,000	
<u>167,442</u>	<u>-</u>	<u>278</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
11,138,918		1,128,902	1		107,198
11,138,918	-	1,128,902	1	-	107,198
<u>\$ 11,306,360</u>	<u>\$ -</u>	<u>\$ 1,129,180</u>	<u>\$ 1</u>	<u>\$ 250,000</u>	<u>\$ 107,198</u>



**Town of Apple Valley  
Combining Balance Sheet  
Non-Major Governmental Funds - Continued  
June 30, 2008**

	Special Revenue				
	Police Grants	Village PBID	HUD ADDI	HCD State Program Income	CDBG Program Income
<b>ASSETS</b>					
Cash and Investments	\$	\$ 256,573	\$	\$ 37,713	\$ 10,247
Cash with Fiscal Agent					
Accounts Receivable					125,903
Interest Receivable		1,127		302	35
Due from Other Funds					
Due from Other Governments		6,017	9,903	352	41
Loans Receivable				752,072	116,253
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 263,717</b>	<b>\$ 9,903</b>	<b>\$ 790,439</b>	<b>\$ 252,479</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$	\$ 2,000	\$	\$	\$
Accrued Liabilities				1,649	
Due to Other Funds			9,903		
Deferred Revenue			9,903	752,072	242,156
<b>Total Liabilities</b>	<b>-</b>	<b>2,000</b>	<b>19,806</b>	<b>753,721</b>	<b>242,156</b>
<b>Fund Balances:</b>					
<b>Reserved:</b>					
Reserved for Debt Service					
<b>Unreserved:</b>					
Undesignated		261,717	(9,903)	36,718	10,323
<b>Total Fund Balances</b>	<b>-</b>	<b>261,717</b>	<b>(9,903)</b>	<b>36,718</b>	<b>10,323</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 263,717</b>	<b>\$ 9,903</b>	<b>\$ 790,439</b>	<b>\$ 252,479</b>

Capital Project		Debt Service			Total
Road Bond Projects	Storm Drains	2007 Town Hall Revenue Bonds	1999 COPS	2001 COPS	Nonmajor Governmental Funds
\$	\$ 1,123,751	\$	\$	\$	\$ 8,278,406
		11,088	119,156	197,869	4,820,689
	4,887				132,812
	5,695				129,868
					2,424,910
					<u>1,118,325</u>
<u>\$ -</u>	<u>\$ 1,134,333</u>	<u>\$ 11,088</u>	<u>\$ 119,156</u>	<u>\$ 197,869</u>	<u>\$ 16,905,010</u>
\$	\$	\$	\$	\$	\$ 114,938
		11,088	119,156	197,869	592,871
					661,178
					<u>1,846,798</u>
<u>-</u>	<u>-</u>	<u>11,088</u>	<u>119,156</u>	<u>197,869</u>	<u>3,215,785</u>
	1,134,333				13,689,225
<u>-</u>	<u>1,134,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,689,225</u>
<u>\$ -</u>	<u>\$ 1,134,333</u>	<u>\$ 11,088</u>	<u>\$ 119,156</u>	<u>\$ 197,869</u>	<u>\$ 16,905,010</u>

**Town of Apple Valley**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**Year Ended June 30, 2008**

	Special Revenue				
	Street Maintenance	CDBG	Air Pollution Control District	FEMA	Assessment District L-1
<b>REVENUES</b>					
Taxes	\$	\$	\$ 49,181	\$	\$ 165,149
Licenses and Permits					
Investment Income			2,292		9,226
Intergovernmental	1,274,988	957,039		200,044	
Other Revenue					
<b>Total Revenues</b>	<b>1,274,988</b>	<b>957,039</b>	<b>51,473</b>	<b>200,044</b>	<b>174,375</b>
<b>EXPENDITURES</b>					
Current:					
General Government					
Public Safety					
Transportation	1,274,988		35,000		129,966
Culture and Recreation					
Community Development		682,563			
Health					
Capital Outlay				23,341	
Debt Service:					
Principal					
Interest and Fiscal Charges					
Bond Issuance Costs					
<b>Total Expenditures</b>	<b>1,274,988</b>	<b>682,563</b>	<b>35,000</b>	<b>23,341</b>	<b>129,966</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>274,476</b>	<b>16,473</b>	<b>176,703</b>	<b>44,409</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Bonds					
Discount On Bonds					
Transfers In					
Transfers Out		(707,822)		(10,356)	
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(707,822)</b>	<b>-</b>	<b>(10,356)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(433,346)</b>	<b>16,473</b>	<b>166,347</b>	<b>44,409</b>
Fund Balances - Beginning	-	6,806	50,977	(166,347)	195,699
<b>Fund Balances - Ending</b>	<b>\$ -</b>	<b>\$ (426,540)</b>	<b>\$ 67,450</b>	<b>\$ -</b>	<b>\$ 240,108</b>

Low/Moderate Housing	Federal Grants	Prop 1B	ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees
\$ 3,559,172	\$	\$	\$	\$	\$
358,201					123,624
	74,945	1,130,679	138,393		8,443
	929	21,350			
<u>3,917,373</u>	<u>75,874</u>	<u>1,152,029</u>	<u>138,393</u>	<u>-</u>	<u>132,067</u>
		23,127			360,119
78,762			98,392		15,000
95,988					
196,921					
81,561					
<u>453,232</u>	<u>-</u>	<u>23,127</u>	<u>98,392</u>	<u>-</u>	<u>375,119</u>
<u>3,464,141</u>	<u>75,874</u>	<u>1,128,902</u>	<u>40,001</u>	<u>-</u>	<u>(243,052)</u>
4,500,000					
(87,509)	145,857				
	(107,363)				
<u>4,412,491</u>	<u>38,494</u>		<u>-</u>	<u>-</u>	<u>-</u>
7,876,632	114,368	1,128,902	40,001	-	(243,052)
<u>3,262,286</u>	<u>(114,368)</u>	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>350,250</u>
<u>\$ 11,138,918</u>	<u>\$ -</u>	<u>\$ 1,128,902</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 107,198</u>

**Town of Apple Valley**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Non-Major Governmental Funds - Continued**  
**Year Ended June 30, 2008**

	Special Revenue				
	Police Grants	Village PBID	HUD ADDI	HCD State Program Income	CDBG Program Income
<b>REVENUES</b>					
Taxes	\$	\$ 282,886	\$	\$	\$
Licenses and Permits					
Investment Income		5,731		2,121	114
Intergovernmental	23,085				
Other Revenue				52,516	3,403
<b>Total Revenues</b>	<b>23,085</b>	<b>288,617</b>	<b>-</b>	<b>54,637</b>	<b>3,517</b>
<b>EXPENDITURES</b>					
Current:					
General Government					
Public Safety	23,085	2,150	9,903	125,282	
Transportation					
Culture and Recreation					
Community Development					
Health					
Capital Outlay					
Debt Service:					
Principal					
Interest and Fiscal Charges					
Bond Issuance Costs					
<b>Total Expenditures</b>	<b>23,085</b>	<b>2,150</b>	<b>9,903</b>	<b>125,282</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>286,467</b>	<b>(9,903)</b>	<b>(70,645)</b>	<b>3,517</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Bonds					
Discount on Bonds					
Transfers In				107,363	6,806
Transfers Out		(24,750)			
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(24,750)</b>	<b>-</b>	<b>107,363</b>	<b>6,806</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>261,717</b>	<b>(9,903)</b>	<b>36,718</b>	<b>10,323</b>
<b>Fund Balances - Beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ -</b>	<b>\$ 261,717</b>	<b>\$ (9,903)</b>	<b>\$ 36,718</b>	<b>\$ 10,323</b>

Capital Projects		Debt Service			Total
Road Bond Projects	Storm Drains	2007 Town Hall Revenue Bonds	1999 COPS	2001 COPS	Nonmajor Governmental Funds
\$	\$	\$	\$	\$	\$
	91,544				4,056,388
	65,948	385	3,961	6,352	215,168
					462,774
					3,799,173
					78,198
	<u>157,492</u>	<u>385</u>	<u>3,961</u>	<u>6,352</u>	<u>8,611,701</u>
			60,845	34,616	95,461
					160,420
					1,463,081
					360,119
					859,717
					-
	706,138				744,479
			285,000	176,250	557,238
		338,047	125,640	52,158	712,766
		<u>256,383</u>			<u>337,944</u>
	<u>706,138</u>	<u>594,430</u>	<u>471,485</u>	<u>263,024</u>	<u>5,291,225</u>
	<u>(548,646)</u>	<u>(594,045)</u>	<u>(467,524)</u>	<u>(256,672)</u>	<u>3,320,476</u>
		355,000			4,855,000
		(87,914)			(87,914)
		326,959	467,524	256,672	1,311,181
					(937,800)
		<u>594,045</u>	<u>467,524</u>	<u>256,672</u>	<u>5,140,467</u>
					8,460,943
	<u>1,682,979</u>				<u>5,228,282</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>-</u>	<u>1,134,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,689,225</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - RDA Debt Service Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,135,320	\$ 4,135,320	\$ 8,260,783	\$ 4,125,463
Investment Income	96,280	96,280	1,430,245	1,333,965
Total Revenues	<u>4,231,600</u>	<u>4,231,600</u>	<u>9,691,028</u>	<u>5,459,428</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	80,000	80,000	4,225	75,775
Debt Service:				
Principal	740,000	740,000	989,012	(249,012)
Interest and Fiscal Charges	2,059,400	2,059,400	2,156,664	(97,264)
Pass-Through Agreements	400,000	400,000	1,341,736	(941,736)
Bond Issuance Costs	1,530,000	1,530,000	699,009	830,991
Total Expenditures	<u>4,809,400</u>	<u>4,809,400</u>	<u>5,190,646</u>	<u>(381,246)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(577,800)</u>	<u>(577,800)</u>	<u>4,500,382</u>	<u>5,078,182</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Issuance	33,370,000	33,370,000	32,730,000	(640,000)
Premium on Bonds			123,016	123,016
Transfers In				-
Transfers Out	(32,827,420)	(32,827,420)	(8,349,609)	24,477,811
Total Other Financing Sources (Uses)	<u>542,580</u>	<u>542,580</u>	<u>24,503,407</u>	<u>23,960,827</u>
Net Change in Fund Balances	<u>(35,220)</u>	<u>(35,220)</u>	<u>29,003,789</u>	<u>29,039,009</u>
Fund Balance, Beginning	<u>10,903,918</u>	<u>10,903,918</u>	<u>10,903,918</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 10,868,698</u>	<u>\$ 10,868,698</u>	<u>\$ 39,907,707</u>	<u>\$ 29,039,009</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Capital Projects Fund**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Licenses and Permits	\$ 1,800,000	\$ 1,800,000	\$ 1,640,162	\$ (159,838)
Investment Income			538,357	538,357
Intergovernmental			446,763	446,763
Total Revenues	<u>1,800,000</u>	<u>1,800,000</u>	<u>2,625,282</u>	<u>825,282</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>5,533,500</u>	<u>4,258,500</u>	<u>959,877</u>	<u>3,298,623</u>
Total Expenditures	<u>5,533,500</u>	<u>4,258,500</u>	<u>959,877</u>	<u>3,298,623</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,733,500)</u>	<u>(2,458,500)</u>	<u>1,665,405</u>	<u>4,123,905</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			<u>1,484,095</u>	<u>1,484,095</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,484,095</u>	<u>1,484,095</u>
Net Change in Fund Balances	(3,733,500)	(2,458,500)	3,149,500	5,608,000
Fund Balance, Beginning	<u>10,114,614</u>	<u>10,114,614</u>	<u>10,114,614</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 6,381,114</u>	<u>\$ 7,656,114</u>	<u>\$ 13,264,114</u>	<u>\$ 5,608,000</u>



**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Development Impact Fees**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Licenses & Permits	\$	\$	\$ 199,088	\$ 199,088
Investment Income			593,944	593,944
Total Revenues	-	-	793,032	793,032
<b>EXPENDITURES</b>				
Capital Outlay	11,000,000	11,000,000	536,534	10,463,466
Debt Service				
Interest and Fiscal Charges			196,061	(196,061)
Bond Issuance Costs	600,000	600,000		600,000
Total Expenditures	11,600,000	11,600,000	732,595	10,867,405
Excess (Deficiency) of Revenues over Expenditures	(11,600,000)	(11,600,000)	60,437	11,660,437
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Bonds	11,600,000	11,600,000	11,000,000	(600,000)
Transfer In			347,606	347,606
Transfers Out	(107,915)	(107,915)	(326,959)	(219,044)
Total Other Financing Sources (Uses)	11,492,085	11,492,085	11,020,647	(471,438)
Net Change in Fund Balances	(107,915)	(107,915)	11,081,084	11,188,999
Fund Balance, Beginning	980,508	980,508	980,508	-
Fund Balance, Ending	<u>\$ 872,593</u>	<u>\$ 872,593</u>	<u>\$ 12,061,592</u>	<u>\$ 11,188,999</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - RDA Capital Projects Fund**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 22,122	\$ 22,122
Other Revenue			375	375
Total Revenues	-	-	22,497	22,497
<b>EXPENDITURES</b>				
Current:				
Community Development	827,420	827,420	622,653	204,767
Debt Service				
Interest			147,859	(147,859)
Capital Outlay	32,000,000	32,000,000	6,158,982	25,841,018
Total Expenditures	32,827,420	32,827,420	6,929,494	25,897,926
Excess (Deficiency) of Revenues over Expenditures	(32,827,420)	(32,827,420)	(6,906,997)	25,920,423
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	32,827,420	32,827,420	8,364,359	(24,463,061)
Transfers Out			(1,457,362)	(1,457,362)
Total Other Financing Sources (Uses)	32,827,420	32,827,420	6,906,997	(25,920,423)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Measure I Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,475,000	\$ 2,475,000	\$ 2,633,556	\$ 158,556
Investment Income	118,000	118,000	115,445	(2,555)
Other Revenue			40,201	40,201
Total Revenues	<u>2,593,000</u>	<u>2,593,000</u>	<u>2,789,202</u>	<u>196,202</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	150,000	150,000	100,000	50,000
Capital Outlay	<u>3,874,268</u>	<u>3,074,268</u>	<u>684,466</u>	<u>2,389,802</u>
Total Expenditures	<u>4,024,268</u>	<u>3,224,268</u>	<u>784,466</u>	<u>2,439,802</u>
Excess (Deficiency) of Revenues over Expenditures	(1,431,268)	(631,268)	2,004,736	2,636,004
Fund Balance, Beginning	<u>1,917,636</u>	<u>1,917,636</u>	<u>1,917,636</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 486,368</u>	<u>\$ 1,286,368</u>	<u>\$ 3,922,372</u>	<u>\$ 2,636,004</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Project Manager Grants**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,223,103	\$ 1,223,103	\$ 457,932	\$ (765,171)
Total Revenues	<u>1,223,103</u>	<u>1,223,103</u>	<u>457,932</u>	<u>(765,171)</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	<u>1,781,866</u>	<u>1,781,866</u>	<u>423,671</u>	<u>1,358,195</u>
Total Expenditures	<u>1,781,866</u>	<u>1,781,866</u>	<u>423,671</u>	<u>1,358,195</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(558,763)</u>	<u>(558,763)</u>	<u>34,261</u>	<u>593,024</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	558,763	558,763	620,763	62,000
Transfers Out	<u>          </u>	<u>          </u>	<u>(28,161)</u>	<u>(28,161)</u>
Total Other Financing Sources (Uses)	<u>558,763</u>	<u>558,763</u>	<u>592,602</u>	<u>33,839</u>
Net Change in Fund Balances	-	-	626,863	626,863
Fund Balances, Beginning	<u>(1,349,565)</u>	<u>(1,349,565)</u>	<u>(1,349,565)</u>	<u>          </u>
Fund Balances, Ending	<u>\$ (1,349,565)</u>	<u>\$ (1,349,565)</u>	<u>\$ (722,702)</u>	<u>\$ 626,863</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Street Maintenance Fund**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,468,000	\$ 1,468,000	\$ 1,274,988	\$ (193,012)
Total Revenues	<u>1,468,000</u>	<u>1,468,000</u>	<u>1,274,988</u>	<u>(193,012)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	1,468,000	1,468,000	1,274,988	193,012
Total Expenditures	<u>1,468,000</u>	<u>1,468,000</u>	<u>1,274,988</u>	<u>193,012</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**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - CDBG**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,431,086	\$ 1,499,891	\$ 957,039	\$ (542,852)
Total Revenues	<u>1,431,086</u>	<u>1,499,891</u>	<u>957,039</u>	<u>(542,852)</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	<u>872,323</u>	<u>799,070</u>	<u>682,563</u>	<u>116,507</u>
Total Expenditures	<u>872,323</u>	<u>799,070</u>	<u>682,563</u>	<u>116,507</u>
Excess (Deficiency) of Revenues over Expenditures	<u>558,763</u>	<u>700,821</u>	<u>274,476</u>	<u>(426,345)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(558,763)</u>	<u>(700,821)</u>	<u>(707,822)</u>	<u>(7,001)</u>
Total Other Financing Sources (Uses)	<u>(558,763)</u>	<u>(700,821)</u>	<u>(707,822)</u>	<u>(7,001)</u>
Net Change in Fund Balances	-	-	(433,346)	(433,346)
Fund Balance, Beginning	<u>6,806</u>	<u>6,806</u>	<u>6,806</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 6,806</u>	<u>\$ 6,806</u>	<u>\$ (426,540)</u>	<u>\$ (433,346)</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Low/Moderate Housing Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,750,000	\$ 1,750,000	\$ 3,559,172	\$ 1,809,172
Investment Income	64,000	64,000	358,201	294,201
Total Revenues	<u>1,814,000</u>	<u>1,814,000</u>	<u>3,917,373</u>	<u>2,103,373</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	7,806,092	7,806,092	78,762	7,727,330
Debt Service:				
Principal	110,000	110,000	95,988	14,012
Interest	421,396	421,396	196,921	224,475
Bond Issuance Costs	649,000	649,000	81,561	567,439
Total Expenditures	<u>8,986,488</u>	<u>8,986,488</u>	<u>453,232</u>	<u>8,533,256</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(7,172,488)</u>	<u>(7,172,488)</u>	<u>3,464,141</u>	<u>10,636,629</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Bonds	8,349,000	8,349,000	4,500,000	(3,849,000)
Transfers Out			(87,509)	(87,509)
Total Other Financing Sources (Uses)	<u>8,349,000</u>	<u>8,349,000</u>	<u>4,412,491</u>	<u>(3,936,509)</u>
Net Change in Fund Balances	1,176,512	1,176,512	7,876,632	6,700,120
Fund Balance, Beginning	<u>3,262,286</u>	<u>3,262,286</u>	<u>3,262,286</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 4,438,798</u>	<u>\$ 4,438,798</u>	<u>\$ 11,138,918</u>	<u>\$ 6,700,120</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Federal Grants Fund**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$	\$	\$	\$ -
Intergovernmental	240,905	240,905	74,945	(165,960)
Other Revenue	31,492		929	929
Total Revenues	<u>272,397</u>	<u>240,905</u>	<u>75,874</u>	<u>(165,031)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Community Development	<u>272,397</u>	<u>240,905</u>		<u>240,905</u>
Total Expenditures	<u>272,397</u>	<u>240,905</u>	<u>-</u>	<u>240,905</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>75,874</u>	<u>75,874</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			145,857	145,857
Transfers Out			(107,363)	(107,363)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>38,494</u>	<u>38,494</u>
Net Change in Fund Balances	-	-	114,368	114,368
Fund Balance, Beginning	<u>(114,368)</u>	<u>(114,368)</u>	<u>(114,368)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (114,368)</u>	<u>\$ (114,368)</u>	<u>\$ -</u>	<u>\$ 114,368</u>



**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Proposition 1B**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$	\$	\$ 1,130,679	\$ 1,130,679
Other Revenue			21,350	21,350
Total Revenues	-	-	1,152,029	1,152,029
<b>EXPENDITURES</b>				
Current:				
Transportation		1,275,000	23,127	1,251,873
Total Expenditures	-	1,275,000	23,127	1,251,873
Excess (Deficiency) of Revenues over Expenditures	-	(1,275,000)	1,128,902	2,403,902
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		144,321		(144,321)
Total Other Financing Sources (Uses)	-	144,321	-	(144,321)
Net Change in Fund Balances	-	(1,130,679)	1,128,902	2,259,581
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$	\$ (1,130,679)	\$ 1,128,902	2,259,581

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - ADDI Down Payment Assistance Fund**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 138,393	\$ (61,607)
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>138,393</u>	<u>(61,607)</u>
<b>EXPENDITURES</b>				
Community Development	<u>200,000</u>	<u>200,000</u>	<u>98,392</u>	<u>101,608</u>
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>98,392</u>	<u>101,608</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	40,001	40,001
Fund Balance, Beginning	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ 1</u>	<u>\$ 40,001</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Quimby Fees Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and Permits	\$ 800,000	\$ 800,000	\$ 123,624	\$ (676,376)
Investment Income			8,443	8,443
Total Revenues	<u>800,000</u>	<u>800,000</u>	<u>132,067</u>	<u>(667,933)</u>
<b>EXPENDITURES</b>				
Culture and Recreation	425,000	425,000	360,119	64,881
Capital Outlay		15,000	15,000	-
Total Expenditures	<u>425,000</u>	<u>440,000</u>	<u>375,119</u>	<u>64,881</u>
Excess (Deficiency) of Revenues over Expenditures	<u>375,000</u>	<u>360,000</u>	<u>(243,052)</u>	<u>(603,052)</u>
Net Change in Fund Balances	375,000	360,000	(243,052)	(603,052)
Fund Balance, Beginning	<u>350,250</u>	<u>350,250</u>	<u>350,250</u>	
Fund Balance, Ending	<u>\$ 725,250</u>	<u>\$ 710,250</u>	<u>\$ 107,198</u>	<u>\$ (603,052)</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - HUD ADDI Fund**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 9,903	\$ 9,903	\$ -	\$ (9,903)
Total Revenues	<u>9,903</u>	<u>9,903</u>	<u>-</u>	<u>(9,903)</u>
<b>EXPENDITURES</b>				
Current:				
Public Safety	<u>9,903</u>	<u>9,903</u>	<u>9,903</u>	
Total Expenditures	<u>9,903</u>	<u>9,903</u>	<u>9,903</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(9,903)	(9,903)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,903)</u>	<u>\$ (9,903)</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - HCD State Program Income Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 2,121	\$ 2,121
Other Revenue		31,492	52,516	21,024
Total Revenues	-	31,492	54,637	23,145
<b>EXPENDITURES</b>				
Current:				
Public Safety		31,492	125,282	(93,790)
Total Expenditures	-	31,492	125,282	(93,790)
Excess (Deficiency) of Revenues over Expenditures	-	-	(70,645)	(70,645)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In			107,363	107,363
Total Other Financing Sources (Uses)	-	-	107,363	107,363
Net Change in Fund Balances	-	-	36,718	36,718
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$	\$	\$ 36,718	\$ 36,718

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - 2007 Town Hall Revenue Bonds**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 385	\$ 385
Total Revenues	-	-	385	385
<b>EXPENDITURES</b>				
Debt Service				
Principal				
Interest and Fiscal Charges	107,915	107,915	338,047	(230,132)
Bond Issuance Costs			256,383	(256,383)
Total Expenditures	107,915	107,915	594,430	(486,515)
Excess (Deficiency) of Revenues over Expenditures	(107,915)	(107,915)	(594,045)	(486,130)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Bonds			355,000	355,000
Discount on Bonds			(87,914)	
Transfers In	107,915	107,915	326,959	219,044
Total Other Financing Sources (Uses)	107,915	107,915	594,045	574,044
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - 1999 COPS Fund**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$ -	\$ -	\$ 3,961	\$ 3,961
Total Revenues	-	-	3,961	3,961
<b>EXPENDITURES</b>				
Current:				
General Government	65,000	65,000	60,845	4,155
Debt Service				
Principal	280,000	280,000	285,000	(5,000)
Interest and Fiscal Charges	250,600	250,600	125,640	124,960
Total Expenditures	595,600	595,600	471,485	124,115
Excess (Deficiency) of Revenues over Expenditures	(595,600)	(595,600)	(467,524)	128,076
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	595,600	595,600	467,524	(128,076)
Total Other Financing Sources (Uses)	595,600	595,600	467,524	(128,076)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - 2001 COPS Fund**  
**Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 6,352	\$ 6,352
Total Revenues	-	-	6,352	6,352
<b>EXPENDITURES</b>				
<b>Current:</b>				
General Government	60,000	60,000	34,616	25,384
<b>Debt Service</b>				
Principal	172,500	172,500	176,250	(3,750)
Interest and Fiscal Charges	136,500	136,500	52,158	84,342
Total Expenditures	369,000	369,000	263,024	105,976
Excess (Deficiency) of Revenues over Expenditures	(369,000)	(369,000)	(256,672)	112,328
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	369,000	369,000	256,672	(112,328)
Total Other Financing Sources (Uses)	369,000	369,000	256,672	(112,328)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -



## **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.

**Town of Apple Valley**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2008**

	<u>Trust and Fiduciary</u>	<u>Victor Valley Transit Authority</u>	<u>Assessment District 98-1</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Investments	\$ 927,761	\$ 4,945	\$	\$ 932,706
Cash with Fiscal Agent			244,330	244,330
	<u>\$ 927,761</u>	<u>\$ 4,945</u>	<u>\$ 244,330</u>	<u>\$ 1,177,036</u>
Total Assets				
<b>LIABILITIES</b>				
Accounts Payable	\$	\$ 4,945	\$ 848	\$ 5,793
Deposits	927,761			927,761
Due to Other Funds			89,697	89,697
Amounts Due Bondholders			153,785	153,785
	<u>\$ 927,761</u>	<u>\$ 4,945</u>	<u>\$ 244,330</u>	<u>\$ 1,177,036</u>
Total Liabilities				

**Town of Apple Valley**  
**Statement of Changes in Fiduciary Net Assets**  
**Agency Funds**  
**Year Ended June 30, 2008**

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
<b><u>TRUST AND FIDUCIARY FUND</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 868,031	\$ 59,730	\$ -	\$ 927,761
Total Assets	<u>\$ 868,031</u>	<u>\$ 59,730</u>	<u>\$ -</u>	<u>\$ 927,761</u>
<b>LIABILITIES</b>				
Deposits	\$ 868,031	\$ 59,730	\$ -	\$ 927,761
Total Liabilities	<u>\$ 868,031</u>	<u>\$ 59,730</u>	<u>\$ -</u>	<u>\$ 927,761</u>
<b><u>VICTOR VALLEY TRANSIT AUTHORITY FUND</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 770	\$ 4,175	\$ -	\$ 4,945
Due From Other Governments	-	-	-	-
Total Assets	<u>\$ 770</u>	<u>\$ 4,175</u>	<u>\$ -</u>	<u>\$ 4,945</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 770	\$ 4,175	\$ -	\$ 4,945
Due to Other Funds	-	-	-	-
Total Liabilities	<u>\$ 770</u>	<u>\$ 4,175</u>	<u>\$ -</u>	<u>\$ 4,945</u>
<b><u>ASSESSMENT DISTRICT 98-1</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 136,718	\$ 6,116	\$ 142,834	\$ -
Cash with Fiscal Agent	243,030	1,300	-	244,330
Total Assets	<u>\$ 379,748</u>	<u>\$ 7,416</u>	<u>\$ 142,834</u>	<u>\$ 244,330</u>
<b>LIABILITIES</b>				
Amount Due Bondholders	\$ 379,748	\$ 5,116	\$ 232,079	\$ 153,785
Accounts Payable	-	848	-	848
Due to Other Funds	-	89,697	-	89,697
Total Liabilities	<u>\$ 379,748</u>	<u>\$ 96,661</u>	<u>\$ 232,079</u>	<u>\$ 244,330</u>
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 1,005,519	\$ 70,021	\$ 142,834	\$ 932,706
Cash with Fiscal Agent	243,030	1,300	-	244,330
Due From Other Governments	-	-	-	-
Total Assets	<u>\$ 1,248,549</u>	<u>\$ 71,321</u>	<u>\$ 142,834</u>	<u>\$ 1,177,036</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 770	\$ 5,023	\$ -	\$ 5,793
Deposits	868,031	59,730	-	927,761
Amounts Due Bondholders	379,748	6,116	232,079	153,785
Due to Other Funds	-	89,697	-	89,697
Total Liabilities	<u>\$ 1,248,549</u>	<u>\$ 160,566</u>	<u>\$ 232,079</u>	<u>\$ 1,177,036</u>

**Town of Apple Valley**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Source<sup>1</sup>**  
**June 30, 2008**

**GOVERNMENTAL FUNDS CAPITAL ASSETS**

Land	\$ 96,386,563
Furniture and Equipment	1,024,990
Computer Equipment	739,889
Auto Equipment	1,377,216
Structures and Improvements	64,302,966
Infrastructure	329,907,533
Construction in Progress	<u>8,563,543</u>
Total Governmental Funds Capital Assets	<u><u>\$ 502,302,700</u></u>

**INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE**

General Fund	\$ 215,526,252
Special Revenue Funds	133,231,114
Capital Project Funds	<u>153,545,334</u>
Total Governmental Funds Capital Assets	<u><u>\$ 502,302,700</u></u>

<sup>1</sup>This 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**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity<sup>1</sup>**  
**June 30, 2008**

	<u>Land</u>	<u>Furniture and Equipment</u>	<u>Computer Equipment</u>
<b>FUNCTION AND ACTIVITY</b>			
General Government	\$ 2,114,277	\$ 703,080	\$ 728,639
Public Safety	1,375,585	57,366	
Transportation	86,070,047		
Culture and Recreation	<u>6,826,654</u>	<u>264,544</u>	<u>11,250</u>
 Total Governmental Funds Capital Assets	 <u>\$ 96,386,563</u>	 <u>\$ 1,024,990</u>	 <u>\$ 739,889</u>

<sup>1</sup>This 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.

<u>Auto Equipment</u>	<u>Structures and Improvements</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Totals</u>
\$ 103,350	\$ 4,749,193	\$	\$ 1,505,808	\$ 9,904,347
39,145	1,924,546			3,396,642
802,864		329,907,533	7,057,735	423,838,179
431,857	57,629,227			65,163,532
<u>\$ 1,377,216</u>	<u>\$ 64,302,966</u>	<u>\$ 329,907,533</u>	<u>\$ 8,563,543</u>	<u>\$ 502,302,700</u>

**Town of Apple Valley**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity<sup>1</sup>**  
**Year Ended June 30, 2008**

<b>FUNCTION AND ACTIVITY</b>	<b>Funds Capital Assets July 1, 2007</b>	<b>Adjustments*</b>	<b>Additions</b>	<b>Deletions</b>	<b>Governmental Funds Capital Assets June 30, 2008</b>
General Government	\$ 8,040,934	\$ (131,838)	\$ 1,996,092	\$ (841)	\$ 9,904,347
Public Safety	1,512,758	958,788	934,468	(9,372)	3,396,642
Transportation	418,108,570	(5,201,427)	15,131,948	(4,200,912)	423,838,179
Culture and Recreation	60,335,362	4,668,923	8,783,918	(8,624,671)	65,163,532
Community Development	280,818	(280,818)			-
	<u>\$ 488,278,442</u>	<u>\$ 13,628</u>	<u>\$ 26,846,426</u>	<u>\$ (12,835,796)</u>	<u>\$ 502,302,700</u>

<sup>1</sup>This 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.

\*Adjustments are the result of reclassification of assets to the proper function and 06-07 CIP that was included.

**STATISTICAL SECTION**



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

	<b>Fiscal Year</b>					
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 24,149,542	\$ 28,574,732	\$ 31,814,365	\$ 44,949,377	\$ 384,061,630	\$ 387,123,900
Restricted	17,316,503	15,637,349	27,481,178	24,316,125	25,103,142	51,867,938
Unrestricted	<u>5,450,039</u>	<u>7,352,641</u>	<u>2,326,377</u>	<u>10,467,168</u>	<u>10,418,490</u>	<u>(13,367,654)</u>
<b>Total governmental activities net assets</b>	<u><b>\$ 46,916,084</b></u>	<u><b>\$ 51,584,722</b></u>	<u><b>\$ 61,621,920</b></u>	<u><b>\$ 79,732,670</b></u>	<u><b>\$ 419,582,262</b></u>	<u><b>\$ 425,624,184</b></u>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 4,719,212	\$ 6,044,409	\$ 5,957,139	\$ 5,311,877	\$ 33,492,509	\$ 33,768,176
Restricted	1,845,857	971,834	985,215	1,740,000	1,792,823	1,816,804
Unrestricted	<u>9,306,329</u>	<u>9,653,971</u>	<u>11,975,813</u>	<u>14,021,426</u>	<u>16,231,747</u>	<u>14,731,511</u>
<b>Total business-type activities net assets</b>	<u><b>\$ 15,871,398</b></u>	<u><b>\$ 16,670,214</b></u>	<u><b>\$ 18,918,167</b></u>	<u><b>\$ 21,073,303</b></u>	<u><b>\$ 51,517,079</b></u>	<u><b>\$ 50,316,491</b></u>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 28,868,754	\$ 34,619,141	\$ 37,771,504	\$ 50,261,254	\$ 417,554,139	\$ 420,892,076
Restricted	19,162,360	16,629,183	28,466,393	26,056,125	26,894,965	53,684,742
Unrestricted	<u>14,756,368</u>	<u>17,006,612</u>	<u>14,302,190</u>	<u>24,488,594</u>	<u>26,650,237</u>	<u>1,363,857</u>
<b>Total primary government net assets</b>	<u><b>\$ 62,787,482</b></u>	<u><b>\$ 68,254,936</b></u>	<u><b>\$ 80,540,087</b></u>	<u><b>\$ 100,805,973</b></u>	<u><b>\$ 471,099,341</b></u>	<u><b>\$ 475,940,675</b></u>

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

	<b>Fiscal Year</b>					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenses</b>						
<b>Governmental activities:</b>						
General government	\$ 3,456,533	\$ 4,021,314	\$ 4,589,971	\$ 3,353,017	\$ 3,347,001	\$ 3,533,678
Public safety	5,352,003	5,825,048	6,918,109	7,690,948	9,119,965	10,430,291
Transportation	1,584,217	2,092,417	5,206,120	6,247,368	8,279,686	9,854,747
Culture and recreation	1,718,816	2,162,080	2,075,242	3,029,203	5,122,716	5,188,538
Community development	3,082,190	3,539,601	4,880,605	6,337,878	7,534,045	8,805,564
Health	19,410	36,409	-	-	-	3,539,966
Interest on long-term debt	196,101	195,487	166,708	555,475	635,095	-
<b>Total governmental activities expenses</b>	<u>15,409,270</u>	<u>17,872,356</u>	<u>23,836,755</u>	<u>27,213,889</u>	<u>34,038,508</u>	<u>41,352,784</u>
<b>Business-type activities:</b>						
Sewer	1,968,979	2,106,083	2,397,868	3,261,816	4,322,383	4,977,119
Waste Management	5,144,538	5,469,778	5,741,487	6,919,321	7,582,185	8,817,281
<b>Total business-type activities expenses</b>	<u>7,113,517</u>	<u>7,575,861</u>	<u>8,139,355</u>	<u>10,181,137</u>	<u>11,904,568</u>	<u>13,794,400</u>
<b>Total primary government expenses</b>	<u>\$ 22,522,787</u>	<u>\$ 25,448,217</u>	<u>\$ 31,976,110</u>	<u>\$ 37,395,026</u>	<u>\$ 45,943,076</u>	<u>\$ 55,147,184</u>
<b>Program Revenues</b>						
<b>Governmental activities:</b>						
<b>Charges for services:</b>						
General government	236,440	267,842	284,055	533,383	418,186	388,483
Public safety	276,316	299,352	276,734	203,130	287,931	243,106
Transportation	58,035	89,649	178,529	197,867	228,453	88,491
Culture and recreation	333,956	383,969	459,414	602,915	827,385	919,425
Community development	2,152,251	2,441,845	3,805,029	4,683,154	3,205,184	1,699,164
Operating grants and contributions	3,378,546	3,401,284	4,441,304	8,200,337	5,116,858	7,034,992
Capital grants and contributions	4,521,524	4,552,971	8,487,126	11,547,363	8,396,253	7,719,437
<b>Total governmental activities program revenues</b>	<u>10,957,068</u>	<u>11,436,912</u>	<u>17,932,191</u>	<u>25,968,149</u>	<u>18,480,250</u>	<u>18,093,098</u>
<b>Business-type activities:</b>						
<b>Charges for services:</b>						
Sewer	1,687,270	2,233,120	3,275,423	3,343,651	3,247,042	2,852,961
Waste Management	6,383,560	6,711,171	7,109,629	8,171,421	9,529,788	9,124,792
Capital grants and contributions	718,828	317,141	1,109,372	620,351	7,787,415	1,173,704
<b>Total business-type activities program revenues</b>	<u>8,789,658</u>	<u>9,261,432</u>	<u>11,494,424</u>	<u>12,135,423</u>	<u>20,564,245</u>	<u>13,151,457</u>
<b>Total primary government program revenues</b>	<u>\$ 19,746,726</u>	<u>\$ 20,698,344</u>	<u>\$ 29,426,615</u>	<u>\$ 38,103,572</u>	<u>\$ 39,044,495</u>	<u>\$ 31,244,555</u>
<b>Net (expense)/revenue</b>						
<b>Governmental activities</b>	<u>\$ (4,452,202)</u>	<u>\$ (6,435,444)</u>	<u>\$ (5,904,564)</u>	<u>\$ (1,245,740)</u>	<u>\$ (15,558,258)</u>	<u>\$ (23,259,686)</u>
<b>Business-type activities</b>	<u>1,676,141</u>	<u>1,685,571</u>	<u>3,355,069</u>	<u>1,954,286</u>	<u>8,659,677</u>	<u>(642,943)</u>
<b>Total primary government net expense</b>	<u>\$ (2,776,061)</u>	<u>\$ (4,749,873)</u>	<u>\$ (2,549,495)</u>	<u>\$ 708,546</u>	<u>\$ (6,898,581)</u>	<u>\$ (23,902,629)</u>

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

	<b>Fiscal Year</b>					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Taxes						
Property taxes	2,659,056	2,877,102	3,196,875	4,310,247	5,035,277	4,825,727
Tax increment	239,570	656,283	2,431,898	3,364,320	7,350,520	10,097,187
Franchise taxes	805,889	797,818	890,573	943,162	1,215,293	1,128,946
Sales taxes	2,568,169	2,801,931	2,409,148	2,904,475	3,458,264	3,424,928
Transient occupancy taxes	8,957	10,125	13,367	13,252	21,600	15,175
Motor vehicle in-lieu	3,288,941	2,875,445	4,436,541	4,820,766	5,616,051	6,493,901
Sales tax in-lieu	-	-	682,603	787,964	1,075,221	1,220,476
Pass through revenues	91,825	192,790	135,094	164,673	189,851	417,770
Miscellaneous revenues	133,406	148,981	237,545	595,429	386,446	169,328
Unrestricted grants and contributions	165,231	12,353	16,342	16,399	23,094	19,310
Investment income	221,059	12,438	246,687	1,117,643	1,555,032	2,442,247
Transfers	881,026	960,264	1,245,089	-	284,036	792,788
<b>Total governmental activities</b>	<u>11,063,129</u>	<u>11,345,530</u>	<u>15,941,762</u>	<u>19,038,330</u>	<u>26,210,685</u>	<u>31,047,783</u>
Business-type activities:						
Investment income	72,516	73,509	137,973	356,099	477,888	613,328
Transfers	(881,026)	(960,264)	(1,245,089)	(155,249)	(284,036)	(792,788)
<b>Total business-type activities</b>	<u>(808,510)</u>	<u>(886,755)</u>	<u>(1,107,116)</u>	<u>200,850</u>	<u>193,852</u>	<u>(179,460)</u>
<b>Total primary government</b>	<u>\$ 10,254,619</u>	<u>\$ 10,458,775</u>	<u>\$ 14,834,646</u>	<u>\$ 19,239,180</u>	<u>\$ 26,404,537</u>	<u>\$ 30,868,323</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ 6,510,927	\$ 4,910,086	\$ 10,037,198	\$ 17,792,590	\$ 10,652,427	\$ 7,788,097
Business-type activities	867,631	798,816	2,247,953	2,155,136	8,853,529	(822,403)
<b>Total primary government</b>	<u>\$ 7,478,558</u>	<u>\$ 5,708,902</u>	<u>\$ 12,285,151</u>	<u>\$ 19,947,726</u>	<u>\$ 19,505,956</u>	<u>\$ 6,965,694</u>

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

	<b>Fiscal Year</b>					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General fund</b>						
Reserved	\$ 6,714,294	\$ 6,422,735	\$ 2,110,156	\$ 2,197,378	\$ -	\$ -
Unreserved	<u>2,667,685</u>	<u>4,277,267</u>	<u>9,546,039</u>	<u>12,435,177</u>	<u>17,021,153</u>	<u>17,686,555</u>
<b>Total general fund</b>	<u>\$ 9,381,979</u>	<u>\$ 10,700,002</u>	<u>\$ 11,656,195</u>	<u>\$ 14,632,555</u>	<u>\$ 17,021,153</u>	<u>\$ 17,686,555</u>
 <b>All other governmental funds</b>						
Reserved	\$ 524,022	\$ 1,383,845	\$ 6,672,544	\$ 6,089,259	\$ 14,470,360	\$ 1,255,854
Unreserved, reported in:						
Special revenue funds	7,180,798	7,481,395	8,300,277	10,095,398	3,004,014	12,048,634
Debt service funds	(690,941)	(1,946,929)	(313,308)	(289,670)	(304,156)	38,651,853
Capital projects funds	<u>6,084,646</u>	<u>5,978,948</u>	<u>9,809,894</u>	<u>7,351,812</u>	<u>12,365,664</u>	<u>29,659,709</u>
<b>Total all other governmental funds</b>	<u>\$ 13,098,525</u>	<u>\$ 12,897,259</u>	<u>\$ 24,469,407</u>	<u>\$ 23,246,799</u>	<u>\$ 29,535,882</u>	<u>\$ 81,616,050</u>

Note: The Town has elected to show only six years of data for this schedule.

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

	<b>Fiscal Year</b>					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>						
Taxes	\$ 9,170,108	\$ 10,157,037	\$ 15,470,448	\$ 20,032,577	\$ 26,950,090	\$ 33,501,685
Licenses & permits	3,074,520	3,590,372	8,114,884	10,854,816	6,854,873	3,206,675
Fines & forfeitures	330,868	347,979	344,442	270,221	332,520	304,502
Investment income	348,456	170,726	491,966	1,339,294	1,748,713	3,870,731
Intergovernmental	6,400,125	5,265,911	4,154,501	4,691,900	3,991,008	6,361,818
Charges for services	1,664,178	2,156,871	2,279,639	2,850,938	2,854,451	1,880,474
Other revenue	89,807	148,981	310,416	1,740,403	850,299	288,102
<b>Total revenues</b>	<u>21,078,062</u>	<u>21,837,877</u>	<u>31,166,296</u>	<u>41,780,149</u>	<u>43,581,954</u>	<u>49,413,987</u>
<b>Expenditures</b>						
General government	2,958,168	3,453,804	4,049,347	2,737,172	2,902,773	3,321,030
Public safety	5,331,411	5,783,864	6,914,374	7,686,653	9,109,124	10,352,133
Transportation	1,357,089	2,028,771	5,195,394	6,229,216	6,329,832	4,516,941
Culture and recreation	1,537,699	1,962,789	1,896,733	2,793,204	3,439,782	3,686,296
Community development	3,266,462	3,511,421	4,850,538	6,235,437	6,472,588	7,458,977
Health	19,269	36,409	-	-	-	-
Capital outlay	3,464,232	4,049,891	4,132,944	13,321,512	13,512,547	9,589,502
Debt service						
Principal	403,750	417,500	435,577	578,602	587,956	1,557,245
Interest	196,101	195,487	137,311	556,878	603,772	3,220,495
Pass-Through Agreements	-	-	-	-	-	1,341,736
Debt issue costs	-	-	444,207	-	1,012,494	1,036,953
<b>Total expenditures</b>	<u>18,534,181</u>	<u>21,439,936</u>	<u>28,056,425</u>	<u>40,138,674</u>	<u>43,970,868</u>	<u>46,081,308</u>
<b>Excess of revenues over (under) expenditures</b>	2,543,881	397,941	3,109,871	1,641,475	(388,914)	3,332,679
<b>Other financing sources (uses)</b>						
Transfers in	2,569,397	2,602,026	4,921,278	453,347	6,268,509	12,682,479
Transfers out	(1,688,371)	(1,641,762)	(3,682,716)	(453,347)	(5,984,473)	(11,889,691)
Payment to refunding escrow agent	-	(241,448)	-	-	-	-
Bond proceeds	-	-	8,130,000	-	9,067,464	48,585,000
Premium on bonds	-	-	49,908	-	(284,905)	35,102
<b>Total other financing sources (uses)</b>	<u>881,026</u>	<u>718,816</u>	<u>9,418,470</u>	<u>-</u>	<u>9,066,595</u>	<u>49,412,890</u>
<b>Net change in fund balances</b>	<u>\$ 3,424,907</u>	<u>\$ 1,116,757</u>	<u>\$ 12,528,341</u>	<u>\$ 1,641,475</u>	<u>\$ 8,677,681</u>	<u>\$ 52,745,569</u>
<b>Debt service as a percentage of noncapital expenditures</b>	4.1%	3.7%	2.5%	4.4%	4.1%	15.1%

Note: The Town has elected to show only six years of data for this schedule.

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

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Vacant Land</b>	<b>Unsecured</b>	<b>Other</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
1999	1,641,231,748	93,845,646	20,528,761	207,466,519	56,387,489	80,493,473	4,793	2,099,948,843	0.23138%
2000	1,675,953,162	99,504,529	20,442,125	203,542,418	56,712,621	81,928,338	4,889	2,138,078,304	0.22829%
2001	1,746,611,595	139,824,281	20,467,935	197,011,147	59,612,367	38,194,345	-	2,201,721,670	0.22533%
2002	1,842,836,036	143,951,456	21,598,176	185,319,289	57,177,576	35,496,959	-	2,286,379,492	0.22064%
2003	1,963,938,010	155,359,932	21,996,016	183,817,121	76,080,930	37,443,275	-	2,438,635,284	0.11473%
2004	2,151,040,174	163,267,677	22,153,414	189,747,260	69,937,222	42,982,316	-	2,639,128,063	0.12547%
2005	2,489,828,082	169,228,003	78,946,979	209,898,269	84,339,473	46,415,956	-	3,078,656,762	0.12541%
2006	2,431,343,790	84,812,639	80,479,255	223,451,323	109,350,991	20,726,984	-	2,950,164,982	0.14732%
2007	3,715,870,200	228,689,170	90,791,486	422,738,195	119,931,513	157,788,008	-	4,735,808,572	0.17514%
2008	4,415,309,208	254,634,564	96,019,118	510,332,489	129,824,706	167,961,523	-	5,574,081,608	0.19410%

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 2007/2008 Combined Tax Rolls

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>City Direct Rates:</b>										
City Basic Rate	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438
Redevelopment Agency	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
<b>Total Direct Rate</b>	<b>0.23138</b>	<b>0.22829</b>	<b>0.22533</b>	<b>0.22064</b>	<b>0.11473</b>	<b>0.12547</b>	<b>0.12541</b>	<b>0.14732</b>	<b>0.17514</b>	<b>0.19410</b>
<b>Overlapping Rates:</b>										
A V Fire Protection District	*	*	*	*	*	*	*	0.09302	0.09263	0.09263
Apple Valley Unified	*	*	*	*	*	*	*	0.34330	0.31078	0.31079
County Free Library	*	*	*	*	*	*	*	**	0.01431	0.01431
San Bernardino County	*	*	*	*	*	*	*	0.18465	0.14778	0.14778
County Superintendent	*	*	*	*	*	*	*	**	0.01006	0.01006
Csa 60 Victorville	*	*	*	*	*	*	*	**	0.01024	0.01024
Education Revenue Aug Fund	*	*	*	*	*	*	*	**	0.22378	0.22378
Flood Control Admin 3-6	*	*	*	*	*	*	*	0.02446	0.00089	0.00089
Flood Control Zone 4	*	*	*	*	*	*	*	**	0.02335	0.02335
Mojave Desert Resources Conservation District	*	*	*	*	*	*	*	**	0.00013	0.00013
Mojave Water Agency	*	*	*	*	*	*	*	**	0.00526	0.00526
Victor Valley Com. College	*	*	*	*	*	*	*	0.06728	0.06641	0.06641
Other	*	*	*	*	*	*	*	0.24177	-	-
<b>Total Prop. 13 Rate</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>1.04886</b>	<b>1.00000</b>	<b>1.00000</b>
Apple Valley Unified	*	*	*	*	*	*	*	*	0.03030	0.02470
Mojave Water Agency - Land Only	*	*	*	*	*	*	*	*	0.11250	0.11250
Morongo Water Agency	*	*	*	*	*	*	*	*	0.05500	0.05500
<b>Total Voter Approved Rate</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>0.19871</b>	<b>0.19780</b>	<b>0.19220</b>
<b>Total Tax Rate</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>1.24757</b>	<b>1.19780</b>	<b>1.19220</b>

**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 recreational property voters.

Source: San Bernardino County Assessor 1998/99 - 2007/08 Tax Rate Table as summarized by H&L Coren & Coren

\* 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**

Taxpayer	2008		1999	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Wal Mart Store East Limited Partnership	\$ 96,097,607	1.76%	\$ -	
Mang K. & Soon J. Shin	11,000,227	0.20%	-	
Cambridge Homes Inc	13,605,972	0.25%	-	
Trails End Trailer Park LLC	7,800,584	0.14%	-	
Sky Haven Ranch LLC	7,175,667	0.13%	-	
MGP XIX LLC	6,747,035	0.12%	-	
Prime A Investment LLC	6,785,347	0.12%	-	
Troy CMBS Property LLC	5,956,511	0.11%	4,998,000	0.24%
Ralphs Grocery Company	7,616,792	0.14%	-	
Apple Valley Ranchos Water Company	34,804,646	0.64%	-	
Donald P. & Darla L Farrarese Trust			7,710,600	0.37%
Albertsons Inc			4,410,374	0.21%
FHM Investment			2,637,395	0.13%
Department of Housing & Urban Development			5,698,617	0.27%
National Loan Investors			2,100,001	0.10%
K Mart Corporation			2,033,520	0.10%
Carlos Padilla			1,901,896	0.09%
Acquiport Amsdell II			3,570,000	0.17%
Apple Valley Cen			1,789,924	0.09%
	<u>\$ 197,590,388</u>	<u>3.63%</u>	<u>\$ 36,850,327</u>	<u>1.75%</u>

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

Source: San Bernardino County Assessor 1998/99 and 2007/08 Combined Tax Rolls as summarized by HdL Coren & Cone



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

<b>Fiscal Year Ended June 30</b>	<b>Taxes Levied (2) for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date (1)</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2008	4,579,518	4,579,518	100.00%	-	4,579,518	100.00%

Source: HdL Coren & Copne, San Bernardino County Assessor 2007/08 Combined Tax Rolls

(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 of 6,007,663

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

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	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	18,778,572	*	329
2004	7,479,500	-	-	760,500	6,089,445	164,466	2,955,000	17,448,911	1.52%	296
2005	7,053,250	8,130,000	155,139	706,750	5,636,112	-	2,808,125	24,489,376	1.96%	384
2006	6,614,500	8,000,000	145,287	650,500	5,265,000	-	2,665,208	23,340,495	1.69%	346
2007	6,162,000	16,860,000	134,879	593,000	4,715,000	-	2,518,958	30,983,837	2.10%	441
2008	16,755,750	53,005,000	123,884	534,250	3,750,000	-	2,366,250	76,535,134	4.38%	951

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

**Town of Apple Valley  
Ratios of General Bonded Debt Outstanding,  
Last Four Fiscal Years**

<u>General Bonded Debt Outstanding</u>				
<u>Fiscal Year</u>	<u>Tax Allocation Bonds</u>	<u>Total</u>	<u>Percent of Assessed Value</u>	<u>Per Capita</u>
2005	8,130,000	8,130,000	0.26%	127
2006	8,000,000	8,000,000	0.27%	119
2007	16,860,000	16,860,000	0.36%	240
2008	53,005,000	53,005,000	0.95%	658

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

**Town of Apple Valley  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2008**

City Assessed Valuation	\$5,441,204,794
Redevelopment Agency Incremental Valuation	<u>1,184,683,154</u>
Total Assessed Valuation	<u>\$4,256,521,640</u>

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Overlapping Tax and Assessment Debt:</b>			
Mojave Water Agency	\$ 21,290,000	17.2320%	\$ 3,668,693
Victor Valley Union High School District	21,510,026	0.0002%	43
Apple Valley Unified School District	34,738,758	78.9700%	27,433,197
Oro Grande School District	780,000	0.0130%	101
Town of Apple Valley 1915 Act Bonds	6,215,000	100.0000%	6,215,000
<b>Direct and Overlapping General Fund Debt:</b>			
San Bernardino County General Fund Obligations	791,760,000	3.4280%	27,569,083
San Bernardino County Pension Obligations	688,325,591	3.4280%	23,967,497
San Bernardino County Flood Control General Fund Obligations	119,920,000	3.4280%	4,175,614
Victor Valley Joint Community College District Certificates of Participation	52,550,000	20.4520%	10,628,763
Victor Valley Union High School District Certificates of Participation	9,500,000	0.0002%	19
Apple Valley Unified School District Certificates of Participation	6,040,000	79.4580%	4,769,788
Hesperia Unified School District Certificates of Participation	105,000,000	0.0030%	<u>3,150</u>
<b>Subtotal, overlapping debt</b>			<b>108,430,948</b>
<b>City direct debt</b>			<b><u>17,590,000</u></b>
<b>Total direct and overlapping debt</b>			<b><u>\$ 126,020,948</u></b>

**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 Four Fiscal Years**

	Fiscal Year			
	2005	2006	2007	2008
Assessed valuation <sup>1</sup>	\$ 3,078,656,762	3,649,295,318	4,610,716,666	5,445,989,305
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$ 769,664,191	912,323,830	1,152,679,167	1,361,497,326
Debt limit percentage	15%	15%	15%	15%
Debt limit	115,449,629	136,848,574	172,901,875	204,224,599
Total net debt applicable to limit: Certificates of Participation	<u>7,760,000</u>	<u>7,265,000</u>	<u>6,755,000</u>	<u>17,290,000</u>
Legal debt margin	<u>\$ 107,689,629</u>	<u>129,583,574</u>	<u>166,146,875</u>	<u>186,934,599</u>
Total debt applicable to the limit as a percentage of debt limit	6.7%	5.3%	3.9%	8.5%

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 2007/2008 Combined Tax Rolls

<sup>1</sup> Assessed valuation data received from the San Bernardino Assessor's Office in 2008 reflected amended data for Fiscal Years 2006 and 2007

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

<b>Special Assessment Bonds</b>							
<b>Fiscal Year</b>	<b>Gross Revenues (1)</b>	<b>Gross Expenses (2)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
1999	2,894,218	2,460,026	434,192	2,188,487	712,277	2,900,764	14.97%
2000	2,559,795	2,792,304	(232,509)	436,000	854,368	1,290,368	-18.02%
2001	2,145,421	2,528,665	(383,244)	478,000	764,508	1,242,508	-30.84%
2002	2,910,478	2,589,854	320,624	509,750	690,632	1,200,382	26.71%
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%

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**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income</b>	<b>Per Capita Personal Income (2)</b>	<b>Unemployment Rate (2)</b>
1999	56,734	*	*	5.60%
2000	56,960	962,392,200	16,890	5.20%
2001	58,553	988,960,170	16,890	5.30%
2002	54,239	1,178,559,231	21,729	6.10%
2003	57,109	*	*	6.80%
2004	58,883	1,150,632,703	19,541	6.70%
2005	63,853	1,252,412,742	19,614	5.80%
2006	67,507	1,379,505,545	20,435	5.20%
2007	70,297	1,474,479,575	20,975	6.20%
2008	80,500	1,748,218,500	21,717	9.30%

Source 1: State Department of Finance

Source 2: Economic Development Department

\* Data unavailable

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

<u>Employer</u>	<u>2008</u>		<u>1999</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 Unified School District	1,770	6.78%	*	*
St. Mary Regional Medical Center	1,350	5.17%	*	*
Wal-Mart Distribution Center	1,100	4.21%	*	*
Target Stores, Inc. (2 stores)	402	1.54%	*	*
Stater Bros. (2 stores)	292	1.12%	*	*
Lowe's Home (2 stores)	286	1.10%	*	*
Wal-Mart	276	1.06%	*	*
WinCo Foods	201	0.77%	*	*
Mervyn's	176	0.67%	*	*
Apple Valley Christian Centers	140	0.54%	*	*

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

Source: Town of Apple Valley Economic Development Department

\* Data unavailable



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

<b><u>Function</u></b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
General government	31	31	32	52	53	46	47	57	33	34
Public safety	47	47	47	43	49	49	53	55	40	39
Economic Development	3	3	3	4	5	4	4	4	7	7
Public Works/Wastewater	6	6	6	4	5	6	6	9	14	13
Community Development	-	4	4	4	6	4	6	6	9	8
Parks & Recreation (1)	*	*	*	69	64	47	65	75	124	118
<b>Total</b>	<b>87</b>	<b>91</b>	<b>92</b>	<b>181</b>	<b>182</b>	<b>156</b>	<b>181</b>	<b>206</b>	<b>227</b>	<b>219</b>

Source: Town of Apple Valley

(1) The Parks & Recreation Department was not a part of the Town of Apple Valley until March 2001 - Payroll started July, 2002

\* Data unavailable

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

	<b>Fiscal Year</b>									
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Police:</b>										
Arrests	1,443	1,020	982	1,060	1,083	1,152	1,317	1,544	1,996	2,009
Parking citations issued				126	245	345	249	97	57	78
<b>Public works:</b>										
Street resurfacing (miles)	30.65	9.80	4.09	28.37	68.37	29.50	97.08	31.13	52.92	48.10
<b>Parks and recreation:</b>										
Number of recreation classes	*	*	*	120	193	195	230	227	499	483
Number of facility rentals (1)	*	*	*	13,250	3,467	3,873	4,172	3,764	4,713	4,086
<b>Sewer:</b>										
New connections	470	331	416	398	486	563	1,181	1464	829	576
Average daily sewage treatment (thousands of gallons)	1370	1331	1402	1524	1271	1380	2044	1971	1567	1930

Source: Town of Apple Valley  
(1) Based on the # of participants  
\* Data unavailable

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

	<b>Fiscal Year</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Public works:</b>				
Streets (miles)	411.07	414.57	417.17	422.71
Streetlights	621	625	628	628
Traffic signals	21	29	35	50
<b>Parks and recreation:</b>				
Parks	13	13	14	13
Community centers	2	2	2	2
<b>Wastewater:</b>				
Sanitary sewers (miles)	*	*	140	142
Storm drains (miles)	*	*	1	2
Number of Service Connections	*	*	12,313	13,179

Source: Town of Apple Valley  
 \* Data unavailable