

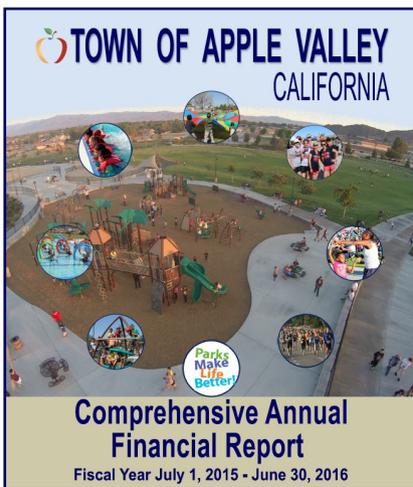


TOWN OF APPLE VALLEY CALIFORNIA



Comprehensive Annual Financial Report

Fiscal Year July 1, 2015 - June 30, 2016



About the Cover

The Parks Make Life Better![®] branding campaign raises awareness about the benefits of parks and recreation throughout California and raises the status of parks and recreation as an essential community service. The Town of Apple Valley Park and Recreation Department stands by its mission of providing an interconnected and sustainable system of safe, attractive parks, premier recreation facilities, and diverse special events and programs that preserve the community's character, support our health and economy, foster opportunities for all ages, and promote "A Better Way of Life."

TOWN OF APPLE VALLEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016

Prepared by
Finance Department

Marc Puckett
Assistant Town Manager - Finance & Administration

**Town of Apple Valley, California
Comprehensive Annual Financial Report
Year Ended June 30, 2016**

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**Town of Apple Valley, California
Comprehensive Annual Financial Report
Year Ended June 30, 2016**

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INTRODUCTORY SECTION



Town of Apple Valley

A Better Way of Life

November 15, 2016

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, 2016.

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 exceed anticipated 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 Van Lant & Fankhanel, LLP, a firm of licensed certified public accountants. The independent auditors concluded that the Town's financial statements for the fiscal year ended June 30, 2016, 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

The Reporting Entity

This report combines the financial statements 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, information technology, building and safety, engineering, street maintenance, capital improvements, waste management, local transit, attorney services, and golf course management. 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 of the Town

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

The Town's modern history begins in the 1940's when the Apple Valley Building and Development Company (also known as Apple Valley Ranchos) began developing the area. The company's founders, Newton 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 to maintain the Apple Valley image desired by locals.

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 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."

The Annual Operating Budget

The Town of Apple Valley maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town's governing body. Activities of the general fund, special revenue funds, enterprise funds, debt service fund and capital projects funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level. Appropriations lapse at year end. However, appropriations generally are re-appropriated as part of the following fiscal year's operating 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 latter half of the 1980s, however, the pace quickened as residents of the Inland Empire and Greater East Los Angeles area became aware of the moderate cost of housing, amenities and quality of life offered by the area. Tract development began to occur. Various types of businesses began to locate in the Town to serve the basic needs of the new residents. Apple Valley's population grew from approximately 16,000 in 1980 to 72,174 in 2015. The three major industries within Apple Valley became building and construction (primarily of single family homes), real estate and the medical industry.

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

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

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

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

In October 2006 the Town Council approved the North Apple Valley Industrial Specific Plan (NAVISP) to drive industrial development opportunities. The NAVISP market is exemplified by a 1.32 million square foot Walmart Distribution Center and a Fresenius Medical Care TruBlu Logistics Center that recently doubled its space to 140,000 square feet. Major industrial developers, including Watson Land Company are actively marketing large acre parcels for development. This activity continues to be a major revenue source and has been instrumental in pioneering infrastructure development to north Apple Valley. In 2011, the Town Council earmarked \$1.6 million for future infrastructure development in this area, of which a portion was recently pledged as part of an attraction of a 1.3 million square foot distribution center that is expected to break ground in 2017 and add several hundred jobs to the region.

Other economic highlights include the continued expansion of Apple Valley's regional center for advanced health care services including pediatrics, radiology and neurosurgery. The Town is home to Apple Valley Radiology and Oncology Center as well as Saint Mary's Medical Center - a 210-bed acute care hospital that provides diagnostic, radiology and surgical procedures as well as wellness and prevention programs.

The same attractions which brought people into Apple Valley in the 1980s - moderate housing costs, recreation amenities and rural character offered by the area - continue as a driving force in the Town's economic growth and maintenance of the quality of life offered to its residents.

Major Initiatives

Economic Development

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

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

Since 2005, more than 200 stores have opened in Apple Valley. Retailers recently opening a store in Apple Valley within the last 12 months include WaBa Grill and Salon 18 Suites. The following new businesses are expected to open in 2017 HD Surplus Supply, Les Schwab Tires and Dickey's Barbecue Pit. As previously mentioned, in June 2015, the Town Council approved an Owner Participation Agreement with AVDC, LLC, for the development of street improvements related to a 1.35 million square foot distribution center project in the NAVISP area. The project will provide 400 to 500 permanent jobs and another 300 construction jobs, and is expected to open in late 2017.

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

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

Capital Improvement Program

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

The Town recently funded major road improvements to the Apple Valley Road corridor, including widening, installation of landscaped medians, signal light installations, infrastructure extensions, and surface improvements. In anticipation of Apple Valley's northerly growth trend, Apple Valley Road, a major south/north arterial, was extended northward to connect Apple Valley's eastern perimeter to Interstate 15. This \$1.2 million road improvement project was funded by tax increment revenues. Recent improvements to this corridor include rehabilitation of Apple Valley Road from Bear Valley Road to Town Center.

A significant project completed during the fiscal year ended June 30, 2016, is the construction phase for the \$43 million Yucca Loma Bridge project. When fully completed, the Yucca Loma Bridge, Yates Road, Green Tree Boulevard Extension, and Yucca Loma Road Corridor 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 the final engineering designs needed to re-engineer and re-align the intersection of Apple Valley Road and Highway 18. This is a joint project between the California Department of Transportation (Caltrans) and the Town to improve the functional efficiency of this very heavily traveled intersection, to relieve congestion, and improve safety.

The Town recently completed the update of the General Plan, to make recommendations to update land use patterns. With the General Plan update completed, the Town will initiate an update to the Sewer Master Plan to address specific changes subsequently adopted by the General Plan Update. The Sewer Master Plan provides the technical detail necessary to allow developers and civil design consultants to properly design and build sewer system improvements that will provide capacity, not only for their specific project, but capacities necessary for a regional development area at build-out based on the land use designations. This document allows staff to provide developers with sufficient information necessary to evaluate and prepare detailed cost projection and estimate for system improvements associated with their respective development needs.

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

- 1-2 years: Improvements for the Bear Valley Road Bridge rehabilitation project will be constructed in phases. The Engineering Department has retained a consultant for structural engineering services to help analyze and rehab the existing bridge. The consultant will also perform engineering design work to prepare for the widening of the bridge to address the deficient deck conditions. The completed bridge will consist of six east/west travel lanes, a center median, shoulders and a class 1 bike path. The Engineering Department has successfully applied for federal funds under the Highway Bridge Program (HBP) which will fund a majority of the project costs.
- 2-5 years: A joint Highway 18 corridor study between the Town and Caltrans will evaluate redesign alternatives for the outer highways to improve access to businesses and reduce traffic safety conflicts. The intersection re-alignment and traffic signal improvements at Apple Valley Road and Highway 18 will be under construction during this time frame.
- 5+ years: The High Desert Corridor Interchange with Interstate 15 will commence construction during this time frame. This project in Apple Valley is part of a coordinated effort with 13 stakeholder agencies including the County of Los Angeles, County of San Bernardino, SCAG, SANBAG, LA Metro, Caltrans, and all affected municipalities within the Victor Valley, and the Antelope Valley, to construct infrastructure for the development of a new 63 mile long Multi-modal Transportation Corridor. The new High Desert Corridor extends from SR-18 in eastern Apple Valley, to SR-14 in Palmdale, and will provide direct access to the former George Air Force Base, now Southern California Logistics Airport. Environmental Studies and Preliminary Engineering is in progress to design the new Corridor, including a new freeway interchange which will create Apple Valley's first direct access to Interstate 15.

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 Specialist positions for about the same cost as one full time officer, leaving the officers available for crimes that are in progress.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Town's comprehensive financial report for the year ended, June 30, 2015, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). This was the fourteenth year that the Town has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report for the year ended, June 30, 2016, 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.

The Town also received the GFOA's Distinguished Budget Presentation Award for its 2015-16 annual budget document. This was the third year that the Town has received this award. To qualify for the Distinguished Budget Presentation Award, the Town's budget had to be judged proficient as a policy document, a financial plan, an operating guide, and a communication device.

Acknowledgments

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

The preparation of this report on a timely basis is a team effort, requiring the dedication and cooperation of the entire Finance Department staff and continued support of the Town Manager's Office and Town Council. The guidance and suggestions from the accounting firm of Van Lant & Fankhanel, LLP, were also invaluable in completion of this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc R. Puckett", written in a cursive style.

Marc R. Puckett
Assistant Town Manager
Finance & Administration

Town of Apple Valley

Listing of Public Officials

Town Council

Barb Stanton
Mayor

Scott Nassif
Mayor Pro-Tem



Art Bishop
Councilmember

Larry Cusack
Councilmember

A Better Way of Life

Curt Emick
Councilmember

Town Staff

Frank Robinson
Town Manager

John Brown, *Town Attorney*

LaVonda Pearson, *CMC, Town Clerk*

Nikki Salas, *Assistant Town Manager*
Human Resources and Risk Management

Captain Lana Tomlin, *Chief of Police*

Marc Puckett, *Assistant Town Manager*
Finance and Administration

Lori Lamson, *Assistant Town Manager*
Community and Development Services

Brad Miller, *Town Engineer*

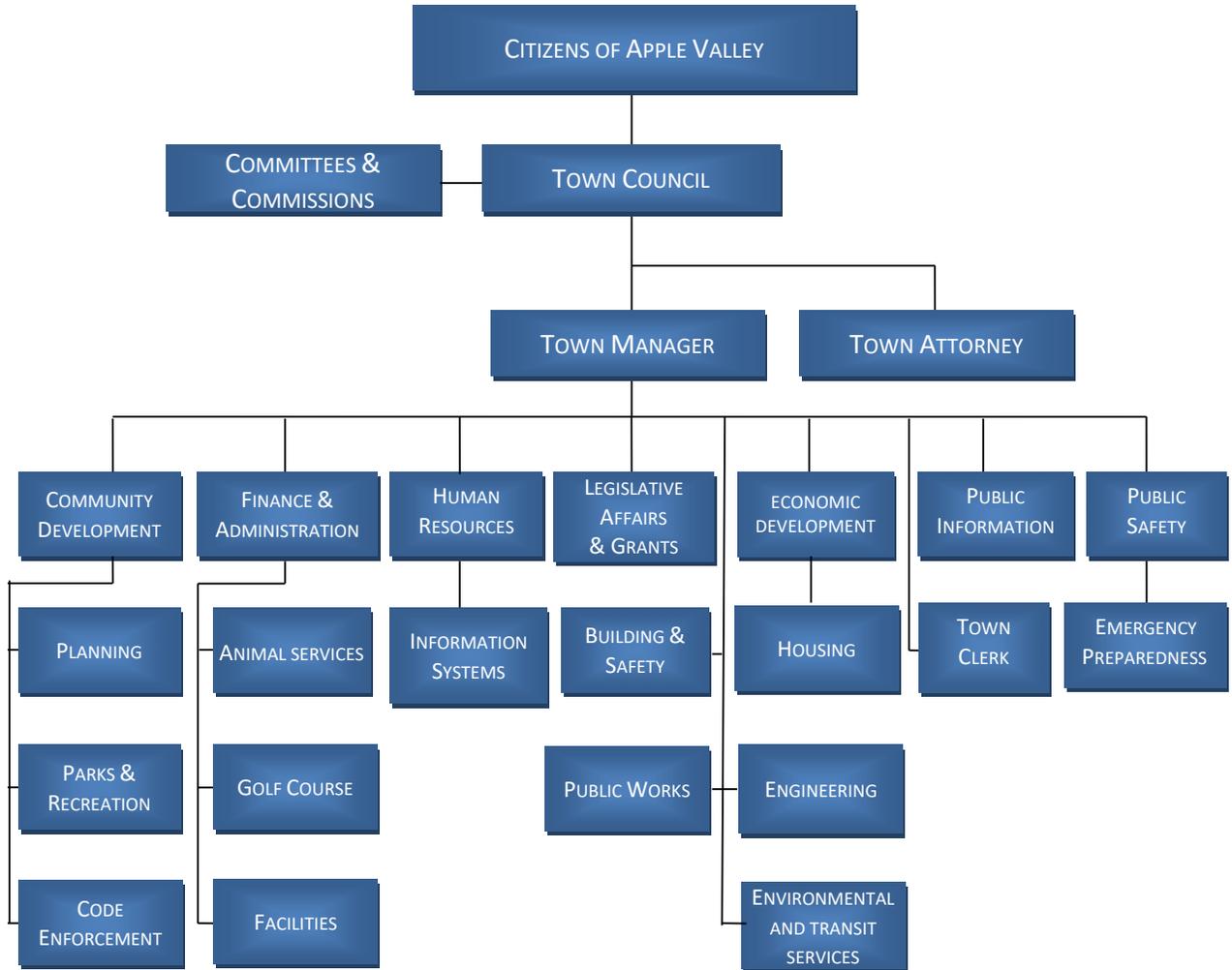
Kathie Martin, *Marketing & Public
Affairs Officer*

Greg Snyder, *Director of Public Works*

Gina Schwin-Whiteside, *Director of
Animal Services*

Town of Apple Valley ORGANIZATIONAL CHART

Fiscal Year 2015-2016





Government Finance Officers Association

**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, 2015

Executive Director/CEO

FINANCIAL SECTION



Independent Auditor's Report

The Honorable Town Council
Town of Apple Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley (the "Town"), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note IV. A to the financial statements, in 2016, the Town adopted new accounting guidance, *GASB Statement No. 72, Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, the schedules listed in the "supplementary information" section of the table of contents, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the supplementary information section of the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the supplementary information section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and on compliance.

Van Lant + Fankhaed, LLP

November 15, 2016

Town of Apple Valley
Management Discussion and Analysis

As management of the Town of Apple Valley (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the Fiscal Year 2015-16 by \$451,060,365 (*net position*). Of this amount, \$4,002,576 (*unrestricted net position*) may be used to meet the Town’s ongoing obligations to citizens and creditors.
- The Town’s total net position increased by \$2,269,015 from the prior fiscal year total of \$448,791,350.
- As of FY 2015-16 year end, the Town’s governmental funds reported combined ending fund balances of \$36,950,690, an increase of \$2,579,745 in comparison with the prior fiscal year. Of this total amount, 20.7 percent or \$7,638,764, is available for spending at the government’s discretion (*unrestricted fund balance*).
- At the end of fiscal year 2015-16, unrestricted fund balance for the general fund was \$6,683,436, or 27.4 percent of total general fund expenditures.
- The Town of Apple Valley’s total outstanding long-term liabilities for Government Activities and Business-type Activities increased by \$732,128 or 3.1 percent, during fiscal year 2016. The increase was mainly due to changes in the Town’s Net Pension Liability, Claims Payable and repayment of long-term debt. No new debt was issued in the current fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *statement of net position* presents information on all of the Town’s assets and liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, and community development. The business-type activities of the Town include sewer services, solid waste management and leisure golf at the Apple Valley Golf Course.

The Apple Valley Public Financing Authority is a legally separate authority for which the Town is financially accountable. It functions for all practical purposes as a department of the Town of Apple Valley, and therefore has been included in the governmental activities of the Town.

The government-wide financial statements can be found on pages 14-16 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 24 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, Parks and Recreation fund, Capital Projects fund, and Measure I fund, all of which are considered to be major funds. Data from the other twenty 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 17-22 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Waste Management and Golf Course funds. The Sewer and Waste Management funds are considered to be major funds of the Town.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

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

The basic fiduciary fund financial statements can be found on pages 26-27.

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 28-64 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, and the Parks and Recreation fund. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$451,060,365 at the close of the most recent fiscal year.

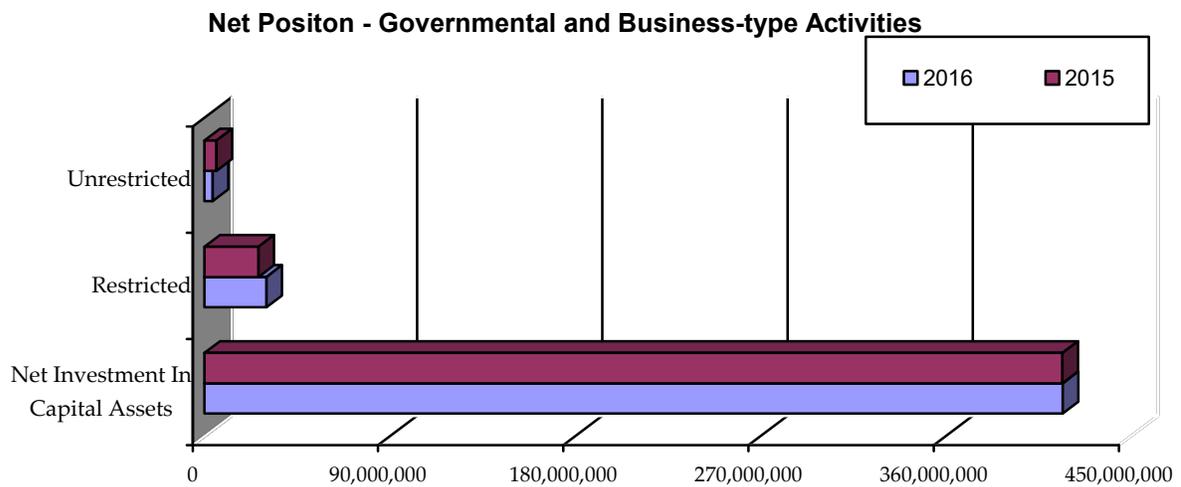
Town of Apple Valley's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 43,507,368	\$42,587,782	\$ 7,853,271	\$ 9,074,942	\$ 51,360,639	\$ 51,662,724
Capital assets	<u>394,531,943</u>	<u>393,985,752</u>	<u>33,028,011</u>	<u>33,374,903</u>	<u>427,559,954</u>	<u>427,360,655</u>
Total assets	<u>\$438,039,311</u>	<u>\$436,573,534</u>	<u>\$ 40,881,282</u>	<u>\$ 42,449,845</u>	<u>\$478,920,593</u>	<u>\$479,023,379</u>
Total Deferred Outflows of Resources	\$ 3,160,838	\$ 1,601,675	\$ 259,612	\$ 131,550	\$ 3,420,450	\$ 1,733,225
Long-term liabilities outstanding	22,476,783	21,601,769	1,558,666	1,701,552	24,035,449	23,303,321
Other liabilities	<u>4,554,821</u>	<u>4,967,490</u>	<u>1,465,467</u>	<u>1,577,072</u>	<u>6,020,288</u>	<u>6,544,562</u>
Total liabilities	<u>\$ 27,031,604</u>	<u>\$ 26,569,259</u>	<u>\$ 3,024,133</u>	<u>\$ 3,278,624</u>	<u>\$ 30,055,737</u>	<u>\$ 29,847,883</u>
Total Deferred Inflows of Resources	\$ 1,131,968	\$ 1,956,662	\$ 92,973	\$ 160,709	\$ 1,224,941	\$ 2,117,371
Net Position:						
Net investment in capital assets	385,016,893	383,503,226	32,010,863	33,311,903	417,027,756	416,815,129
Restricted	27,542,334	25,023,536	2,487,699	1,107,309	30,030,033	26,130,845
Unrestricted	<u>477,350</u>	<u>1,122,526</u>	<u>3,525,226</u>	<u>4,722,850</u>	<u>4,002,576</u>	<u>5,845,376</u>
Total net position	<u>\$413,036,577</u>	<u>\$409,649,288</u>	<u>\$ 38,023,788</u>	<u>\$ 39,142,062</u>	<u>\$451,060,365</u>	<u>\$448,791,350</u>

The largest portion of the Town's net position (92.5 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 position (6.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (.9 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.



The government's net position increased by \$2,269,015 during the current fiscal year.

Governmental activities

Governmental activities increased the Town's net position by \$3,387,289 (.8 percent). Key elements of this increase are as follows:

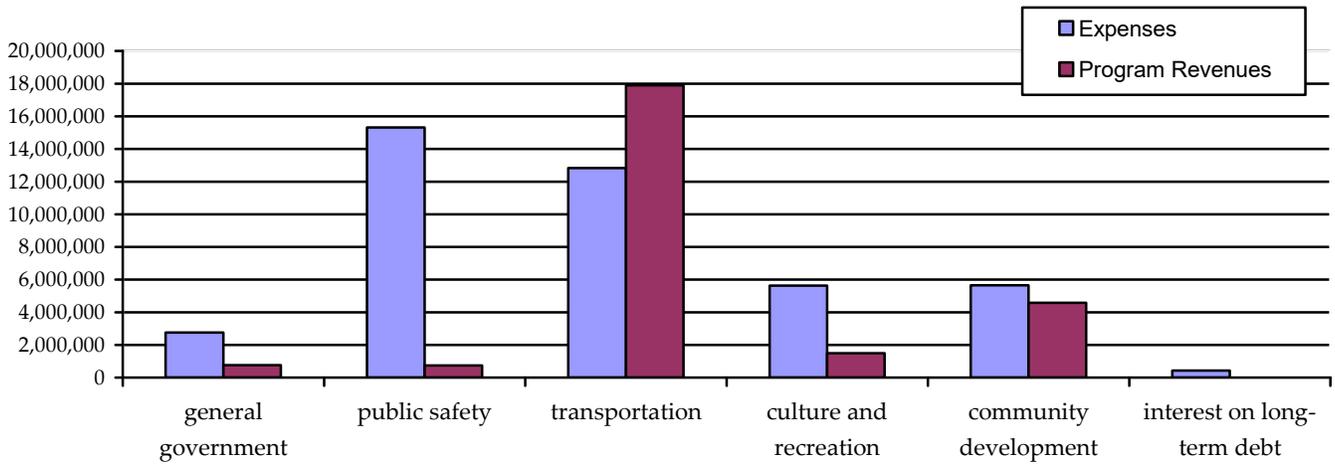
- Other Tax revenue increased \$770,357 (9.6 percent). Of this amount, \$196,338 was an increase in Franchise fee revenues compared to the prior fiscal year. The current fiscal year's revenue represents a full 12 months stream since adoption of new Franchise fees in the prior fiscal year. In addition, Sales tax revenue increased by \$574,996 mainly due to Proposition 57 ending and the Town receiving the entire 1% sales tax revenue effective January 1, 2016.
- 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. For Governmental funds, capital outlay exceeded depreciation expense by \$546,191. As a result, net assets increased by \$546,191.
- Changes in the Town's Net Pension Liability during the current fiscal year resulted in a \$2,383,857 increase in net position.

Overall, General Government expenses increased by \$305,286 (12.5 percent) mainly due to three long-term employees retiring during the 2015-16 fiscal year and payment of their accrued benefits, and expenses related to the Apple Valley Community Resource Foundation (AVCRF) which was added in the current year.

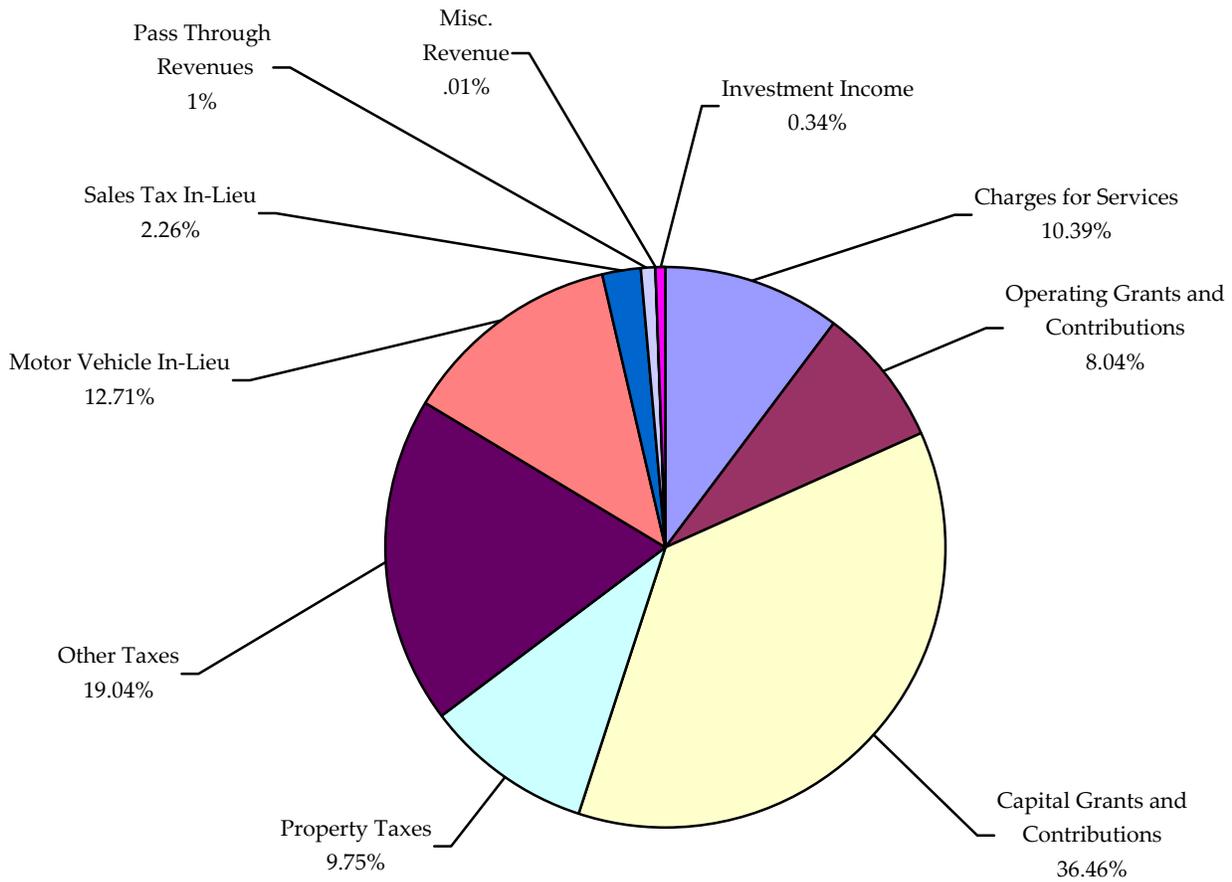
Town of Apple Valley's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenues:						
Charges for service	\$4,772,677	\$5,346,095	\$17,635,213	\$16,893,256	\$22,407,890	\$22,239,351
Operating grants and contributions	4,075,071	5,739,525	19,733	19,714	4,094,804	5,759,239
Capital grants and contributions	16,742,736	25,763,181	533,739	789,094	17,276,475	26,552,275
General revenues:						
Property taxes	4,475,963	4,219,546			4,475,963	4,219,546
Other taxes	8,782,134	8,011,777			8,782,134	8,011,777
Motor Vehicle in-Lieu	5,835,391	5,529,795			5,835,391	5,529,795
Sales Tax in-Lieu	1,036,791	1,496,120			1,036,791	1,496,120
Pass Through Revenues	398,336	369,580			398,336	369,580
Miscellaneous Revenues	27,664	21,339			27,664	21,339
Gain on Sale of Capital Assets			267,679		267,679	
Investment Income	200,829	99,082	136,058	48,967	336,887	148,049
Total revenues	46,347,592	56,596,040	18,592,422	17,751,031	64,940,014	74,347,071
Expenses						
General government	2,753,509	2,448,223			2,753,509	2,448,223
Public safety	15,312,260	14,794,005			15,312,260	14,794,005
Transportation	12,837,309	12,514,941			12,837,309	12,514,941
Culture and recreation	5,621,707	5,536,503			5,621,707	5,536,503
Community Development	5,648,922	5,435,047			5,648,922	5,435,047
Interest on long-term debt	436,627	471,578			436,627	471,578
Golf Course			1,068,588	1,066,920	1,068,588	1,066,920
Sewer			6,743,527	6,272,205	6,743,527	6,272,205
Waste Management			12,248,550	11,709,931	12,248,550	11,709,931
Total expenses	42,610,334	41,200,297	20,060,665	19,049,056	62,670,999	60,249,353
Change in N/A before Transfers	3,737,258	15,395,743	(1,468,243)	(1,298,025)	2,269,015	14,097,718
Transfers	(349,969)	(310,261)	349,969	310,261		
Change in net position	3,387,289	15,085,482	(1,118,274)	(987,764)	2,269,015	14,097,718
Net position (beginning)	409,649,288	402,358,892	39,142,062	40,684,916	448,791,350	443,043,808
Prior Period Adjustment		(7,795,086)		(555,090)		(8,350,176)
Net position (ending)	\$413,036,577	\$409,649,288	\$38,023,788	\$39,142,062	\$451,060,365	\$448,791,350

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

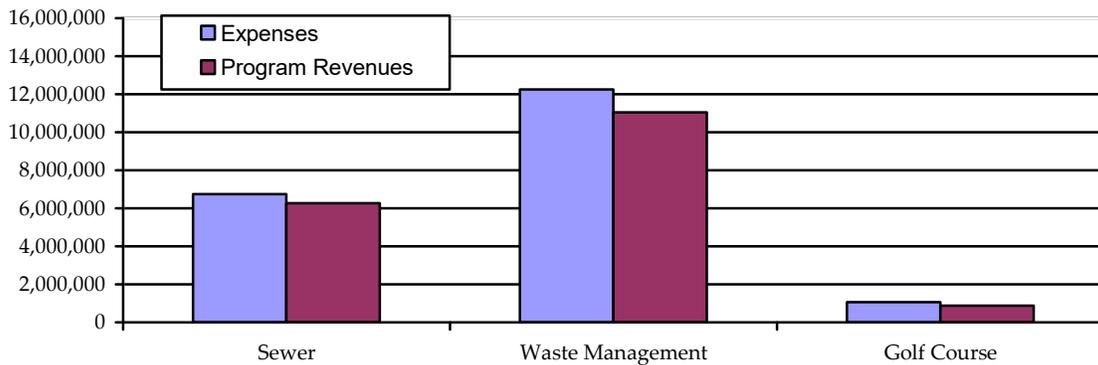


Business-type activities

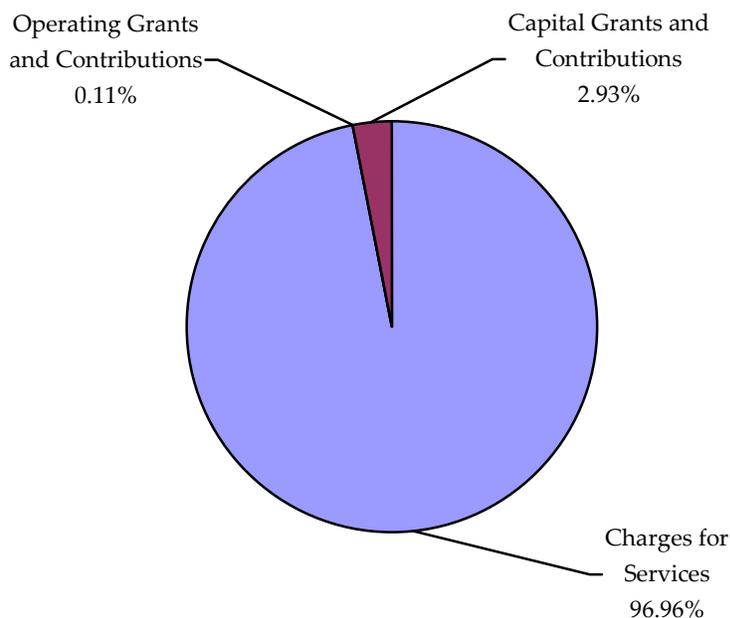
Business-type activities decreased the Town's net position by \$1,118,274. Key elements of this decrease are as follows:

- The Sewer fund's net position decreased by \$125,382 (.3 percent) this fiscal year. This was mainly due to increases in maintenance and treatment, and general administration costs.
- The Waste Management fund's net position decreased by \$1,150,954 (35.9 percent). Of this amount, \$166,143, \$264,560, and \$177,924 was due to increases in contract services, franchise fee payment and general administration costs, respectively. Overall, operating costs exceeded revenue by \$1,161,115 (9.5 percent) in the 2015-16 fiscal year and accounts for remaining decrease in net position.
- The Apple Valley Golf Course fund's net position increased by \$158,062 this fiscal year. This was mainly due to a one time capital contribution of \$250,000 for future improvements, greater maintenance costs and no corresponding increase in charges for services this fiscal year.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$36,950,690, an increase of \$2,579,745 in comparison with the prior fiscal year. Approximately 20.7 percent of this total amount (\$7,638,764) constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance (\$29,311,926) is either *restricted* or *non-spendable*.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the General Fund fund balance amounted to \$16,873,795. Of this amount, \$6,683,436 was unrestricted at the end of the fiscal year. As a measure of the general fund's liquidity, it may be useful to compare the unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 27.4 percent of total general fund expenditures. The fund balance of the Town's General Fund decreased by \$1,327,856 during the current fiscal year. This decrease was mainly due to increased costs for public safety and costs associated with the Town's acquisition efforts of Liberty Utilities Apple Valley Water System by Eminent Domain.

The Parks and Recreation fund has a total accumulated fund deficit of \$(6,637,633), which is reported as unassigned. There was no increase or decrease to fund balance during the current year in the Parks and Recreation fund. This is primarily due to the department's efforts to cut down cost.

The Capital Projects fund has a fund balance of \$6,273,786 at year end, which is all reported as assigned. This fund represents transportation impact fees collected by the Town and will be used for capacity enhancing street projects in the Town.

The Measure I fund has a fund balance of \$5,875,112 at year end, all of which is reported as restricted. The net increase in the fund balance during the current year for the Measure I fund was \$188,692. This increase was due to the total Measure I dollars spent for capital projects this year not exceeding the Measure I revenues received.

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

As of the end of the fiscal year, unrestricted net position of the Sewer fund was \$5,702,555. The total decrease in net position for the fiscal year in the Sewer fund was \$125,382. For the Solid Waste Management fund, unrestricted net position totaled \$1,549,434 at year end. The total decrease in net assets for the Solid Waste Management fund for the fiscal year was \$1,150,954. Correspondingly, unrestricted net position for the Apple Valley Golf Course fund as of June 30, 2016 amounted to \$(3,726,763).

General Fund Budgetary Highlights

The original budget as approved by the Town Council projected an appropriation to fund balance of \$211,452 for the year. The final adopted budget, as amended, projected a utilization of \$485,978 from fund balance. At year end, actual budgetary performance resulted in a net decrease in fund balance of \$1,327,856. Tax revenues decreased from budgetary projections by \$423,836 and increased \$832,107 over the prior year levels. The decrease from budgetary projections was mainly due to Property tax, Sales tax and Franchise fee revenues (the General Fund's three major revenue sources) coming in at \$252,549 (9.0 percent), \$154,313 (2.6 percent), and \$109,423 (2.7 percent), respectively, less than the projections. Overall, General Fund actual revenues were within 1.2 percent of budgetary projections. Actual expenditures in the General Fund ended the fiscal year exceeding the amended budget by \$942,542 due to expenditures for the Town's efforts to acquire the Apple Valley Ranchos Water System, increased litigations, NPDES compliance, capital outlay, and contract services for building and safety and engineering totaling \$875,226 that was not budgeted for. Appropriations for the building and safety and engineering departments are based on projected activity for a given year. During the 2015-16 fiscal year, there was more activity (inspections, permit reviews, etc) than projected.

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, 2016, amounts to \$427,559,954 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the Town's investment in capital assets for the current fiscal year was \$1,384,683 (a \$546,191 increase for governmental activities and a \$1,930,874 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 99,844,349	\$ 99,443,343	\$ 1,819,012	\$ 1,877,112	\$ 101,663,361	\$ 101,320,455
Water Rights			3,650,000	3,650,000	3,650,000	3,650,000
Construction in Progress	55,200,902	44,441,569		130,189	55,200,902	44,571,758
Furniture and Equipment	227,974	717,535			227,974	717,535
Trucks and Automobiles	30,332	44,192	28,127	73,863	58,459	118,055
Structures and Improvements	60,286,416	63,300,673			60,286,416	63,300,673
Infrastructure	178,941,970	186,038,440			178,941,970	186,038,440
Building and System			1,782,770	1,751,405	1,782,770	1,751,405
Machinery and Equipment			120,724	143,176	120,724	143,176
Collector Lines			<u>25,627,378</u>	<u>27,333,140</u>	<u>25,627,378</u>	<u>27,333,140</u>
Total Capital Assets	<u>\$ 394,531,943</u>	<u>\$ 393,985,752</u>	<u>\$ 33,028,011</u>	<u>\$ 34,958,885</u>	<u>\$427,559,954</u>	<u>\$428,944,637</u>

Additional information on the Town of Apple Valley's capital assets can be found in note IV.E on pages 44-45 of this report.

Long-term debt: At the end of the current fiscal year, the Town had total bonded debt outstanding of \$9,398,456. This amount comprises debt backed by the full faith and credit of the government. The Town's total bonded debt outstanding decreased by \$1,147,070 during the current fiscal year.

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value. The computation of the legal debt limit reflects a conversion of assessed valuation data from the current full valuation perspective to the 25% level. The current debt limitation for the Town is \$191,658,650, which is \$182,260,194 (legal debt margin) in excess of the Town's outstanding general obligation debt.

Town of Apple Valley's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Certificates of Participation	\$ 1,480,000	\$ 2,077,000	\$	\$ 63,000	\$ 1,480,000	\$ 2,140,000
Lease Revenue Bonds	7,918,456	8,405,526			7,918,456	8,405,526
Claims Payable	550,110	45,000			550,110	45,000
Special assessment debt with Governmental commitment						
Net Pension Liability	9,430,343	7,828,804	638,218	506,677	10,068,561	8,335,481
Compensated Absences	935,979	1,062,228			935,979	1,062,228
Pension-related Debt						
Net OPEB Obligation	2,161,895	2,183,211			2,161,895	2,183,211
Installment Purchase Agreement			920,448	1,131,875	920,448	1,131,875
Total	\$ 22,476,783	\$ 21,601,769	\$ 1,558,666	\$ 1,701,552	\$ 24,035,449	\$ 23,303,321

Additional information of the Town of Apple Valley's long-term debt can be found in note IV.F on pages 46-48 of this report.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Town of Apple Valley, California
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 27,412,444	\$ 6,896,779	\$ 34,309,223
Accounts Receivable	2,843,009	2,015,513	4,858,522
Interest Receivable	62,826	16,103	78,929
Due from Other Governments, Net	3,672,195	44,449	3,716,644
Internal Balances	3,658,486	(3,658,486)	-
Loans Receivable	5,700,123		5,700,123
Prepaid Items	41,691	1,479	43,170
Investment in Joint Venture		-	-
Restricted Assets:			
Cash and Investments with Fiscal Agent	116,594	1,107,376	1,223,970
Cash and Investments		1,430,058	1,430,058
Capital Assets, Not Being Depreciated:			
Land	99,844,349	1,819,012	101,663,361
Water Rights		3,650,000	3,650,000
Construction in Progress	55,200,902		55,200,902
Capital Assets, Net of Accumulated Depreciation:			
Structures and Improvements	60,286,416	1,782,770	62,069,186
Furniture and Equipment	227,974	120,724	348,698
Trucks and Automobiles	30,332	28,127	58,459
Collector Lines		25,627,378	25,627,378
Infrastructure	178,941,970		178,941,970
Total Assets	<u>438,039,311</u>	<u>40,881,282</u>	<u>478,920,593</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Contributions	1,139,105	93,559	1,232,664
Proportionate Share Contribution Differences	2,021,733	166,053	2,187,786
Total Deferred Outflows of Resources	<u>3,160,838</u>	<u>259,612</u>	<u>3,420,450</u>
LIABILITIES			
Accounts Payable	3,683,382	503,697	4,187,079
Accrued Liabilities	744,774	42,409	787,183
Interest Payable	126,665		126,665
Due to Other Governments		366,513	366,513
Unearned Revenue		508,253	508,253
Amounts Due Bondholders		44,595	44,595
Noncurrent Liabilities:			
Due Within One Year	1,611,984	218,573	1,830,557
Due in More Than One Year, Net	20,864,799	1,340,093	22,204,892
Total Liabilities	<u>27,031,604</u>	<u>3,024,133</u>	<u>30,055,737</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Actuarial Amounts	1,131,968	92,973	1,224,941
NET POSITION			
Net Investment in Capital Assets	385,016,893	32,010,863	417,027,756
Restricted for:			
Transportation	14,201,096		14,201,096
Culture and Recreation	578,947		578,947
Community Development	12,762,291		12,762,291
Capital Projects		1,357,376	1,357,376
Assessment District Improvements		1,130,323	1,130,323
Unrestricted	477,350	3,525,226	4,002,576
Total Net Position	<u>\$ 413,036,577</u>	<u>\$ 38,023,788</u>	<u>\$ 451,060,365</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,753,509	\$ 542,621	\$ 116,013	\$ 98,916
Public Safety	15,312,260	132,477	675,704	26,855
Transportation	12,837,309		1,630,471	16,277,693
Culture and Recreation	5,621,707	1,152,607	32,740	317,501
Community Development	5,648,922	2,944,972	1,620,143	21,771
Interest on Long-Term Debt	436,627			
Total Governmental Activities	<u>42,610,334</u>	<u>4,772,677</u>	<u>4,075,071</u>	<u>16,742,736</u>
Business-type Activities:				
Sewer	6,743,527	5,979,262		283,739
Waste Management	12,248,550	11,029,270	19,733	
Apple Valley Golf Course	1,068,588	626,681		250,000
Total Business-type Activities	<u>20,060,665</u>	<u>17,635,213</u>	<u>19,733</u>	<u>533,739</u>
Total Primary Government	<u>\$ 62,670,999</u>	<u>\$ 22,407,890</u>	<u>\$ 4,094,804</u>	<u>\$ 17,276,475</u>

General Revenues:

Taxes:

Property Taxes

Franchise Taxes

Sales Taxes

Transient Occupancy Taxes

Motor Vehicle in-lieu (intergovernmental, unrestricted)

Sales Taxes in-lieu

Pass Through Tax Increment Revenues

Gain on Sale of Capital Assets

Miscellaneous Revenues

Investment Income

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,995,959)	\$	\$ (1,995,959)
(14,477,224)		(14,477,224)
5,070,855		5,070,855
(4,118,859)		(4,118,859)
(1,062,036)		(1,062,036)
(436,627)		(436,627)
<u>(17,019,850)</u>	-	<u>(17,019,850)</u>
	(480,526)	(480,526)
	(1,199,547)	(1,199,547)
	(191,907)	(191,907)
-	<u>(1,871,980)</u>	<u>(1,871,980)</u>
<u>(17,019,850)</u>	<u>(1,871,980)</u>	<u>(18,891,830)</u>
4,475,963		4,475,963
3,962,215		3,962,215
4,813,996		4,813,996
5,923		5,923
5,835,391		5,835,391
1,036,791		1,036,791
398,336		398,336
-	267,679	267,679
27,664		27,664
200,829	136,058	336,887
(349,969)	349,969	-
<u>20,407,139</u>	<u>753,706</u>	<u>21,160,845</u>
3,387,289	(1,118,274)	2,269,015
<u>409,649,288</u>	<u>39,142,062</u>	<u>448,791,350</u>
<u>\$ 413,036,577</u>	<u>\$ 38,023,788</u>	<u>\$ 451,060,365</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Parks and Recreation</u>	<u>Capital Projects</u>	<u>Measure I</u>
ASSETS				
Cash and Investments	\$ 5,387,144	\$	\$ 6,300,346	\$ 6,615,129
Cash with Fiscal Agent				
Accounts Receivable	990,520	48,011	1,445,163	248,568
Interest Receivable	29,377		9,713	9,994
Due from Other Funds	410,604			
Due from Other Governments	2,415,982	48,706		289,082
Advances to Other Funds	10,148,668			
Loans Receivable				
Prepaid Items	41,691			
	<u>19,423,986</u>	<u>96,717</u>	<u>7,755,222</u>	<u>7,162,773</u>
Total Assets	<u>\$ 19,423,986</u>	<u>\$ 96,717</u>	<u>\$ 7,755,222</u>	<u>\$ 7,162,773</u>
LIABILITIES				
Accounts Payable	\$ 716,554	\$ 127,965	\$ 1,425,513	\$ 1,026,848
Accrued Liabilities	558,450	90,674	15,923	16,021
Due to Other Funds				
Advances From Other Funds		6,490,182		
	<u>1,275,004</u>	<u>6,708,821</u>	<u>1,441,436</u>	<u>1,042,869</u>
Total Liabilities	<u>1,275,004</u>	<u>6,708,821</u>	<u>1,441,436</u>	<u>1,042,869</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	1,275,187	25,529	40,000	144,792
	<u>1,275,187</u>	<u>25,529</u>	<u>40,000</u>	<u>144,792</u>
Total Deferred Inflows of Resources	<u>1,275,187</u>	<u>25,529</u>	<u>40,000</u>	<u>144,792</u>
FUND BALANCE (DEFICITS)				
Nonspendable	10,190,359			
Restricted				5,975,112
Committed	5,426,647			
Assigned			6,273,786	
Unassigned	1,256,789	(6,637,633)		
	<u>16,873,795</u>	<u>(6,637,633)</u>	<u>6,273,786</u>	<u>5,975,112</u>
Total Fund Balances (Deficits)	<u>16,873,795</u>	<u>(6,637,633)</u>	<u>6,273,786</u>	<u>5,975,112</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 19,423,986</u>	<u>\$ 96,717</u>	<u>\$ 7,755,222</u>	<u>\$ 7,162,773</u>

The accompanying notes are an integral part of this statement.

Other Govern- mental Funds	Total Govern- mental Funds
\$ 9,109,825	\$ 27,412,444
116,594	116,594
110,747	2,843,009
13,742	62,826
	410,604
918,425	3,672,195
	10,148,668
5,700,123	5,700,123
	41,691
<u>\$ 15,969,456</u>	<u>\$ 50,408,154</u>
\$ 386,502	\$ 3,683,382
63,706	744,774
410,604	410,604
	6,490,182
<u>860,812</u>	<u>11,328,942</u>
<u>643,014</u>	<u>2,128,522</u>
<u>643,014</u>	<u>2,128,522</u>
13,146,455	10,190,359
	19,121,567
	5,426,647
1,669,682	7,943,468
<u>(350,507)</u>	<u>(5,731,351)</u>
<u>14,465,630</u>	<u>36,950,690</u>
<u>\$ 15,969,456</u>	<u>\$ 50,408,154</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Fund balances of governmental funds	\$ 36,950,690
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	394,531,943
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported as available revenues in the funds.	2,128,522
Long term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated Absences	(935,979)
Claims Payable	(550,110)
Certificates of Participation	(1,480,000)
Lease Revenue Bonds	(7,980,000)
Unamortized Discount	61,544
Net Pension Liability	(9,430,343)
Net OPEB Obligation	(2,161,895)
Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds:	
Deferred Outflows Related to Pensions	3,160,838
Deferred Inflows Related to Pensions	(1,131,968)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(126,665)
Net position of governmental activities	\$ 413,036,577

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General	Parks and Recreation	Capital Projects	Measure I
REVENUES				
Taxes	\$ 19,038,864	\$ 1,662,802	\$	\$ 1,832,650
Licenses & Permits	847,837		679,254	
Fines & Forfeitures	425,242			
Investment Income	173,959		66,482	75,130
Intergovernmental	879,534		12,957,526	55,117
Charges for Services	1,279,089	1,040,058		
Donations				
Other Revenue	437,189	62,651	37	
	<u>23,081,714</u>	<u>2,765,511</u>	<u>13,703,299</u>	<u>1,962,897</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government	2,617,126			
Public Safety	14,713,115			
Transportation	154,842			1,774,205
Culture and Recreation		3,513,251		
Community Development	3,908,832			
Capital Outlay	312,674		11,776,108	
Debt Service:				
Principal				
Interest & Fiscal Charges		82,937		
	<u>21,706,589</u>	<u>3,596,188</u>	<u>11,776,108</u>	<u>1,774,205</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>1,375,125</u>	<u>(830,677)</u>	<u>1,927,191</u>	<u>188,692</u>
OTHER FINANCING SOURCES (USES)				
Transfer In		830,677		
Transfer Out	(2,702,981)			
	<u>(2,702,981)</u>	<u>830,677</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(1,327,856)	-	1,927,191	188,692
Fund Balances, Beginning	<u>18,201,651</u>	<u>(6,637,633)</u>	<u>4,346,595</u>	<u>5,786,420</u>
Fund Balances, Ending	<u>\$ 16,873,795</u>	<u>\$ (6,637,633)</u>	<u>\$ 6,273,786</u>	<u>\$ 5,975,112</u>

The accompanying notes are an integral part of this statement.

Other Govern- mental Funds	Total Govern- mental Funds
\$ 372,294	\$ 22,906,610
561,288	2,088,379
	425,242
103,924	419,495
4,527,966	18,420,143
	2,319,147
384,351	384,351
171,179	671,056
6,121,002	47,634,423
110,452	2,727,578
48,952	14,762,067
2,437,442	4,366,489
19,823	3,533,074
1,351,001	5,259,833
406,848	12,495,630
1,087,000	1,087,000
390,101	473,038
5,851,619	44,704,709
269,383	2,929,714
1,669,627	2,500,304
(147,292)	(2,850,273)
1,522,335	(349,969)
1,791,718	2,579,745
12,673,912	34,370,945
\$ 14,465,630	\$ 36,950,690

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balances-total governmental funds \$ 2,579,745

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 546,191

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (1,286,831)

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

Amortization of Discounts (2,930)
Principal Paid on Long-Term Debt 1,087,000
Increase in Net Pension Liability (1,601,539)

The net OPEB Obligation reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. The following amount represents the net change in the OPEB obligation. 21,316

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 126,249
Net Change in Claims Payable (505,110)
Net Change in Accrued Interest Payable 39,341
Net Change in Deferred Pension Contributions (240,135)
Net Change in Proportionate Share Contribution Differences 1,799,298
Net Change in Pension Actuarial Amounts - Inflows 824,694

Change in net position of governmental activities \$ 3,387,289

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Net Position
Proprietary Funds
June 30, 2016

	Sewer	Solid Waste Management	Apple Valley Golf Course	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 6,230,644	\$ 666,135	\$ 9,825	\$ 6,896,779
Accounts Receivable	692,233	1,313,455	9,825	2,015,513
Interest Receivable	11,742	4,361		16,103
Due from Other Governments	2,129	42,320		44,449
Prepaid Items			1,479	1,479
Total Current Assets	<u>6,936,748</u>	<u>2,026,271</u>	<u>11,304</u>	<u>8,974,323</u>
Noncurrent Assets:				
Restricted Assets:				
Cash and Investments	1,180,058		250,000	1,430,058
Cash and Investments with Fiscal Agent	1,107,376			1,107,376
Capital Assets, Not Being Depreciated:				
Land	379,012		1,440,000	1,819,012
Water Rights	3,650,000			3,650,000
Capital Assets, Net of Accumulated Depreciation	25,834,316	1,516,421	208,262	27,558,999
Total Noncurrent Assets	<u>32,150,762</u>	<u>1,516,421</u>	<u>1,898,262</u>	<u>35,565,445</u>
Total Assets	<u>39,087,510</u>	<u>3,542,692</u>	<u>1,909,566</u>	<u>44,539,768</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Contributions	79,384	14,175		93,559
Proportionate Share Contribution Differences	150,710	15,343		166,053
Total Deferred Outflows of Resources	<u>230,094</u>	<u>29,518</u>	<u>-</u>	<u>259,612</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	243,199	196,539	63,959	503,697
Accrued Liabilities	21,526	5,261	15,622	42,409
Due to Other Governments	366,513			366,513
Unearned Revenue	207,968	300,285		508,253
Amounts Due Bondholders	44,595			44,595
Current Portion of Long-Term Debt		218,573		218,573
Total Current Liabilities	<u>883,801</u>	<u>720,658</u>	<u>79,581</u>	<u>1,684,040</u>
Noncurrent Liabilities:				
Advances from Other Funds			3,658,486	3,658,486
Noncurrent Portion of Long-Term Debt	541,518	798,575		1,340,093
Total Noncurrent Liabilities	<u>541,518</u>	<u>798,575</u>	<u>3,658,486</u>	<u>4,998,579</u>
Total Liabilities	<u>1,425,319</u>	<u>1,519,233</u>	<u>3,738,067</u>	<u>6,682,619</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Actuarial Amounts	88,703	4,270		92,973
NET POSITION				
Net Investment in Capital Assets	29,863,328	499,273	1,648,262	32,010,863
Restricted for Capital Projects	1,107,376		250,000	1,357,376
Restricted for Assessment District Improvements	1,130,323			1,130,323
Unrestricted	5,702,555	1,549,434	(3,726,763)	3,525,226
Total Net Position	<u>\$ 37,803,582</u>	<u>\$ 2,048,707</u>	<u>\$ (1,828,501)</u>	<u>\$ 38,023,788</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2016

	Sewer	Solid Waste Management	Apple Valley Golf Course	Total
OPERATING REVENUES				
Charges for Services	\$ 5,979,262	\$ 11,029,270	\$ 626,681	\$ 17,635,213
Total Operating Revenue	5,979,262	11,029,270	626,681	17,635,213
OPERATING EXPENSES				
Salaries and Benefits	555,995	145,052	2,987	704,034
Contract Services	37,143	7,738,904	367,336	8,143,383
Maintenance and Treatment	1,957,985		90,860	2,048,845
Franchise Payment		1,973,526		1,973,526
General Administration	1,896,510	2,119,800	176,524	4,192,834
Depreciation	1,799,831	67,561	58,036	1,925,428
Other	496,050	145,542	372,845	1,014,437
Total Operating Expenses	6,743,514	12,190,385	1,068,588	20,002,487
Operating Income (Loss)	(764,252)	(1,161,115)	(441,907)	(2,367,274)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	87,465	48,593		136,058
Gain/ (Loss) on Disposal of Capital Assets	267,679			267,679
Grant Revenue		19,733		19,733
Interest	(13)	(58,165)		(58,178)
Total Nonoperating Revenues (Expenses)	355,131	10,161	-	365,292
Income Before Contributions and Transfers	(409,121)	(1,150,954)	(441,907)	(2,001,982)
Capital Contributions	283,739		250,000	533,739
Transfers In			349,969	349,969
Change in Net Position	(125,382)	(1,150,954)	158,062	(1,118,274)
Total Net Position, Beginning	37,928,964	3,199,661	(1,986,563)	39,142,062
Total Net Position, Ending	\$ 37,803,582	\$ 2,048,707	\$ (1,828,501)	\$ 38,023,788

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Sewer	Solid Waste Management	Apple Valley Golf Course	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 5,950,799	\$ 10,967,449	\$ 619,477	\$ 17,537,725
Cash Paid to Suppliers	(2,484,959)	(9,904,624)	(1,041,487)	(13,431,070)
Cash Paid to Other Funds for Services Provided	(1,896,510)	(2,119,800)		(4,016,310)
Cash Paid to Employees for Services	(617,411)	(156,182)		(773,593)
Net Cash Provided (Used) by Operating Activities	951,919	(1,213,157)	(422,010)	(683,248)
Cash Flows from Noncapital Financing Activities				
Cash Collected on Behalf of Other Governments (Paid to)	(18,075)			(18,075)
Grant Revenue	283,739	19,733		303,472
Advances Paid (to) from Other Funds			515,679	515,679
Principal Paid on Debt		(211,428)		(211,428)
Interest Paid on Debt		(58,165)		(58,165)
Net Cash Provided (Used) by Noncapital Financing Activities	265,664	(249,860)	515,679	531,483
Cash Flows from Capital and Related Financing Activities				
Capital Asset Purchases	(37,898)		(93,669)	(131,567)
Proceeds from the Sale of Assets	404,692			404,692
Capital Grants Received			250,000	250,000
Principal Paid on Debt	(63,000)			(63,000)
Interest Paid on Debt	(13)			(13)
Net Cash Provided (Used) by Capital and Related Financing Activities	303,781	-	156,331	460,112
Cash Flows from Investing Activities				
Interest on Investments	81,893	48,251		130,144
Net Cash Provided (Used) by Investing Activities	81,893	48,251	-	130,144
Net Increase (Decrease) in Cash and Cash Equivalents	1,603,257	(1,414,766)	250,000	438,491
Cash and Cash Equivalents, Beginning of Fiscal Year	6,914,821	2,080,901		8,995,722
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 8,518,078</u>	<u>\$ 666,135</u>	<u>\$ 250,000</u>	<u>\$ 9,434,213</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Cash Flows from Operating Activities				
Operating income (loss)	\$ (764,252)	\$ (1,161,115)	\$ (441,907)	\$ (2,367,274)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,799,831	67,561	58,036	1,925,428
(Increase) Decrease in Accounts Receivable	(74,102)	(31,356)	(7,204)	(112,662)
(Increase) Decrease in Due from Other Governments	41,854	(11,329)		30,525
(Increase) Decrease in Prepaid Items			(1,479)	(1,479)
(Increase) Decrease in Deferred Outflows - Pensions	(118,475)	(9,587)		(128,062)
Increase (Decrease) in Accounts Payable	6,219	(46,652)	(29,359)	(69,792)
Increase (Decrease) in Accrued Liabilities	(6,895)	(1,395)	(97)	(8,387)
Increase (Decrease) in Net Pension Liability	111,610	19,932		131,542
Increase (Decrease) in Deferred Inflows - Pensions	(47,656)	(20,080)		(67,736)
Increase (Decrease) in Unearned Revenue	3,785	(19,136)		(15,351)
Net Cash Provided (Used) by Operating Activities	<u>\$ 951,919</u>	<u>\$ (1,213,157)</u>	<u>\$ (422,010)</u>	<u>\$ (683,248)</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Net Position
Fiduciary Funds
June 30, 2016

	Successor Agency Private-purpose Trust Fund	<u>Agency Funds</u>
ASSETS		
Cash and Investments	\$ 1,431,496	\$ 15,984,786
Cash and Investments with Fiscal Agent	1,059,812	238,276
Accounts Receivable	123,214	430,477
Interest Receivable	1,577	851
Due from Other Governments	3,734	722,102
Prepaid Items		1,065
	<hr/>	<hr/>
Total Assets	2,619,833	<u>\$ 17,377,557</u>
LIABILITIES		
Accounts Payable	11,832	\$ 8,985
Accrued Liabilities	9,064	15,517,837
Deposits		1,612,459
Due to Town of Apple Valley		
Interest Payable	182,480	
Bonds Payable	44,473,933	
Amounts Due to Bondholders		238,276
	<hr/>	<hr/>
Total Liabilities	44,677,309	<u>\$ 17,377,557</u>
NET POSITION		
Net Position Held in Trust for Successor Agency	<u>\$ (42,057,476)</u>	

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Changes in Net Position
Fiduciary Fund
Year Ended June 30, 2016

	Successor Agency Private-purpose Trust Fund
ADDITIONS	
Taxes	\$ 3,649,954
Investment Income	6,549
Total Additions	3,656,503
DEDUCTIONS	
Administrative Costs	448,417
Project Costs	3,340,185
Interest on Bonds	2,214,670
Total Deductions	6,003,272
Change in Net Position	(2,346,769)
Net Position - Beginning of Year	(39,710,707)
Net Position - End of Year	\$ (42,057,476)

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

I) 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:

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.

Apple Valley Community Resource Foundation (AVCRF)

The Apple Valley Community Resource Foundation ("Foundation") was established as a 501(C)(3) under the Internal Revenue Code and is exempt from federal income taxes. The Foundation is also exempt from California State income taxes, subject to compliance with applicable laws and regulations. The primary purpose of the Foundation is to lessen the burdens of the Town and to promote and support cultural, recreational, and human services needs in the Town of Apple Valley. The governing board of the Foundation is composed of the same individuals that serve as council members for the Town of Apple Valley. The compiled financial statements of the Foundation can be obtained by request from the Town of Apple Valley at 14955 Dale Evans Parkway, Apple Valley, California 92307.

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, 2016

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide Statements: The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Governmental Accounting Standards Board Statement No. 75

In June of 2016, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This GASB Statement is required to be implemented in financial statements issued for the periods beginning after June 15, 2017. The Town has elected not to early implement this statement and has not determined its effect on the financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except Agency Funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities. 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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 judgements, 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.

The Town reports the following major governmental funds:

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

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

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

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

The Town reports the following major proprietary funds:

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

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

Apple Valley Golf Course Fund - This fund accounts for the costs of providing golf to the general public 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, Village PBID, Victor Valley Economic Development Authority, Mojave Desert and Mountain Integrated Waste Management Authority, and certain deposits in Agency funds.

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

E) Assets , Liabilities, and Net Position or Equity

1) Cash and Investments

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

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

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

2) Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 st Installment
	February 1	2 nd Installment
Delinquent Dates	December 10	1 st Installment
	April 10	2 nd Installment

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

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 Position because their use is limited by bond covenants.

4) Capital Assets

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

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Town chose to include all such items acquired in fiscal years ending after June 30, 1980. The Town was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the Town constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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) 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.

6) 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 vacation 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.

7) 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. 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, 2016

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

8) 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 position.

Bond discounts and premiums 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 or discounts). 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.

9) 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 Position for the proprietary funds.

10) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town reports deferred outflows as a result of the Town's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has certain items, which arise only under the modified accrual basis of accounting, which qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, grant receivables, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the Town reports deferred inflows as a result of the Town's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which qualify for reporting in this category.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11) Net Position

In the Government-wide financial statements; net position is classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position

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

Unrestricted Net Position

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

12) Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position, is applied.

13) Fund Balance

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

The Town's committed fund balance includes:

- General Fund Emergency Operating Contingency

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

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

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances. The General Fund is the only fund that reports a positive unassigned fund balance. It is not appropriate to report a positive unassigned fund balance amount in other governmental funds. However, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balances in governmental funds other than the General Fund.

14) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of Apple Valley's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016**

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 position 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 \$546,191 difference are as follows:

Capital Outlay	\$	14,490,069
Depreciation Expense		<u>(13,943,878)</u>
 Net adjustment to <i>net change in fund balances -total governmental funds</i> to arrive at <i>change in net position of governmental activities</i> .	 \$	 <u>546,191</u>

III) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) Deficit Fund Balances/Net Position

The following non-major funds had deficit fund balances as of June 30, 2016:

		<u>Deficit Balance</u>
Street Maintenance	\$	6,710
CDBG		215,622
Project Manager Grants		128,175

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

The Parks and Recreation Special Revenue Fund and the Apple Valley Golf Course proprietary fund had deficit fund balance/net position of \$6,637,633 and \$1,828,501, respectively, as of June 30, 2016, with current year operating deficits of \$830,677 in the Parks and Recreation Fund and \$441,907 in the Apple Valley Golf Course fund. Additional information on management's plans is discussed in Note IV B.

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, 2016**

IV) DETAILED NOTES ON ALL FUNDS - Continued

Cash and Investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 34,309,223
Cash and Investments with Fiscal Agent	1,223,970
Restricted Cash and Investments	1,430,058
Statement of Fiduciary Net Position:	
Cash and Investments	17,416,282
Cash and Investments with Fiscal Agent	<u>1,298,088</u>
 Total Cash and Investments	 <u><u>\$ 55,677,621</u></u>

Cash and investments as of June 30, 2016 consist of the following:

Petty Cash	\$ 5,350
Deposits with Financial Institutions	28,558,889
Local Agency Investment Fund	14,853,722
U.S. Agency Securities	750,863
Certificates of Deposit	7,634,767
Money Market Mutual Funds	1,351,972
Held by Fiscal Agent:	
Mutual Fund	<u>2,522,058</u>
 Total Cash and Investments	 <u><u>\$ 55,677,621</u></u>

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

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

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

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

Investments Authorized by Debt Agreements

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

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

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

As of June 30, 2016 the Town had the following investments:

Investment Type	12 Months or Less	1 to 3 years	3 to 5 years	Fair Value
State Investment Pool - LAIF	\$ 14,853,722	\$ -	\$ -	\$ 14,853,722
U.S. Agency Securities:				
Federal Home Loan Mort. Corp.	-	-	750,863	750,863
Certificate of Deposits	-	1,006,783	6,627,984	7,634,767
Money Market Mutual Funds	1,351,972	-	-	1,351,972
Held by Bond Trustee:				
Mutual Funds	2,522,058	-	-	2,522,058
Total	\$ 18,727,752	\$ 1,006,783	\$ 7,378,847	\$ 27,113,382

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2016:

- U.S. Agency Securities of \$750,863 are valued using quoted market prices (Level 2 inputs)
- Negotiable Certificates of Deposit of \$7,634,767 are valued using quoted market prices (Level 2 inputs)

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

Investment Type		Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Not Rated
State Investment Pool - LAIF	\$ 14,853,722	N/A	\$ -	\$ -	\$ 14,853,722
U.S. Agency Securities:					
Federal Home Loan Mort. Corp.	750,863	N/A	750,863	-	-
Certificate of Deposits	7,634,767	N/A	-	-	7,634,767
Money Market Mutual Funds	1,351,972	N/A	1,351,972	-	-
Held by Bond Trustee:					
Mutual Fund	<u>2,522,058</u>	N/A	<u>2,522,058</u>	-	-
Total	<u>\$ 27,113,382</u>		<u>\$ 4,624,893</u>	<u>\$ -</u>	<u>\$ 22,488,489</u>

Concentration of Credit Risk

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

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, 2016, investments in the following investment types were held by the broker-dealer that was used by the Town to buy the securities:

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

Investment Type	Reported Amount
U.S. Treasury Mutual Fund	\$ 2,522,058

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.

B) Interfund Receivables, Payables, and Transfers

Amounts due to/from other funds at June 30, 2016 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 410,604	\$
Nonmajor Funds		410,604
Total	\$ 410,604	\$ 410,604

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

Advances:

The General Fund has advanced \$6,490,182 and \$3,658,486 to the Parks and Recreation Fund and Apple Valley Golf Course Fund, respectively. The advances were made to fund operating deficits in those funds over a period of many years. The Town is currently developing a plan to repay these advances to the General Fund. Steps taken to reduce and eventually eliminate these deficits include a thorough operational review of Parks and Recreation activities to reduce spending where possible. The Town has also instituted an annual review of all program participant fees to ensure that fee revenues remain current. In addition, management is considering proposing a sales tax measure in the near future. The annual revenues generated from this proposed sales tax measure are estimated to be sufficient for the Parks and Recreation and Apple Valley Golf Course Funds to repay the advance from the General Fund over a period of several years.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

Interfund transfers for the year ended June 30, 2016 are as follows:

TRANSFERS OUT	TRANSFERS IN			Total
	Parks and Recreation Fund	Other Governmental Funds	Apple Valley Golf Course	
General Fund	\$ 830,677	\$ 1,522,335	\$ 349,969	\$ 2,702,981
Other Governmental Funds		147,292		147,292
Total	\$ 830,677	\$ 1,669,627	\$ 349,969	\$ 2,850,273

The General Fund transferred \$1,522,335 to the Other Governmental Funds to pay for debt service costs. In addition, the General Fund transferred \$830,677 and \$349,969 to the Parks and Recreation Fund and Apple Valley Golf Course to fund certain expenditures and cover operating deficits. Also, the Other Governmental Funds CDBG Special Revenue Fund transferred loans receivable of \$147,292 to the Other Governmental Funds CDBG Program Income Special Revenue Fund.

C) Due from Other Governments

The Town receives various grants and appropriations from several Federal, State and County agencies, and also incurs certain State mandated costs. As of June 30, 2016, the amount receivable from the various agencies was \$4,673,058, which includes an allowance for doubtful accounts of \$1,000,863. An allowance for doubtful accounts has been established for these State mandated costs; due to the uncertainty of when or if these costs will be reimbursed and received from the State.

D) Loans Receivable

The Town administers a Residential Rehabilitation Loan Program and a down payment assistance program for low-to-moderate income families. The loans provided by the program have a 30-year term, and bear an interest rate of 0%. The notes may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2016, the outstanding loans receivable totaled \$5,700,123, which includes an allowance for doubtful accounts of \$1,239,250. The allowance was established for loans that are forgivable after a given period of time, assuming all conditions of the loan are met.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 99,443,343	\$ 401,006	\$ -	\$ 99,844,349
Construction in Progress	44,441,569	13,627,950	(2,868,617)	55,200,902
Total Capital Assets, Not Being Depreciated	<u>143,884,912</u>	<u>14,028,956</u>	<u>(2,868,617)</u>	<u>155,045,251</u>
Capital Assets Being Depreciated:				
Furniture and Equipment	3,309,018	7,660	-	3,316,678
Computer Equipment	1,597,804	10,434	-	1,608,238
Trucks and Automobiles	1,420,577	-	-	1,420,577
Structures and Improvements	91,966,060	41,400	-	92,007,460
Infrastructure	354,447,868	3,270,236	-	357,718,104
Total Capital Assets Being Depreciated	<u>452,741,327</u>	<u>3,329,730</u>	<u>-</u>	<u>456,071,057</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(2,759,727)	(410,514)	-	(3,170,241)
Computer Equipment	(1,429,560)	(97,141)	-	(1,526,701)
Trucks and Automobiles	(1,376,385)	(13,860)	-	(1,390,245)
Structures and Improvements	(28,665,387)	(3,055,657)	-	(31,721,044)
Infrastructure	(168,409,428)	(10,366,706)	-	(178,776,134)
Total Accumulated Depreciation	<u>(202,640,487)</u>	<u>(13,943,878)</u>	<u>-</u>	<u>(216,584,365)</u>
Total Capital Assets Being Depreciated, Net	<u>250,100,840</u>	<u>(10,614,148)</u>	<u>-</u>	<u>239,486,692</u>
Governmental Activities, Capital Assets, Net	<u>\$ 393,985,752</u>	<u>\$ 3,414,808</u>	<u>\$ (2,868,617)</u>	<u>\$ 394,531,943</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 1,877,112	\$ -	\$ (58,100)	\$ 1,819,012
Construction in Progress	130,189	93,669	(223,858)	-
Water Rights	3,650,000	-	-	3,650,000
Total Capital Assets, Not Being Depreciated	5,657,301	93,669	(281,958)	5,469,012
Capital Assets Being Depreciated:				
Buildings and System	3,681,409*	223,858	(177,664)	3,727,603
Machinery and Equipment	579,231	37,898	-	617,129
Trucks and Automobiles	442,696	-	-	442,696
Collector Lines	70,117,809	-	-	70,117,809
Total Capital Assets Being Depreciated	74,821,145	261,756	(177,664)	74,905,237
Less Accumulated Depreciation:				
Buildings and System	(1,930,004)*	(113,580)	98,751	(1,944,833)
Machinery and Equipment	(436,055)	(60,350)	-	(496,405)
Trucks and Automobiles	(368,833)	(45,736)	-	(414,569)
Collector Lines	(42,784,669)	(1,705,762)	-	(44,490,431)
Total Accumulated Depreciation	(45,519,561)	(1,925,428)	98,751	(47,346,238)
Total Capital Assets Being Depreciated, Net	29,301,584	(1,663,672)	(78,913)	27,558,999
Business-type Activities, Capital Assets, Net	\$ 34,958,885	\$ (1,570,003)	\$ (360,871)	\$ 33,028,011

*The beginning balance of Capital Assets Being Depreciated and Accumulated Depreciation was adjusted by \$3,412,500 and (\$1,828,518), respectively, to reclassify the Solid Waste Management Fund's investment in a joint venture to a capital asset. The adjustment has no effect on net position in the Solid Waste Management Fund.

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

Governmental Activities:	
General Government	\$ 362,960
Public Safety	550,193
Transportation	10,470,082
Culture and Recreation	2,121,054
Community Development	439,589
Total Depreciation Expense – Governmental Activities	\$ 13,943,878
Business-type Activities:	
Sewer	\$ 1,799,831
Solid Waste Management	67,561
Apple Valley Golf Course	58,036
Total Depreciation Expense – Business-type Activities	\$ 1,925,428

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt

Long-term liabilities for the year ended June 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Certificates of Participation:					
1999 Certificates of Participation	\$ 1,830,000	\$	\$ (350,000)	\$ 1,480,000	\$ 355,000
2001 Certificates of Participation	247,000		(247,000)	-	-
Total Certificates of Participation	2,077,000	-	(597,000)	1,480,000	355,000
2007 Lease Revenue Bonds Series A Unamortized Discount on Lease Revenue Bonds	8,470,000		(490,000)	7,980,000	515,000
	(64,474)		2,930	(61,544)	-
Total Lease Revenue Bonds	8,405,526	-	(487,070)	7,918,456	515,000
Compensated Absences	1,062,228	1,367,276	(1,493,525)	935,979	701,984
Claims Payable	45,000	505,110		550,110	40,000
Net Pension Liability	7,828,804	2,980,778	(1,379,239)	9,430,343	-
Net OPEB Obligation	2,183,211	175,918	(197,234)	2,161,895	-
Governmental Activities Long-term Liabilities	<u>\$ 21,601,769</u>	<u>\$ 5,029,082</u>	<u>\$ (4,154,068)</u>	<u>\$ 22,476,783</u>	<u>\$ 1,611,984</u>
Business-type Activities:					
2001 Certificates of Participation	\$ 63,000	\$	\$ (63,000)	\$ -	\$ -
Net Pension Liability	506,677	244,823	(113,282)	638,218	-
Obligation Under Installment Purchase Agreement	1,131,875		(211,427)	920,448	218,573
Business-type Activity Long-term Liabilities	<u>\$ 1,701,552</u>	<u>\$ 244,823</u>	<u>\$ (387,709)</u>	<u>\$ 1,558,666</u>	<u>\$ 218,573</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

1) Certificates of Participation

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, 2016 is \$1,480,000. As of June 30, 2016, the future annual maturities are as follows:

Year Ending	Principal	Interest
2017	\$ 355,000	\$ 91,025
2018	365,000	71,638
2019	375,000	51,837
2020	385,000	42,075
	\$ 1,480,000	\$ 256,575

2) 2007 Lease Revenue Bonds

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

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

Year Ending	Principal	Interest	Total
2017	\$ 515,000	\$ 365,405	\$ 880,405
2018	535,000	341,781	876,781
2019	560,000	317,494	877,494
2020	585,000	292,447	877,447
2021	610,000	265,925	875,925
2022	640,000	237,800	877,800
2023	670,000	208,325	878,325
2024	700,000	175,750	875,750
2025	735,000	139,875	874,875
2026	770,000	102,250	872,250
2027	810,000	62,750	872,750
2028	850,000	21,250	871,250
Total	\$ 7,980,000	\$ 2,531,052	\$ 10,511,052

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

4) Obligation Under Installment Purchase Agreement

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

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

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

The Town’s liability for unpaid installment payments at June 30, 2016 is \$920,448. As of June 30, 2016, installment purchase payment requirements to maturity are as follows:

Year Ending	Principal	Interest
2017	\$ 218,573	\$ 46,828
2018	231,042	35,787
2019	243,333	24,214
2020	227,500	11,804
	\$ 920,448	\$ 118,633

G) Fiduciary Fund Long-Term Debt

Fiduciary Fund long-term debt activity for the 2015-16 fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fiduciary Funds:					
2005 Tax Allocation Bonds	\$ 6,455,000	\$ -	\$ (205,000)	\$ 6,250,000	\$ 215,000
Unamortized Premium on Tax Allocation Bonds	33,130	-	(1,664)	31,466	-
2007 Tax Allocation Bonds VVEDA Project Area	7,755,000	-	(185,000)	7,570,000	190,000
Unamortized Discount on Tax Allocation Bonds VVEDA Project Area	(208,137)	-	9,497	(198,640)	-
2007 Tax Allocation Bonds Project Area 2	31,575,000	-	(840,000)	30,735,000	880,000
Unamortized Premium on Tax Allocation Bonds Project Area 2	90,208	-	(4,101)	86,107	-
Total Fiduciary Funds Long-term Liabilities	\$ 45,700,201	\$ -	\$ (1,226,268)	\$ 44,473,933	\$ 1,285,000

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

1) Tax Allocation Bonds

2005 VVEDA Tax Allocation Bonds

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

The purpose of the bonds is to finance certain public capital improvements benefiting the portion of the Victor Valley Economic Development Authority (VVEDA) Project Area that is within the Jurisdiction of the Town. The VVEDA is a joint exercise of powers authority established in 1989 of which the Town is a member. The bonds are special obligations of the Agency and are payable exclusively from Pledged Tax Revenues. The bonds are not a debt of the Town of Apple Valley, the VVEDA or its members, the State of California or any of its political subdivisions, other than the Agency, and neither the Town of Apple Valley, the VVEDA or its members, the State of California nor any of its political subdivisions, other than the Agency, is liable therefore. In no event shall the bonds be payable out of any funds or properties other than those of the Agency. At June 30, 2016, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Year Ending	Principal	Interest
2017	\$ 215,000	\$ 297,297
2018	225,000	288,363
2019	230,000	278,833
2020	245,000	268,902
2021	255,000	258,223
2022	260,000	246,725
2023	275,000	235,003
2024	285,000	222,603
2025	305,000	209,753
2026	315,000	196,000
2027	330,000	180,388
2028	345,000	164,038
2029	365,000	146,938
2030	385,000	128,850
2031	400,000	109,775
2032	420,000	89,950
2033	445,000	69,138
2034	465,000	47,088
2035	485,000	24,038
	\$ 6,250,000	\$ 3,461,905

2007 VVEDA Tax Allocation Bonds

In June of 2007, the Agency issued \$8,985,000 in Tax Allocation Bonds, which mature in amounts from \$145,000 to \$1,010,000 annually from 2009 to 2037 with interest payments of 4.00% to 4.750% 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, 2016

IV) DETAILED NOTES ON ALL FUNDS - 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, 2016, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement.

Annual debt service requirements to maturity are as follows:

Year Ending	Principal	Interest
2017	\$ 190,000	\$ 355,258
2018	195,000	347,088
2019	210,000	338,800
2020	215,000	329,613
2021	225,000	319,937
2022	240,000	309,812
2023	250,000	299,013
2024	265,000	287,137
2025	270,000	274,550
2026	285,000	261,725
2027	300,000	248,188
2028	315,000	233,937
2029	325,000	218,975
2030	340,000	203,538
2031	360,000	187,388
2032	375,000	170,287
2033	390,000	152,475
2034	410,000	133,950
2035	435,000	114,475
2036	965,000	93,813
2037	1,010,000	47,975
	\$ 7,570,000	\$ 4,927,934

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, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

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

Year Ending	Principal	Interest	Total
2017	\$ 880,000	\$ 1,505,950	2,385,950
2018	920,000	1,466,350	2,386,350
2019	960,000	1,424,950	2,384,950
2020	1,005,000	1,381,750	2,386,750
2021	1,050,000	1,331,500	2,381,500
2022	1,105,000	1,279,000	2,384,000
2023	1,155,000	1,223,750	2,378,750
2024	1,220,000	1,166,000	2,386,000
2025	1,275,000	1,105,000	2,380,000
2026	1,340,000	1,041,250	2,381,250
2027	1,405,000	979,610	2,384,610
2028	1,470,000	914,980	2,384,980
2029	1,540,000	844,420	2,384,420
2030	1,615,000	770,500	2,385,500
2031	1,695,000	689,750	2,384,750
2032	1,780,000	605,000	2,385,000
2033	1,870,000	516,000	2,386,000
2034	1,960,000	422,500	2,382,500
2035	2,060,000	324,500	2,384,500
2036	2,160,000	221,500	2,381,500
2037	2,270,000	113,500	2,383,500
Total	<u>\$ 30,735,000</u>	<u>\$ 19,327,760</u>	<u>\$ 50,062,760</u>

K) 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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

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, 2016 the outstanding balance is \$1,465,000.

I) Fund Balance

The details of fund balances as of June 30, 2016 are as follows:

	General Fund	Parks and Recreation Fund	Capital Projects Fund	Measure I Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid Items	\$ 41,691	\$	\$	\$	\$	\$ 41,691
Long-term Receivables	10,148,668					10,148,668
Restricted for:						
Housing					6,331,876	6,331,876
Streets and Transportation				5,975,112	4,789,344	10,764,456
Community Development					1,446,288	1,446,288
Culture and Recreation					578,947	578,947
Committed for:						
Emergency Contingency	5,426,647					5,426,647
Assigned for:						
Capital Projects			6,273,786			6,273,786
Community Development					1,669,682	1,669,682
Unassigned	1,256,789	(6,637,633)			(350,507)	(5,731,351)
Total Fund Balance	<u>\$16,873,795</u>	<u>\$ (6,637,633)</u>	<u>\$ 6,273,786</u>	<u>\$ 5,975,112</u>	<u>\$ 14,465,630</u>	<u>\$ 36,950,690</u>

J) Unavailable Revenue

Unavailable revenues as of year-end from the Statement of Revenues, Expenditures, and Changes in Fund Balances are as follows:

	General Fund	Parks and Recreation Fund	Capital Projects Fund	Measure I Fund	Other Governmental Funds	Total
Unavailable Revenue						
Grants	\$		\$ 40,000	\$ 101,789	\$ 361,744	\$ 503,533
Intergovernmental	610,120			\$ 43,003	182,588	835,711
Franchise Taxes	261,101					261,101
Accounts Receivable	403,965	25,529			98,682	528,176
Total	<u>\$ 1,275,186</u>	<u>\$ 25,529</u>	<u>\$ 40,000</u>	<u>\$ 144,792</u>	<u>\$ 643,014</u>	<u>\$ 2,128,521</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

IV) DETAILED NOTES ON ALL FUNDS - Continued

H) Restricted Cash and Investments

The Sewer and Apple Valley Golf Course Enterprise Funds have restricted cash balances of \$1,180,058 and \$250,000, respectively, as of June 30, 2016. The \$1,180,058 in the Sewer Fund is restricted for capital improvements in the assessment districts. The \$250,000 in the Apple Valley Golf Course Fund is restricted for certain capital improvements.

V) OTHER INFORMATION

A) Risk Management

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement - The Town is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 116 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 an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

Self-Insurance Programs of the Authority - Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

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

Liability - In the liability program claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

V) OTHER INFORMATION

For 2015-16 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer and \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer. There is a third annual aggregate deductible in the amount of \$2.5 million in the \$5 million x/s \$5 million layer, however, it is fully covered under a separate policy and therefore, not retained by the Authority.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation - In the workers' compensation program claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2015-16 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

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

Property Insurance - The Town participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Town property is currently insured according to a schedule of covered property submitted by the Town to the Authority. Town property currently has all-risk property insurance protection in the amount of \$67,203,912. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

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

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

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2016, the amount of these liabilities was \$550,110. 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, 2016

V) OTHER INFORMATION

Changes in Claims Payable were as follows:

	<u>2015-2016</u>	<u>2014-2015</u>
Claims payable, beginning of fiscal year	\$ 45,000	\$ 45,000
Current year claims and changes in estimates	505,110	-
Claim payments	<u>-</u>	<u>-</u>
Claims payable, end of fiscal year	<u>\$ 550,110</u>	<u>\$ 45,000</u>

B) Participation in Joint Ventures

Victor Valley Wastewater Reclamation Authority - The Town of Apple Valley is a member of the Victor Valley Wastewater Reclamation Authority ("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 2015-2016 fiscal year, the Town remitted \$2,629,756 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.B. 939). The governing body of the Authority is made up of representatives from each significant participants in the Authority. Budgeting and financing are the responsibility of the Authority. Contribution rates from member agencies are based on each member's current population as a percentage of the total population of the Authority. The Town of Apple Valley maintains a 50% interest in the Materials Recovery Facility (MRF). The Town's net investment in the Joint Venture at June 30, 2016, reported as a capital asset of the Solid Waste Management Fund, was \$1,516,421. The remaining 50% interest is maintained by the City of Victorville. All operations are maintained through the Town and reported as an Agency Fund in the Town's financial statements.

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

V) OTHER INFORMATION

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

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

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

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

General Information about the Defined Benefit Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Town of Apple Valley sponsors 3 rate plans (all 3 are miscellaneous.) Benefit provisions under the Plan are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – The Plans are cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2014 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2014 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016**

V) OTHER INFORMATION – Continued

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

The rate plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous Prior to October 23, 2011	Miscellaneous Tier II On or after October 23, 2011	Miscellaneous PEPRA On or after January 1, 2013
Hire date	October 23, 2011	October 23, 2011	January 1, 2013
Benefit formula	2.7% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of eligible compensation	2.7%	2%	2%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	10.958% + \$584,580	8.003% + \$0	6.237% + \$0

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Town's required contribution for the unfunded liability and side fund was \$584,580 in fiscal year 2016.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Town's contributions to the Plan for the year ended June 30, 2016 were \$1,492,521.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the Town reported a net pension liability for its proportionate shares of the net pension liability of the Plan of \$10,068,561.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

V) OTHER INFORMATION – Continued

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

The Town's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Town's proportionate share of the net pension liability as of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.13396%
Proportion - June 30, 2015	0.14669%
Change - Increase (Decrease)	0.01273%

For the year ended June 30, 2016, the Town recognized pension expense of (\$846,576). At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,232,664	\$ -
Differences between actual and expected experience	86,240	-
Changes in assumptions	-	815,914
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	2,101,546	-
Net differences between projected and actual earnings on plan investments	-	409,027
	<hr/>	<hr/>
Total	<u>\$ 3,420,450</u>	<u>\$ 1,224,941</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

V) OTHER INFORMATION – Continued

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

\$1,232,664 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,		
2017	\$	273,993
2018		270,054
2019		158,842
2020		259,956
2021		-
Thereafter		-

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Plan</u>
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.65%
Mortality	(2)

- (1) Depending on age, service and type of employment
- (2) Derived using CalPERS' Membership Data for all Funds.

Changes of Assumptions:

GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

V) OTHER INFORMATION – Continued

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

V) OTHER INFORMATION – Continued

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Plan
1% Decrease	6.65%
Net Pension Liability	\$ 16,885,663
Current Discount Rate	7.65%
Net Pension Liability	\$ 10,068,561
1% Increase	8.65%
Net Pension Liability	\$ 4,440,234

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016**

V) OTHER INFORMATION – Continued

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

Payable to the Pension Plan

At June 30, 2016, the Town reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

D) Post Employment Benefits

Plan Description

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

Funding Policy

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

The Town is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC rate is 2.7% of the current annual covered payroll. The plan is financed on a pay-as-you-go basis.

Annual OPEB Cost

The Town's annual OPEB cost, net OPEB obligation (asset) and the related information for 2016 were as follows:

Annual Required Contribution	\$ 155,998
Interest on Net OPEB Obligation (Asset)	87,318
Adjustment to Annual Required Contribution	<u>(67,598)</u>
Annual OPEB Cost	175,718
Contributions Made	(97,687)
OPEB Change in Cost Method Amortization	<u>(99,547)</u>
Increase (Decrease) in Net OPEB Obligation (Asset)	(21,516)
Net OPEB Obligation (Asset) Beginning of Year	<u>2,183,211</u>
Net OPEB Obligation (Asset) End of Year	<u><u>\$ 2,161,695</u></u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016

V) OTHER INFORMATION – Continued

For 2016, the Town’s annual OPEB cost (expense) of \$175,718 for AVRHP was more than the ARC. OPEB costs are typically charged to the General fund and to the Government-wide financial statements for governmental activities. The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

THREE-YEAR TREND INFORMATION FOR AVRHP

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/16	\$ 175,718	55.6%	\$ 2,161,695
6/30/15	\$ 157,383	39.4%	\$ 2,183,211
6/30/14	\$ 600,101	14.5%	\$ 2,193,664

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,149,046
Actuarial Value of Plan Assets	\$ 0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,149,046
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 6,370,240
UAAL as a Percentage of Covered Payroll	18.04%

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

Actuarial Methods and Assumptions

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

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2016**

V) OTHER INFORMATION – Continued

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

Valuation Date	June 30, 2015
Actuarial Cost Method	Projected Unit Cost Method
Amortization method	Level Dollar Closed Basis
Amortization Period	30 years
Mortality	RP 2000 Mortality Table projected to 2004. Blended tables for males and females (50%/50%).
Age at Retirement	Age 57 with 10 years of service or age +1 if eligible to retire.
Termination Prior to Retirement	
Attained Age:	20 – 29 30 – 39 40 – 49 50+
Rate of Termination:	6% 3% 1% 0%
Health Care Trend Rate	0.0% for 2014/15, 9.0% for 2015/16 graded to 5.0% for 2020+
Inflation Rate	2.75%
Investment Rate of Return	4.00%

E) Commitments and Contingent Liabilities

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

The Town has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material. The estimated amount of remaining construction obligations at year-end is \$9,840,130.

F) Subsequent Events

On October 25, 2016, the Town Council approved a Construction Funding Agreement with the San Bernardino County Public Works Department and the City of Victorville for the Green Tree Boulevard Extension, in conjunction with the Yucca Loma Transportation Corridor. The total cost of the project is \$45,083,625 and the Town will contribute \$3,986,859 to fund a portion of the project. Also, the Town Council on the same day approved a Ground Lease for Land for the expansion of the Victor Valley Materials Recovery Facility (MRF). The expansion will include a composting facility, construction and demolition material processing facility, mixed waste processing facility and possibly a transfer station.

G) General Fund and Solid Waste Enterprise Fund Financial Condition

The current year results of operations resulted in a decrease in fund balance in the General Fund of \$1,330,057, or approximately 20% of unrestricted fund balance in that fund as of the end of the fiscal year. In addition, unrestricted net position in the Solid Waste Fund decreased by \$1,198,120. The decrease in fund balance of the General Fund is the result of certain operational deficits in the Parks and Recreation Fund and the General Fund. Town management is considering proposing a sales tax measure in the near future. The annual revenue generated from this proposed sales tax measure are estimated to be sufficient to eliminate these operational deficits. In addition, management is reviewing the operations in these funds to reduce spending where possible.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 19,091,700	\$ 19,462,700	\$ 19,038,864	\$ (423,836)
Licenses & Permits	796,100	831,100	847,837	16,737
Fines & Forfeitures	572,500	545,000	425,242	(119,758)
Investment Income	112,000	102,000	173,959	71,959
Intergovernmental	617,303	747,766	879,534	131,768
Charges for Services	1,217,250	1,276,550	1,279,089	2,539
Other Revenue	402,600	398,600	437,189	38,589
	<u>22,809,453</u>	<u>23,363,716</u>	<u>23,081,714</u>	<u>(282,002)</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government	1,224,553	2,281,783	2,617,126	(335,343)
Public Safety	14,750,897	14,825,360	14,713,115	112,245
Transportation			154,842	(154,842)
Community Development	3,536,904	3,656,904	3,908,832	(251,928)
Capital Outlay			312,674	(312,674)
	<u>19,512,354</u>	<u>20,764,047</u>	<u>21,706,589</u>	<u>(942,542)</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>3,297,099</u>	<u>2,599,669</u>	<u>1,375,125</u>	<u>(1,224,544)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(3,085,647)</u>	<u>(3,085,647)</u>	<u>(2,702,981)</u>	<u>382,666</u>
Total Other Financing Sources (Uses)	<u>(3,085,647)</u>	<u>(3,085,647)</u>	<u>(2,702,981)</u>	<u>382,666</u>
Net Change in Fund Balances	211,452	(485,978)	(1,327,856)	(841,878)
Fund Balances, Beginning	<u>18,201,651</u>	<u>18,201,651</u>	<u>18,201,651</u>	
Fund Balances, Ending	<u>\$ 18,413,103</u>	<u>\$ 17,715,673</u>	<u>\$ 16,873,795</u>	<u>\$ (841,878)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Parks and Recreation Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,630,000	\$ 1,630,000	\$ 1,662,802	\$ 32,802
Charges for Services	881,514	881,514	1,040,058	158,544
Other Revenue	75,750	75,750	62,651	(13,099)
	<u>2,587,264</u>	<u>2,587,264</u>	<u>2,765,511</u>	<u>178,247</u>
EXPENDITURES				
Current:				
Culture and Recreation	3,643,924	3,643,924	3,513,251	130,673
Debt Service:				
Interest & Fiscal Charges	12,000	12,000	82,937	(70,937)
	<u>3,655,924</u>	<u>3,655,924</u>	<u>3,596,188</u>	<u>59,736</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,068,660)</u>	<u>(1,068,660)</u>	<u>(830,677)</u>	<u>237,983</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,072,660	1,072,660	830,677	(241,983)
Transfers Out	(4,000)	(4,000)		4,000
	<u>1,068,660</u>	<u>1,068,660</u>	<u>830,677</u>	<u>(237,983)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning	<u>(6,637,633)</u>	<u>(6,637,633)</u>	<u>(6,637,633)</u>	<u></u>
Fund Balance, Ending	<u>\$ (6,637,633)</u>	<u>\$ (6,637,633)</u>	<u>\$ (6,637,633)</u>	<u>\$ -</u>

Town of Apple Valley, California
Required Supplementary Information
Year Ended June 30, 2016

Schedule of Funding Progress for AVRHP

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Cost (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
06/30/15	\$ -	\$ 1,149,046	\$ 1,149,046	0%	\$ 6,370,240	18.038%
06/30/12	\$ -	\$ 1,561,942	\$ 1,561,942	0%	\$ 7,840,673	19.921%
06/30/09	\$ -	\$ 852,200	\$ 852,200	0%	\$ 6,602,216	12.908%

**Town of Apple Valley, California
Required Supplementary Information
Year Ended June 30, 2016**

**SCHEDULE OF THE TOWNS'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last 10 Years***

	Measurement Period	
	2015	2014
Proportion of the Net Pension Liability	0.14669%	0.13396%
Proportionate Share of Net Pension Liability	\$ 10,068,561	\$ 8,335,481
Covered - Employee Payroll	\$ 6,758,188	\$ 6,370,240
Proportionate Share of the Net Pension Liability as a percentage of Payroll	148.98%	130.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.08%	77.14%

Notes to the Schedule of the Town's Proportionate Share of the Net Pension Liability

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expenses.

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

**Town of Apple Valley, California
Required Supplementary Information
Year Ended June 30, 2016**

**SCHEDULE OF PLAN CONTRIBUTIONS
Last 10 Years***

	2016	2015
Contractually Required Contributions (actuarially determined)	\$ 1,232,664	\$ 1,257,466
Contributions in Relation to the Actuarially Determined Contributions	(1,232,664)	(1,257,466)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll	\$ 6,758,188	\$ 6,370,240
Contributions as a Percentage of Covered Employee Payroll	18.24%	19.74%

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2014

*Fiscal year 2015 was the first year of implementation, therefore, not all 10 years of information is available.

Town of Apple Valley, California
Notes to Required Supplementary Information
Year Ended June 30, 2016

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.

Expenditures in Excess of Appropriations

Expenditures in the General Fund exceeded appropriations in the current year by \$942,542.

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

ADDI Down Payment Assistance, Help Down Payment Assistance, FEMA/OES, HUD ADDI, HCD State Program Income, SANBAG Stimulus, CDBG Program Income, Prop 1B, and AVCRF.

SUPPLEMENTARY INFORMATION

Town of Apple Valley, California Nonmajor Governmental Funds

Special Revenue Funds:

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

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

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

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

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

Transportation Development Act Fund - To account for the revenues and expenditures of the Town's share of Article 3 and 8 monies which are restricted in use for transit or street repair/construction projects/activities.

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

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

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

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

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

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

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

Apple Valley Community Resource Foundation – To account for donations received from individuals that is restricted by the donors to promote and support cultural, recreational, and human services needs in the Town of Apple Valley.

Town of Apple Valley, California
Nonmajor Governmental Funds - Continued

Capital Projects Funds:

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

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

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

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

Debt Service Funds:

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

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

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

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	Special Revenue			Neighborhood Stabilization Program
	Street Maintenance	CDBG	Air Pollution Control District	
ASSETS				
Cash and Investments	\$ 79,701	\$	\$ 83,226	\$ 128,559
Cash with Fiscal Agent				
Accounts Receivable	7,873			
Interest Receivable			132	170
Due from Other Governments		279,928		
Loans Receivable				
Total Assets	<u>\$ 87,574</u>	<u>\$ 279,928</u>	<u>\$ 83,358</u>	<u>\$ 128,729</u>
LIABILITIES				
Accounts Payable	\$ 74,717	\$ 24,698	\$	\$
Accrued Liabilities	12,857			
Due to Other Funds		192,498		
Total Liabilities	<u>87,574</u>	<u>217,196</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	6,710	278,354		
Total Deferred Inflows of Resources	<u>6,710</u>	<u>278,354</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICITS)				
Restricted			83,358	128,729
Assigned				
Unassigned	(6,710)	(215,622)		
Total Fund Balances (Deficits)	<u>(6,710)</u>	<u>(215,622)</u>	<u>83,358</u>	<u>128,729</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 87,574</u>	<u>\$ 279,928</u>	<u>\$ 83,358</u>	<u>\$ 128,729</u>

Special Revenue						
Assessment District L-1	Transportation Development Act	Prop 1B	ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees	HCD State Program Income
\$ 1,373,717	\$ 1,463,435	\$ 3,991	\$ 1	\$	\$ 325,533	\$ 103,794
4,192						
2,123	2,389	6			491	158
1,667	175,878					
				185,434		548,677
<u>\$ 1,381,699</u>	<u>\$ 1,641,702</u>	<u>\$ 3,997</u>	<u>\$ 1</u>	<u>\$ 185,434</u>	<u>\$ 326,024</u>	<u>\$ 652,629</u>
\$ 18,769	\$ 732	\$	\$	\$	\$	\$
18,769	732	-	-	-	-	-
	175,878					
-	175,878	-	-	-	-	-
1,362,930	1,465,092	3,997	1	185,434	326,024	652,629
<u>1,362,930</u>	<u>1,465,092</u>	<u>3,997</u>	<u>1</u>	<u>185,434</u>	<u>326,024</u>	<u>652,629</u>
<u>\$ 1,381,699</u>	<u>\$ 1,641,702</u>	<u>\$ 3,997</u>	<u>\$ 1</u>	<u>\$ 185,434</u>	<u>\$ 326,024</u>	<u>\$ 652,629</u>

Continued

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds - Continued
June 30, 2016

	Special Revenue			Capital Projects
	CDBG Program Income	HOME	AVCRF	NAVISP Infrastructure
ASSETS				
Cash and Investments	\$ 122,463	\$ 187,213	\$ 255,711	\$ 1,667,244
Cash with Fiscal Agent				
Accounts Receivable	98,682			
Interest Receivable	128	204	374	2,549
Due from Other Governments	3,403	387,167		
Loans Receivable	959,827	4,001,685		
	<u>959,827</u>	<u>4,001,685</u>		
Total Assets	<u>\$ 1,184,503</u>	<u>\$ 4,576,269</u>	<u>\$ 256,085</u>	<u>\$ 1,669,793</u>
LIABILITIES				
Accounts Payable	\$	\$ 257,844	\$ 3,162	\$ 111
Accrued Liabilities		915		
Due to Other Funds				
	<u>-</u>	<u>258,759</u>	<u>3,162</u>	<u>111</u>
Total Liabilities	<u>-</u>	<u>258,759</u>	<u>3,162</u>	<u>111</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	98,682	38,248		
	<u>98,682</u>	<u>38,248</u>		
Total Deferred Inflows of Resources	<u>98,682</u>	<u>38,248</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICITS)				
Restricted	1,085,821	4,279,262	252,923	
Assigned				1,669,682
Unassigned				
	<u>1,085,821</u>	<u>4,279,262</u>	<u>252,923</u>	<u>1,669,682</u>
Total Fund Balances (Deficits)	<u>1,085,821</u>	<u>4,279,262</u>	<u>252,923</u>	<u>1,669,682</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,184,503</u>	<u>\$ 4,576,269</u>	<u>\$ 256,085</u>	<u>\$ 1,669,793</u>

Capital Projects			Debt Service			Total Nonmajor Governmental Funds
Storm Drains	Project Manager Grants	Development Impact Fees	2007 Town Hall Revenue Bonds	1999 COPS	2001 COPS	
\$ 1,602,797	\$	\$ 1,712,440	\$	\$ 116,594	\$	\$ 9,109,825
						116,594
2,421		2,597				110,747
	70,382					13,742
	4,500					918,425
<u>\$ 1,605,218</u>	<u>\$ 74,882</u>	<u>\$ 1,715,037</u>	<u>\$ -</u>	<u>\$ 116,594</u>	<u>\$ -</u>	<u>5,700,123</u>
\$	\$ 6,469	\$	\$	\$	\$	\$ 386,502
	49,934					63,706
	101,512			116,594		410,604
-	157,915	-	-	116,594	-	860,812
	45,142					643,014
-	45,142	-	-	-	-	643,014
1,605,218		1,715,037				13,146,455
	(128,175)					1,669,682
						(350,507)
<u>1,605,218</u>	<u>(128,175)</u>	<u>1,715,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,465,630</u>
<u>\$ 1,605,218</u>	<u>\$ 74,882</u>	<u>\$ 1,715,037</u>	<u>\$ -</u>	<u>\$ 116,594</u>	<u>\$ -</u>	<u>\$ 15,969,456</u>

Town of Apple Valley, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2016

	Special Revenue			
	Street Maintenance	CDBG	Air Pollution Control District	Neighborhood Stabilization Program
REVENUES				
Taxes	\$	\$	\$ 48,995	\$
Licenses and Permits				
Investment Income	33		985	1,201
Intergovernmental Donations	1,545,151	501,387		
Other Revenue	1,516			68,802
	<u>1,546,700</u>	<u>501,387</u>	<u>49,980</u>	<u>70,003</u>
EXPENDITURES				
Current:				
General Government				
Public Safety				
Transportation	1,590,445		51,810	
Culture and Recreation				
Community Development		562,122		71,116
Capital Outlay				
Debt Service:				
Principal				
Interest and Fiscal Charges				
	<u>1,590,445</u>	<u>562,122</u>	<u>51,810</u>	<u>71,116</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(43,745)</u>	<u>(60,735)</u>	<u>(1,830)</u>	<u>(1,113)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out		(147,292)		
	<u>-</u>	<u>(147,292)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(43,745)	(208,027)	(1,830)	(1,113)
Fund Balances - Beginning	37,035	(7,595)	85,188	129,842
Fund Balances - Ending	<u>\$ (6,710)</u>	<u>\$ (215,622)</u>	<u>\$ 83,358</u>	<u>\$ 128,729</u>

Special Revenue						
Assessment District L-1	Transportation Development Act	Prop 1B	ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees	HCD State Program Income
\$ 323,299	\$	\$	\$	\$	\$	\$
15,718	19,297 639,202	46			172,164 3,543	1,212
	31,500					
<u>339,017</u>	<u>689,999</u>	<u>46</u>	<u>-</u>	<u>-</u>	<u>175,707</u>	<u>1,212</u>
208,905	586,059					
	315,773					
<u>208,905</u>	<u>901,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>130,112</u>	<u>(211,833)</u>	<u>46</u>	<u>-</u>	<u>-</u>	<u>175,707</u>	<u>1,212</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
130,112	(211,833)	46	-	-	175,707	1,212
<u>1,232,818</u>	<u>1,676,925</u>	<u>3,951</u>	<u>1</u>	<u>185,434</u>	<u>150,317</u>	<u>651,417</u>
<u>\$ 1,362,930</u>	<u>\$ 1,465,092</u>	<u>\$ 3,997</u>	<u>\$ 1</u>	<u>\$ 185,434</u>	<u>\$ 326,024</u>	<u>\$ 652,629</u>

Continued

Town of Apple Valley, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds - Continued
Year Ended June 30, 2016

	Special Revenue			Capital Projects
	CDBG Program Income	HOME	AVCRF	NAVISP Infrastructure
REVENUES				
Taxes	\$	\$	\$	\$
Licenses and Permits				
Investment Income	797	1,302	2,565	19,377
Intergovernmental Donations		1,575,661	384,351	
Other Revenue	3,403	65,958		
Total Revenues	<u>4,200</u>	<u>1,642,921</u>	<u>386,916</u>	<u>19,377</u>
EXPENDITURES				
Current:				
General Government			65,218	
Public Safety			48,952	
Transportation				223
Culture and Recreation			19,823	
Community Development		476,409		
Capital Outlay				
Debt Service:				
Principal				
Interest and Fiscal Charges				
Total Expenditures	<u>-</u>	<u>476,409</u>	<u>133,993</u>	<u>223</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,200</u>	<u>1,166,512</u>	<u>252,923</u>	<u>19,154</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	147,292			
Transfers Out				
Total Other Financing Sources (Uses)	<u>147,292</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	151,492	1,166,512	252,923	19,154
Fund Balances - Beginning	934,329	3,112,750	-	1,650,528
Fund Balances - Ending	<u>\$ 1,085,821</u>	<u>\$ 4,279,262</u>	<u>\$ 252,923</u>	<u>\$ 1,669,682</u>

Capital Projects			Debt Service			Total Nonmajor Governmental Funds
Storm Drains	Project Manager Grants	Development Impact Fees	2007 Town Hall Revenue Bonds	1999 COPS	2001 COPS	
\$	\$	\$	\$	\$	\$	\$ 372,294
204,454		184,670				561,288
18,193		19,655				103,924
	266,565					4,527,966
						384,351
						171,179
<u>222,647</u>	<u>266,565</u>	<u>204,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,121,002</u>
			2,749	37,460	5,025	110,452
						48,952
						2,437,442
						19,823
504	240,850					1,351,001
40,833	17,297	32,945				406,848
			490,000	350,000	247,000	1,087,000
			388,019	2,039	43	390,101
<u>41,337</u>	<u>258,147</u>	<u>32,945</u>	<u>880,768</u>	<u>389,499</u>	<u>252,068</u>	<u>5,851,619</u>
<u>181,310</u>	<u>8,418</u>	<u>171,380</u>	<u>(880,768)</u>	<u>(389,499)</u>	<u>(252,068)</u>	<u>269,383</u>
			880,768	389,499	252,068	1,669,627
						(147,292)
<u>-</u>	<u>-</u>	<u>-</u>	<u>880,768</u>	<u>389,499</u>	<u>252,068</u>	<u>1,522,335</u>
181,310	8,418	171,380	-	-	-	1,791,718
1,423,908	(136,593)	1,543,657	-	-	-	12,673,912
<u>\$ 1,605,218</u>	<u>\$ (128,175)</u>	<u>\$ 1,715,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,465,630</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 400,000	\$ 400,000	\$ 679,254	\$ 279,254
Investment Income	12,000	12,000	66,482	54,482
Intergovernmental	20,671,650	20,671,650	12,957,526	(7,714,124)
Other Revenue			37	37
Total Revenues	<u>21,083,650</u>	<u>21,083,650</u>	<u>13,703,299</u>	<u>(7,380,351)</u>
EXPENDITURES				
Current:				
Community Development				-
Capital Outlay	<u>25,078,570</u>	<u>25,078,570</u>	<u>11,776,108</u>	<u>13,302,462</u>
Total Expenditures	<u>25,078,570</u>	<u>25,078,570</u>	<u>11,776,108</u>	<u>13,302,462</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,994,920)</u>	<u>(3,994,920)</u>	<u>1,927,191</u>	<u>5,922,111</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(3,994,920)	(3,994,920)	1,927,191	5,922,111
Fund Balance, Beginning	<u>4,346,595</u>	<u>4,346,595</u>	<u>4,346,595</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 351,675</u>	<u>\$ 351,675</u>	<u>\$ 6,273,786</u>	<u>\$ 5,922,111</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure I Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,832,650	\$ 232,650
Investment Income	10,000	10,000	75,130	65,130
Intergovernmental	4,460,910	4,460,910	55,117	(4,405,793)
Other Revenue	12,825	12,825		(12,825)
Total Revenues	<u>6,083,735</u>	<u>6,083,735</u>	<u>1,962,897</u>	<u>(4,120,838)</u>
EXPENDITURES				
Current:				
Transportation	<u>7,718,130</u>	<u>8,686,274</u>	<u>1,774,205</u>	<u>6,912,069</u>
Total Expenditures	<u>7,718,130</u>	<u>8,686,274</u>	<u>1,774,205</u>	<u>6,912,069</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,634,395)</u>	<u>(2,602,539)</u>	<u>188,692</u>	<u>2,791,231</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	923,000	923,000		(923,000)
Transfers Out				-
Total Other Financing Sources (Uses)	<u>923,000</u>	<u>923,000</u>	<u>-</u>	<u>(923,000)</u>
Net Change in Fund Balances	(711,395)	(1,679,539)	188,692	1,868,231
Fund Balance, Beginning	<u>5,786,420</u>	<u>5,786,420</u>	<u>5,786,420</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 5,075,025</u>	<u>\$ 4,106,881</u>	<u>\$ 5,975,112</u>	<u>\$ 1,868,231</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Street Maintenance Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,498,110	\$ 1,498,110	\$ 1,545,151	\$ 47,041
Investment Income			33	33
Other Revenue	2,500	2,500	1,516	(984)
Total Revenues	<u>1,500,610</u>	<u>1,500,610</u>	<u>1,546,700</u>	<u>46,090</u>
EXPENDITURES				
Current:				
Transportation	2,183,414	2,183,414	1,590,445	592,969
Total Expenditures	<u>2,183,414</u>	<u>2,183,414</u>	<u>1,590,445</u>	<u>592,969</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(682,804)</u>	<u>(682,804)</u>	<u>(43,745)</u>	<u>639,059</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out	(4,000)	(4,000)		4,000
Total Other Financing Sources (Uses)	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
Net Change in Fund Balances	(686,804)	(686,804)	(43,745)	643,059
Fund Balance, Beginning	<u>37,035</u>	<u>37,035</u>	<u>37,035</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (649,769)</u>	<u>\$ (649,769)</u>	<u>\$ (6,710)</u>	<u>\$ 643,059</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 984,122	\$ 984,122	\$ 501,387	\$ (482,735)
Total Revenues	<u>984,122</u>	<u>984,122</u>	<u>501,387</u>	<u>(482,735)</u>
EXPENDITURES				
Current:				
Community Development	984,122	984,122	562,122	422,000
Total Expenditures	<u>984,122</u>	<u>984,122</u>	<u>562,122</u>	<u>422,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(60,735)</u>	<u>(60,735)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out			(147,292)	(147,292)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(147,292)</u>	<u>(147,292)</u>
Net Change in Fund Balances	-	-	(208,027)	(208,027)
Fund Balance, Beginning	<u>(7,595)</u>	<u>(7,595)</u>	<u>(7,595)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (7,595)</u>	<u>\$ (7,595)</u>	<u>\$ (215,622)</u>	<u>\$ (208,027)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Air Pollution Control District
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 47,320	\$ 66,564	\$ 48,995	\$ (17,569)
Investment Income	130	130	985	855
Total Revenues	<u>47,450</u>	<u>66,694</u>	<u>49,980</u>	<u>(16,714)</u>
EXPENDITURES				
Current:				
Transportation	<u>47,260</u>	<u>66,504</u>	<u>51,810</u>	<u>14,694</u>
Total Expenditures	<u>47,260</u>	<u>66,504</u>	<u>51,810</u>	<u>14,694</u>
Excess (Deficiency) of Revenues over Expenditures	190	190	(1,830)	(2,020)
Fund Balance, Beginning	<u>85,188</u>	<u>85,188</u>	<u>85,188</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 85,378</u></u>	<u><u>\$ 85,378</u></u>	<u><u>\$ 83,358</u></u>	<u><u>\$ (2,020)</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Neighborhood Stabilization Program Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 1,201	\$ 1,201
Other Revenue			68,802	68,802
Total Revenues	-	-	70,003	70,003
EXPENDITURES				
Current:				
Community Development		71,200	71,116	84
Total Expenditures	-	71,200	71,116	84
Excess (Deficiency) of Revenues over Expenditures	-	(71,200)	(1,113)	70,087
Fund Balance, Beginning	129,842	129,842	129,842	-
Fund Balance, Ending	<u>\$ 129,842</u>	<u>\$ 58,642</u>	<u>\$ 128,729</u>	<u>\$ 70,087</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Assessment District L-1
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 320,000	\$ 320,000	\$ 323,299	\$ 3,299
Investment Income	2,000	2,000	15,718	13,718
Total Revenues	<u>322,000</u>	<u>322,000</u>	<u>339,017</u>	<u>17,017</u>
EXPENDITURES				
Current:				
Transportation	<u>240,000</u>	<u>240,000</u>	<u>208,905</u>	<u>31,095</u>
Total Expenditures	<u>240,000</u>	<u>240,000</u>	<u>208,905</u>	<u>31,095</u>
Excess (Deficiency) of Revenues over Expenditures	82,000	82,000	130,112	48,112
Fund Balance, Beginning	<u>1,232,818</u>	<u>1,232,818</u>	<u>1,232,818</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 1,314,818</u></u>	<u><u>\$ 1,314,818</u></u>	<u><u>\$ 1,362,930</u></u>	<u><u>\$ 48,112</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Transportation Development Act Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 19,297	\$ 19,297
Intergovernmental	1,005,700	1,005,700	639,202	(366,498)
Other Revenue			31,500	31,500
Total Revenues	<u>1,005,700</u>	<u>1,005,700</u>	<u>689,999</u>	<u>(315,701)</u>
EXPENDITURES				
Current:				
Transportation	350,000	350,000	586,059	(236,059)
Capital Outlay	395,700	395,700	315,773	79,927
Total Expenditures	<u>745,700</u>	<u>745,700</u>	<u>901,832</u>	<u>(156,132)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>260,000</u>	<u>260,000</u>	<u>(211,833)</u>	<u>(471,833)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	260,000	260,000	(211,833)	(471,833)
Fund Balances, Beginning	<u>1,676,925</u>	<u>1,676,925</u>	<u>1,676,925</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 1,936,925</u>	<u>\$ 1,936,925</u>	<u>\$ 1,465,092</u>	<u>\$ (471,833)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Quimby Fees Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 40,000	\$ 40,000	\$ 172,164	\$ 132,164
Investment Income	200	200	3,543	3,343
Total Revenues	<u>40,200</u>	<u>40,200</u>	<u>175,707</u>	<u>135,507</u>
EXPENDITURES				
Current:				
Culture and Recreation				-
Capital Outlay				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>40,200</u>	<u>40,200</u>	<u>175,707</u>	<u>135,507</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	40,200	40,200	175,707	135,507
Fund Balance, Beginning	<u>150,317</u>	<u>150,317</u>	<u>150,317</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 190,517</u></u>	<u><u>\$ 190,517</u></u>	<u><u>\$ 326,024</u></u>	<u><u>\$ 135,507</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - HOME Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 1,302	\$ 1,302
Intergovernmental	1,699,876	1,699,876	1,575,661	(124,215)
Other Revenue			65,958	65,958
Total Revenues	<u>1,699,876</u>	<u>1,699,876</u>	<u>1,642,921</u>	<u>(56,955)</u>
EXPENDITURES				
Current:				
Community Development	1,699,876	1,699,876	476,409	1,223,467
Total Expenditures	<u>1,699,876</u>	<u>1,699,876</u>	<u>476,409</u>	<u>1,223,467</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>1,166,512</u>	<u>1,166,512</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	1,166,512	1,166,512
Fund Balance, Beginning	<u>3,112,750</u>	<u>3,112,750</u>	<u>3,112,750</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 3,112,750</u>	<u>\$ 3,112,750</u>	<u>\$ 4,279,262</u>	<u>\$ 1,166,512</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - NAVISP Infrastructure
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ 3,000	\$ 3,000	\$ 19,377	\$ 16,377
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>19,377</u>	<u>16,377</u>
EXPENDITURES				
Current:				
Transportation			223	(223)
Total Expenditures	<u>-</u>	<u>-</u>	<u>223</u>	<u>(223)</u>
Excess (Deficiency) of Revenues over Expenditures	3,000	3,000	19,154	16,154
Fund Balance, Beginning	<u>1,650,528</u>	<u>1,650,528</u>	<u>1,650,528</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 1,653,528</u></u>	<u><u>\$ 1,653,528</u></u>	<u><u>\$ 1,669,682</u></u>	<u><u>\$ 16,154</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Storm Drains
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses & Permits	\$ 110,000	\$ 110,000	\$ 204,454	\$ 94,454
Investment Income	2,500	2,500	18,193	15,693
Total Revenues	<u>112,500</u>	<u>112,500</u>	<u>222,647</u>	<u>110,147</u>
EXPENDITURES				
Current:				
Community Development			504	(504)
Capital Outlay	100,000	140,900	40,833	100,067
Total Expenditures	<u>100,000</u>	<u>140,900</u>	<u>41,337</u>	<u>99,563</u>
Excess (Deficiency) of Revenues over Expenditures	<u>12,500</u>	<u>(28,400)</u>	<u>181,310</u>	<u>209,710</u>
OTHER FINANCING SOURCES (USES)				
Transfer In				-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	12,500	(28,400)	181,310	209,710
Fund Balance, Beginning	<u>1,423,908</u>	<u>1,423,908</u>	<u>1,423,908</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,436,408</u>	<u>\$ 1,395,508</u>	<u>\$ 1,605,218</u>	<u>\$ 209,710</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Project Manager Grants
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 923,000	\$ 1,616,750	\$ 266,565	\$ (1,350,185)
Total Revenues	<u>923,000</u>	<u>1,616,750</u>	<u>266,565</u>	<u>(1,350,185)</u>
EXPENDITURES				
Current:				
Community Development		693,750	240,850	452,900
Capital Outlay			17,297	(17,297)
Total Expenditures	<u>-</u>	<u>693,750</u>	<u>258,147</u>	<u>435,603</u>
Excess (Deficiency) of Revenues over Expenditures	<u>923,000</u>	<u>923,000</u>	<u>8,418</u>	<u>(914,582)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out	(923,000)	(923,000)		923,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>(923,000)</u>	<u>-</u>	<u>923,000</u>
Net Change in Fund Balances	923,000	-	8,418	8,418
Fund Balances, Beginning	<u>(136,593)</u>	<u>(136,593)</u>	<u>(136,593)</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 786,407</u>	<u>\$ (136,593)</u>	<u>\$ (128,175)</u>	<u>\$ 8,418</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Development Impact Fees
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses & Permits	\$ 122,900	\$ 122,900	\$ 184,670	\$ 61,770
Investment Income	3,350	3,350	19,655	16,305
Total Revenues	<u>126,250</u>	<u>126,250</u>	<u>204,325</u>	<u>78,075</u>
EXPENDITURES				
Current:				
Public Safety				-
Capital Outlay	12,000	52,000	32,945	19,055
Total Expenditures	<u>12,000</u>	<u>52,000</u>	<u>32,945</u>	<u>19,055</u>
Excess (Deficiency) of Revenues over Expenditures	<u>114,250</u>	<u>74,250</u>	<u>171,380</u>	<u>97,130</u>
OTHER FINANCING SOURCES (USES)				
Transfer In				-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	114,250	74,250	171,380	97,130
Fund Balance, Beginning	<u>1,543,657</u>	<u>1,543,657</u>	<u>1,543,657</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,657,907</u>	<u>\$ 1,617,907</u>	<u>\$ 1,715,037</u>	<u>\$ 97,130</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2007 Town Hall Revenue Bonds
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government	3,000	3,000	2,749	251
Debt Service				
Principal	490,000	490,000	490,000	-
Interest and Fiscal Charges	388,019	388,019	388,019	-
Total Expenditures	881,019	881,019	880,768	251
Excess (Deficiency) of Revenues over Expenditures	(881,019)	(881,019)	(880,768)	251
OTHER FINANCING SOURCES (USES)				
Transfers In	881,019	881,019	880,768	(251)
Total Other Financing Sources (Uses)	881,019	881,019	880,768	(251)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 1999 COPS Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government	70,000	70,000	37,460	32,540
Debt Service				
Principal	350,000	350,000	350,000	-
Interest and Fiscal Charges	10,000	10,000	2,039	7,961
Total Expenditures	430,000	430,000	389,499	40,501
Excess (Deficiency) of Revenues over Expenditures	(430,000)	(430,000)	(389,499)	40,501
OTHER FINANCING SOURCES (USES)				
Transfers In	430,000	430,000	389,499	(40,501)
Total Other Financing Sources (Uses)	430,000	430,000	389,499	(40,501)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2001 COPS Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government	30,000	30,000	5,025	24,975
Debt Service				
Principal	310,000	310,000	247,000	63,000
Interest and Fiscal Charges	12,000	12,000	43	11,957
Total Expenditures	352,000	352,000	252,068	99,932
Excess (Deficiency) of Revenues over Expenditures	(352,000)	(352,000)	(252,068)	99,932
OTHER FINANCING SOURCES (USES)				
Transfers In	352,000	352,000	252,068	(99,932)
Total Other Financing Sources (Uses)	352,000	352,000	252,068	(99,932)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

Town of Apple Valley, California Agency Funds

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

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

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

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

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

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

Opportunity High Desert Trust Fund - Town acts as an administrator for the trust fund.

Apple Valley Community Resource Foundation - Town acts as an administrator for the Foundation.

Town of Apple Valley, California
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	Trust and Fiduciary	Victor Valley Transit Authority	Assessment District 98-1	Village PBID	Victor Valley Economic Dev. Authority	Mojave Desert and Mountain Integrated Waste Mgmt. Authority
ASSETS						
Cash and Investments	\$ 661,794	\$ 705	\$ 355	\$ 507,592	\$ 14,640,564	\$ 108,374
Cash with Fiscal Agent			238,276			
Accounts Receivable						418,435
Interest Receivable				780		
Due from Other Governments				2,199	673,067	
Prepaid Items						1,065
	<u>\$ 661,794</u>	<u>\$ 705</u>	<u>\$ 238,631</u>	<u>\$ 510,571</u>	<u>\$ 15,313,631</u>	<u>\$ 527,874</u>
Total Assets	<u>\$ 661,794</u>	<u>\$ 705</u>	<u>\$ 238,631</u>	<u>\$ 510,571</u>	<u>\$ 15,313,631</u>	<u>\$ 527,874</u>
LIABILITIES						
Accounts Payable	\$	\$ 705	\$	\$ 8,280	\$	\$
Accrued Liabilities			355		15,313,631	203,851
Deposits	661,794			502,291		324,023
Amounts Due Bondholders			238,276			
	<u>\$ 661,794</u>	<u>\$ 705</u>	<u>\$ 238,631</u>	<u>\$ 510,571</u>	<u>\$ 15,313,631</u>	<u>\$ 527,874</u>
Total Liabilities	<u>\$ 661,794</u>	<u>\$ 705</u>	<u>\$ 238,631</u>	<u>\$ 510,571</u>	<u>\$ 15,313,631</u>	<u>\$ 527,874</u>

Opportunity High Desert Trust Fund	Total
\$ 65,402	\$ 15,984,786
	238,276
12,042	430,477
71	851
46,836	722,102
	1,065
<u>\$ 124,351</u>	<u>\$ 17,377,557</u>
\$	\$ 8,985
	15,517,837
124,351	1,612,459
	238,276
<u>\$ 124,351</u>	<u>\$ 17,377,557</u>

Town of Apple Valley, California
Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2016

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
<u>TRUST AND FIDUCIARY FUND</u>				
ASSETS				
Cash and Investments	\$ 750,179	\$ 77,355	\$ 165,740	\$ 661,794
Total Assets	<u>\$ 750,179</u>	<u>\$ 77,355</u>	<u>\$ 165,740</u>	<u>\$ 661,794</u>
LIABILITIES				
Deposits	\$ 750,179	\$ 225,582	\$ 313,967	\$ 661,794
Total Liabilities	<u>\$ 750,179</u>	<u>\$ 225,582</u>	<u>\$ 313,967</u>	<u>\$ 661,794</u>
<u>VICTOR VALLEY TRANSIT AUTHORITY FUND</u>				
ASSETS				
Cash and Investments	\$ 2,050	\$ 6,626	\$ 7,971	\$ 705
Total Assets	<u>\$ 2,050</u>	<u>\$ 6,626</u>	<u>\$ 7,971</u>	<u>\$ 705</u>
LIABILITIES				
Accounts Payable	\$ 2,050	\$ 6,576	\$ 7,921	\$ 705
Total Liabilities	<u>\$ 2,050</u>	<u>\$ 6,576</u>	<u>\$ 7,921</u>	<u>\$ 705</u>
<u>ASSESSMENT DISTRICT 98-1</u>				
ASSETS				
Cash and Investments	\$ (239)	\$ 275,977	\$ 275,383	\$ 355
Cash with Fiscal Agent	238,268	15	7	238,276
Total Assets	<u>\$ 238,029</u>	<u>\$ 275,992</u>	<u>\$ 275,390</u>	<u>\$ 238,631</u>
LIABILITIES				
Amount Due Bondholders	\$ 237,786	\$ 275,637	\$ 275,147	\$ 238,276
Accrued Liabilities	243	355	243	355
Total Liabilities	<u>\$ 238,029</u>	<u>\$ 275,992</u>	<u>\$ 275,390</u>	<u>\$ 238,631</u>
<u>VILLAGE PBID</u>				
ASSETS				
Cash and Investments	\$ 498,751	\$ 224,571	\$ 215,730	\$ 507,592
Interest Receivable	546	780	546	780
Due From Other Governments	13,687	2,199	13,687	2,199
Total Assets	<u>\$ 512,984</u>	<u>\$ 227,550</u>	<u>\$ 229,963</u>	<u>\$ 510,571</u>
LIABILITIES				
Accounts Payable	\$ 4,591	\$ 223,407	\$ 219,718	\$ 8,280
Deposits	508,393	4,143	10,245	502,291
Total Liabilities	<u>\$ 512,984</u>	<u>\$ 227,550</u>	<u>\$ 229,963</u>	<u>\$ 510,571</u>

Continued

Town of Apple Valley, California
Statement of Changes in Assets and Liabilities
Agency Funds - Continued
Year Ended June 30, 2016

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
<u>VICTOR VALLEY ECONOMIC DEVELOPMENT</u>				
<u>AUTHORITY</u>				
ASSETS				
Cash and Investments	\$ 11,281,293	\$ 29,048,175	\$ 25,688,904	\$ 14,640,564
Due From Other Governments	673,067			673,067
Total Assets	<u>\$ 11,954,360</u>	<u>\$ 29,048,175</u>	<u>\$ 25,688,904</u>	<u>\$ 15,313,631</u>
LIABILITIES				
Accrued Liabilities	<u>\$ 11,954,360</u>	<u>\$ 29,048,175</u>	<u>\$ 25,688,904</u>	<u>\$ 15,313,631</u>
Total Liabilities	<u>\$ 11,954,360</u>	<u>\$ 29,048,175</u>	<u>\$ 25,688,904</u>	<u>\$ 15,313,631</u>
<u>MOJAVE DESERT AND MOUNTAIN INTEGRATED</u>				
<u>WASTE MANAGEMENT AUTHORITY</u>				
ASSETS				
Cash and Investments	\$ 169,367	\$ 1,399,535	\$ 1,460,528	\$ 108,374
Accounts Receivable	405,643	3,252,389	3,239,597	418,435
Prepaid Items	1,010	1,065	1,010	1,065
Total Assets	<u>\$ 576,020</u>	<u>\$ 4,652,989</u>	<u>\$ 4,701,135</u>	<u>\$ 527,874</u>
LIABILITIES				
Accrued Liabilities	\$ 478,387	\$ 300,114	\$ 574,650	\$ 203,851
Deposits	97,633	4,913,065	4,686,675	324,023
Total Liabilities	<u>\$ 576,020</u>	<u>\$ 5,213,179</u>	<u>\$ 5,261,325</u>	<u>\$ 527,874</u>
<u>OPPORTUNITY HIGH DESERT TRUST FUND</u>				
ASSETS				
Cash and Investments	\$ 5,623	\$ 75,547	\$ 15,768	\$ 65,402
Accounts Receivable	2,084	52,923	42,965	12,042
Interest Receivable	34	71	34	71
Due From Other Governments	20,650	46,836	20,650	46,836
Total Assets	<u>\$ 28,391</u>	<u>\$ 175,377</u>	<u>\$ 79,417</u>	<u>\$ 124,351</u>
LIABILITIES				
Accounts Payable	\$	\$ 11,024	\$ 11,024	\$
Deposits	28,391	164,353	68,393	124,351
Total Liabilities	<u>\$ 28,391</u>	<u>\$ 175,377</u>	<u>\$ 79,417</u>	<u>\$ 124,351</u>

Continued

Town of Apple Valley, California
Statement of Changes in Assets and Liabilities
Agency Funds - Continued
Year Ended June 30, 2016

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Investments	\$ 12,707,024	\$ 31,107,786	\$ 27,830,024	\$ 15,984,786
Cash with Fiscal Agent	238,268	15	7	238,276
Accounts Receivable	407,727	3,305,312	3,282,562	430,477
Interest Receivable	580	851	580	851
Due From Other Governments	707,404	49,035	34,337	722,102
Prepaid Items	1,010	1,065	1,010	1,065
	<u>14,062,013</u>	<u>34,464,064</u>	<u>31,148,520</u>	<u>17,377,557</u>
Total Assets	<u>\$ 14,062,013</u>	<u>\$ 34,464,064</u>	<u>\$ 31,148,520</u>	<u>\$ 17,377,557</u>
LIABILITIES				
Accounts Payable	\$ 6,641	\$ 241,007	\$ 238,663	\$ 8,985
Accrued Liabilities	12,432,990	29,348,644	26,263,797	15,517,837
Deposits	1,384,596	5,307,143	5,079,280	1,612,459
Amounts Due Bondholders	237,786	275,637	275,147	238,276
	<u>14,062,013</u>	<u>35,172,431</u>	<u>31,856,887</u>	<u>17,377,557</u>
Total Liabilities	<u>\$ 14,062,013</u>	<u>\$ 35,172,431</u>	<u>\$ 31,856,887</u>	<u>\$ 17,377,557</u>

Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source¹
June 30, 2016

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$ 99,844,349
Furniture and Equipment	3,316,678
Computer Equipment	1,608,238
Auto Equipment	1,420,577
Structures and Improvements	92,007,460
Infrastructure	357,718,104
Construction in Progress	<u>55,200,902</u>
Total Governmental Funds Capital Assets	<u><u>\$ 611,116,308</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE

General Fund	\$ 153,188,335
Special Revenue Funds	27,924,054
Capital Project Funds	<u>430,003,919</u>
Total Governmental Funds Capital Assets	<u><u>\$ 611,116,308</u></u>

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

Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2016

FUNCTION AND ACTIVITY	<u>Land</u>	<u>Furniture and Equipment</u>	<u>Computer Equipment</u>
General Government	\$ 2,426,951	\$ 914,758	\$ 1,307,490
Public Safety	1,169,799	751,313	144,354
Transportation	88,050,374	87,120	37,025
Culture and Recreation	6,826,654	1,272,632	11,250
Cumminity Development	<u>1,370,571</u>	<u>290,855</u>	<u>108,119</u>
 Total Governmental Funds Capital Assets	 <u>\$ 99,844,349</u>	 <u>\$ 3,316,678</u>	 <u>\$ 1,608,238</u>

<u>Auto Equipment</u>	<u>Structures and Improvements</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Totals</u>
\$ 131,192	\$ 6,207,428	\$	\$	\$ 10,987,819
394,939	11,285,115			13,745,520
403,297	5,948,469	357,238,118	55,087,411	506,851,814
491,149	57,755,755	479,986	113,491	66,950,917
	10,810,693			12,580,238
<u>\$ 1,420,577</u>	<u>\$ 92,007,460</u>	<u>\$ 357,718,104</u>	<u>\$ 55,200,902</u>	<u>\$ 611,116,308</u>

Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
Year Ended June 30, 2016

	Governmental Funds Capital Assets July 1, 2015	Additions	Deletions	Governmental Funds Capital Assets June 30, 2016
FUNCTION AND ACTIVITY				
General Government	\$ 10,675,145	\$ 312,674	\$	\$ 10,987,819
Public Safety	13,696,460	49,060		13,745,520
Transportation	492,749,429	16,971,002	(2,868,617)	506,851,814
Culture and Recreation	66,924,967	25,950		66,950,917
Community Development	12,580,238			12,580,238
	<u>\$ 596,626,239</u>	<u>\$ 17,358,686</u>	<u>\$ (2,868,617)</u>	<u>\$ 611,116,308</u>

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

STATISTICAL SECTION

STATISTICAL SECTION

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

CONTENTS	PAGE
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	109
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	119
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	124
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	131
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	133

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities				
Net Investment in Capital Assets	\$ 384,061,630	\$ 387,123,900	\$ 381,677,955	\$ 390,657,277
Restricted	25,102,142	51,867,938	40,971,278	32,983,379
Unrestricted	10,418,490	(13,367,654)	(1,410,378)	(9,726,145)
Total Governmental Activities Net Assets	\$ 419,582,262	\$ 425,624,184	\$ 421,238,855	\$ 413,914,511
Business-type activities				
Net Investment in Capital Assets	\$ 33,492,509	\$ 33,768,176	\$ 32,459,593	\$ 31,382,013
Restricted	1,792,823	1,816,804	1,818,304	1,818,186
Unrestricted	16,231,747	14,731,511	14,119,730	12,167,184
Total Business-type Activities Net Assets	\$ 51,517,079	\$ 50,316,491	\$ 48,397,627	\$ 45,367,383
Primary Government				
Net Investment in Capital Assets	\$ 417,554,139	\$ 420,892,076	\$ 414,137,548	\$ 422,039,290
Restricted	26,894,965	53,684,742	42,789,582	34,801,565
Unrestricted	26,650,237	1,363,857	12,709,352	2,441,039
Total Primary Government Net Assets	\$ 471,099,341	\$ 475,940,675	\$ 469,636,482	\$ 459,281,894

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 388,785,477	\$ 379,669,535	\$ 371,244,438	\$ 370,565,096	\$ 383,503,226	\$ 385,016,893
34,274,504	17,206,203	23,906,586	22,736,379	25,023,536	27,542,334
(15,234,171)	16,418,211	9,730,572	9,057,417	1,122,526	477,350
<u>\$ 407,825,810</u>	<u>\$ 413,293,949</u>	<u>\$ 404,881,596</u>	<u>\$ 402,358,892</u>	<u>\$ 409,649,288</u>	<u>\$ 413,036,577</u>
\$ 30,868,062	\$ 34,441,896	\$ 33,386,797	\$ 32,781,178	\$ 33,311,903	\$ 32,010,863
1,818,204	1,744,747	1,737,858	1,737,952	1,107,309	2,487,699
9,627,346	7,221,444	6,189,164	6,165,786	4,722,850	3,525,226
<u>\$ 42,313,612</u>	<u>\$ 43,408,087</u>	<u>\$ 41,313,819</u>	<u>\$ 40,684,916</u>	<u>\$ 39,142,062</u>	<u>\$ 38,023,788</u>
\$ 419,653,539	\$ 414,111,431	\$ 404,631,235	\$ 403,346,274	\$ 416,815,129	\$ 417,027,756
36,092,708	18,950,950	25,644,444	24,474,331	26,130,845	30,030,033
(5,606,825)	23,639,655	15,919,736	15,223,203	5,845,376	4,002,576
<u>\$ 450,139,422</u>	<u>\$ 456,702,036</u>	<u>\$ 446,195,415</u>	<u>\$ 443,043,808</u>	<u>\$ 448,791,350</u>	<u>\$ 451,060,365</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Expenses				
Governmental activities:				
General government	\$ 3,347,001	\$ 3,533,678	\$ 3,351,071	\$ 1,841,391
Public safety	9,119,965	10,430,291	11,783,023	11,784,128
Transportation	8,279,686	9,854,747	14,238,533	12,126,936
Culture and recreation	5,122,716	5,188,538	5,827,113	5,893,089
Community development	7,534,045	8,805,564	9,753,475	15,313,506
Health		3,539,966	-	-
Interest on long-term debt	635,095		3,203,143	3,062,557
Total governmental activities expenses	<u>34,038,508</u>	<u>41,352,784</u>	<u>48,156,358</u>	<u>50,021,607</u>
Business-type activities:				
Sewer	4,322,383	4,977,119	5,593,652	5,995,219
Waste Management	7,582,185	8,817,281	8,825,868	8,572,856
Apple Valley Golf Club	-	-	1,276,919	3,092,747
Total business-type activities expenses	<u>11,904,568</u>	<u>13,794,400</u>	<u>15,696,439</u>	<u>17,660,822</u>
Total primary government expenses	<u>\$ 45,943,076</u>	<u>\$ 55,147,184</u>	<u>\$ 63,852,797</u>	<u>\$ 67,682,429</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	418,186	388,483	301,671	933,000
Public safety	287,931	243,106	163,165	147,533
Transportation	228,453	88,491	39,773	45,510
Culture and recreation	827,385	919,425	938,167	941,862
Community development	3,205,184	1,699,164	2,266,134	1,850,721
Operating grants and contributions	5,116,858	7,034,992	4,533,857	8,423,410
Capital grants and contributions	8,396,253	7,719,437	6,620,923	5,218,590
Total governmental activities program revenue	<u>18,480,250</u>	<u>18,093,098</u>	<u>14,863,690</u>	<u>17,560,626</u>
Business-type activities:				
Charges for services:				
Sewer	3,247,042	2,852,961	2,994,301	3,691,818
Waste Management	9,529,788	9,124,792	9,827,664	9,690,701
Apple Valley Golf Club	-	-	535,589	1,188,655
Operating grants and contributions	-	-	-	-
Capital grants and contributions	7,787,415	1,173,704	586,969	438,301
Total business-type activities program revenue	<u>20,564,245</u>	<u>13,151,457</u>	<u>13,944,523</u>	<u>15,009,475</u>
Total primary government program revenues	<u>\$ 39,044,495</u>	<u>\$ 31,244,555</u>	<u>\$ 28,808,213</u>	<u>\$ 32,570,101</u>
Net (expense)/revenue				
Governmental activities	\$ (15,558,258)	\$ (23,259,686)	\$ (33,292,668)	\$ (32,460,981)
Business-type activities	8,659,677	(642,943)	(1,751,916)	(2,651,347)
Total primary government net expense	<u>\$ (6,898,581)</u>	<u>\$ (23,902,629)</u>	<u>\$ (35,044,584)</u>	<u>\$ (35,112,328)</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,236,348	\$ 2,039,052	\$ 1,935,525	\$ 2,959,562	\$ 2,448,223	\$ 2,753,509
11,904,334	13,289,970	13,641,265	14,216,088	14,794,005	15,312,260
12,045,684	12,098,378	10,927,503	10,283,286	12,514,941	12,837,309
6,188,596	5,817,520	5,462,689	5,556,224	5,536,503	5,621,707
9,087,396	6,540,877	6,623,497	5,703,246	5,435,047	5,648,922
-					
3,057,653	1,693,798	467,624	434,622	471,578	436,627
<u>43,520,011</u>	<u>41,479,595</u>	<u>39,058,103</u>	<u>39,153,028</u>	<u>41,200,297</u>	<u>42,610,334</u>
6,576,431	6,042,959	6,443,451	6,045,017	6,272,205	6,743,527
9,402,873	9,028,518	8,951,222	9,217,206	11,709,931	12,248,550
1,978,306	1,448,041	1,231,229	1,132,898	1,066,920	1,068,588
<u>17,957,610</u>	<u>16,519,518</u>	<u>16,625,902</u>	<u>16,395,121</u>	<u>19,049,056</u>	<u>20,060,665</u>
<u>\$ 61,477,621</u>	<u>\$ 57,999,113</u>	<u>\$ 55,684,005</u>	<u>\$ 55,548,149</u>	<u>\$ 60,249,353</u>	<u>\$ 62,670,999</u>
754,552	616,694	325,417	1,077,891	1,070,307	542,621
172,376	74,159	184,118	144,673	163,039	132,477
53,300	86,071	-	-		
1,121,273	935,060	1,019,300	1,001,936	984,766	1,152,607
1,795,168	1,568,168	1,684,624	2,787,298	3,127,983	2,944,972
5,595,047	4,472,410	6,662,688	7,204,421	5,739,525	4,075,071
5,234,738	3,827,135	3,688,576	5,836,010	25,763,181	16,742,736
<u>14,726,454</u>	<u>11,579,697</u>	<u>13,564,723</u>	<u>18,052,229</u>	<u>36,848,801</u>	<u>25,590,484</u>
3,967,178	4,005,430	4,478,759	4,838,790	5,443,113	5,979,262
9,894,028	9,733,428	9,501,422	9,851,074	10,813,719	11,029,270
864,060	767,832	594,694	660,737	636,424	626,681
25,066	20,410	19,907	20,070	19,714	19,733
474,689	3,534,874	497,875	725,666	789,094	533,739
<u>15,225,021</u>	<u>18,061,974</u>	<u>15,092,657</u>	<u>16,096,337</u>	<u>17,702,064</u>	<u>18,188,685</u>
<u>\$ 29,951,475</u>	<u>\$ 29,641,671</u>	<u>\$ 28,657,380</u>	<u>\$ 34,148,566</u>	<u>\$ 54,550,865</u>	<u>\$ 43,779,169</u>
\$ (28,793,557)	\$ (29,899,898)	\$ (25,493,380)	\$ (21,100,799)	\$ (4,351,496)	\$ (17,019,850)
(2,732,589)	1,542,456	(1,533,245)	(298,784)	(1,346,992)	(1,871,980)
<u>\$ (31,526,146)</u>	<u>\$ (28,357,442)</u>	<u>\$ (27,026,625)</u>	<u>\$ (21,399,583)</u>	<u>\$ (5,698,488)</u>	<u>\$ (18,891,830)</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	5,035,277	4,825,727	4,190,359	3,816,749
Tax increment	7,350,520	10,097,187	9,469,194	7,203,291
Franchise taxes	1,215,293	1,128,946	1,461,374	1,565,696
Sales taxes	3,458,264	3,424,928	3,668,463	3,689,967
Transient occupancy taxes	21,600	15,175	10,960	9,823
Motor vehicle in-lieu	5,616,051	6,493,901	6,670,204	5,931,473
Sales tax in-lieu	1,075,221	1,220,476	1,167,513	1,189,135
Pass through revenues	189,851	417,770	563,609	488,762
Miscellaneous revenues	386,446	169,328	105,846	112,597
Unrestricted grants and contributions	23,094	19,310	9,686	11,498
Investment income	1,555,032	2,442,247	1,090,479	628,373
Transfers	284,036	792,788	499,652	489,273
Extraordinary Item	-	-	-	-
Total governmental activities	<u>26,210,685</u>	<u>31,047,783</u>	<u>28,907,339</u>	<u>25,136,637</u>
Business-type activities:				
Gain on Sale of Capital Assets				
Investment income	477,888	613,328	332,704	110,376
Transfers	(284,036)	(792,788)	(499,652)	(489,273)
Total business-type activities	<u>193,852</u>	<u>(179,460)</u>	<u>(166,948)</u>	<u>(378,897)</u>
Total primary government	<u>\$ 26,404,537</u>	<u>\$ 30,868,323</u>	<u>\$ 28,740,391</u>	<u>\$ 24,757,740</u>
Change in Net Assets				
Governmental activities	\$ 10,652,427	\$ 7,788,097	\$ (4,385,329)	\$ (7,324,344)
Business-type activities	8,853,529	(822,403)	(1,918,864)	(3,030,244)
Total primary government	<u>\$ 19,505,956</u>	<u>\$ 6,965,694</u>	<u>\$ (6,304,193)</u>	<u>\$ (10,354,588)</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
3,601,017	3,718,455	4,409,064	5,181,242	4,219,546	4,475,963
5,688,809	1,955,820	-	-	-	-
1,727,194	1,460,033	1,816,243	1,892,884	3,765,877	3,962,215
3,819,221	4,139,105	3,804,832	4,122,097	4,239,000	4,813,996
6,051	6,670	7,152	7,742	6,900	5,923
5,487,173	5,167,516	5,136,312	5,257,876	5,529,795	5,835,391
1,382,393	1,267,248	1,383,032	1,275,364	1,496,120	1,036,791
288,495	266,405	299,724	328,726	369,580	398,336
50,623	72,527	25,114	73,437	21,339	27,664
10,985	18,962	-	-	-	-
172,385	36,750	15,585	82,115	99,082	200,829
470,510	483,655	470,878	356,612	(310,261)	(349,969)
-	17,818,231	-	-	-	-
<u>22,704,856</u>	<u>36,411,377</u>	<u>17,367,936</u>	<u>18,578,095</u>	<u>19,436,978</u>	<u>20,407,139</u>
					267,679
149,328	35,674	27,896	26,493	48,967	136,058
(470,510)	(483,655)	(470,878)	(356,612)	310,261	349,969
<u>(321,182)</u>	<u>(447,981)</u>	<u>(442,982)</u>	<u>(330,119)</u>	<u>359,228</u>	<u>753,706</u>
<u>\$ 22,383,674</u>	<u>\$ 35,963,396</u>	<u>\$ 16,924,954</u>	<u>\$ 18,247,976</u>	<u>\$ 19,796,206</u>	<u>\$ 21,160,845</u>
\$ (6,088,701)	\$ 6,511,479	\$ (8,125,444)	\$ (2,522,704)	\$ 15,085,482	\$ 3,387,289
(3,053,771)	1,094,475	(1,976,227)	(628,903)	(987,764)	(1,118,274)
<u>\$ (9,142,472)</u>	<u>\$ 7,605,954</u>	<u>\$ (10,101,671)</u>	<u>\$ (3,151,607)</u>	<u>\$ 14,097,718</u>	<u>\$ 2,269,015</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>(1)</u>	<u>2010</u>
General fund					
Reserved	\$ -	\$ -	\$ 546,925		\$ 5,013
Unreserved	17,021,153	17,686,555	17,094,067		17,587,279
Nonspendable	-	-	-		-
Committed	-	-	-		-
Unassigned	-	-	-		-
Total general fund	<u>\$ 17,021,153</u>	<u>\$ 17,686,555</u>	<u>\$ 17,640,992</u>		<u>\$ 17,592,292</u>
All other governmental funds					
Reserved	\$ 14,470,360	\$ 1,255,854	\$ 1,883,553		\$ 1,313,680
Unreserved, reported in:					
Special revenue funds	3,004,014	12,048,634	11,359,223		11,529,459
Debt service funds	(304,156)	38,651,853	34,010,895		23,106,470
Capital projects funds	12,365,664	29,659,709	23,216,796		16,331,898
Nonspendable	-	-	-		-
Restricted	-	-	-		-
Committed	-	-	-		-
Assigned	-	-	-		-
Unassigned	-	-	-		-
Total all other governmental funds	<u>\$ 29,535,882</u>	<u>\$ 81,616,050</u>	<u>\$ 70,470,467</u>		<u>\$ 52,281,507</u>

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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
9,979,517	8,155,142	9,143,364	9,497,516	10,011,530	10,190,359
3,789,352	4,221,151	4,173,378	4,730,937	4,997,037	5,426,647
4,576,951	4,979,355	4,023,527	4,077,698	3,193,084	1,256,789
<u>\$ 18,345,820</u>	<u>\$ 17,355,648</u>	<u>\$ 17,340,269</u>	<u>\$ 18,306,151</u>	<u>\$ 18,201,651</u>	<u>\$ 16,873,795</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
56,188	-	-	-	-	-
46,020,428	8,997,316	9,787,783	11,420,923	16,953,992	19,121,567
11,621,638	-	-	-	-	-
-	10,936,987	10,668,700	5,516,263	5,997,123	7,943,468
(11,825,614)	(6,776,370)	(6,796,081)	(7,257,586)	(6,781,821)	(6,988,140)
<u>\$ 45,872,640</u>	<u>\$ 13,157,933</u>	<u>\$ 13,660,402</u>	<u>\$ 9,679,600</u>	<u>\$ 16,169,294</u>	<u>\$ 20,076,895</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues				
Taxes	\$ 26,950,090	\$ 33,501,685	\$ 30,939,770	\$ 27,901,025
Licenses & permits	6,854,873	3,206,675	1,887,117	1,289,438
Fines & forfeitures	332,520	304,502	256,286	677,847
Investment income	1,748,713	3,870,731	1,676,919	781,680
Intergovernmental	3,991,008	6,361,818	5,459,295	8,326,444
Charges for services	2,854,451	1,880,474	2,075,526	1,710,654
Donations	-	-	-	-
Other revenue	850,299	288,102	573,052	280,646
Total revenues	<u>43,581,954</u>	<u>49,413,987</u>	<u>42,867,965</u>	<u>40,967,734</u>
Expenditures				
General government	2,902,773	3,321,030	2,762,209	1,229,444
Public safety	9,109,124	10,352,133	11,618,591	11,659,112
Transportation	6,329,832	4,516,941	8,943,287	5,838,362
Culture and recreation	3,439,782	3,686,296	3,797,115	3,898,837
Community development	6,472,588	7,458,977	8,273,777	14,480,657
Capital outlay	13,512,547	9,589,502	12,703,815	16,891,968
Debt service				
Principal	587,956	1,557,245	1,701,616	1,839,827
Interest	603,772	3,220,495	3,166,831	3,011,497
Pass-Through Agreements	-	1,341,736	1,329,805	844,963
Debt issue costs	1,012,494	1,036,953	-	-
Total expenditures	<u>43,970,868</u>	<u>46,081,308</u>	<u>54,297,046</u>	<u>59,694,667</u>
Excess of revenues over (under) expenditures	(388,914)	3,332,679	(11,429,081)	(18,726,933)
Other financing sources (uses)				
Transfers in	6,268,509	12,682,479	9,058,685	21,672,848
Transfers out	(5,984,473)	(11,889,691)	(8,559,033)	(21,183,575)
Transfer to Agency Fund	-	-	(261,717)	-
Sale of General Capital Assets	-	-	-	-
Bond proceeds	9,067,464	48,585,000	-	-
Premium on bonds	(284,905)	35,102	-	-
Extraordinary Item	-	-	-	-
Total other financing sources (uses)	<u>9,066,595</u>	<u>49,412,890</u>	<u>237,935</u>	<u>489,273</u>
Net change in fund balances	<u>\$ 8,677,681</u>	<u>\$ 52,745,569</u>	<u>\$ (11,191,146)</u>	<u>\$ (18,237,660)</u>
Debt service as a percentage of noncapital expenditures	3.9%	14.9%	13.1%	12.4%

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 24,454,747	\$ 20,307,062	\$ 19,524,883	\$ 20,401,643	\$ 22,007,021	\$ 22,906,610
1,349,630	1,080,599	1,413,639	1,584,330	1,705,568	2,088,379
293,531	597,178	528,634	433,059	526,148	425,242
306,145	92,542	46,817	69,501	135,109	419,495
6,988,774	5,237,601	6,390,365	8,328,130	28,973,991	18,420,143
2,036,857	1,579,416	1,639,329	2,364,139	2,426,926	2,319,147
-	-	-	-	-	384,351
1,032,654	1,149,386	526,816	1,646,665	636,328	671,056
<u>36,462,338</u>	<u>30,043,784</u>	<u>30,070,483</u>	<u>34,827,467</u>	<u>56,411,091</u>	<u>47,634,423</u>
852,315	1,191,810	985,108	2,087,450	2,321,569	2,727,578
11,470,972	12,719,721	13,086,421	13,665,192	14,245,900	14,762,067
4,253,987	4,030,616	4,212,159	3,824,404	4,251,474	4,366,489
4,198,051	3,761,328	3,323,046	3,410,848	3,415,117	3,533,074
8,378,965	6,210,336	6,139,876	5,479,433	4,984,076	5,259,833
7,863,918	1,592,445	847,568	8,576,979	23,627,650	12,495,630
1,902,963	952,370	989,533	1,060,131	1,036,250	1,087,000
3,007,047	1,689,990	470,560	444,426	441,990	473,038
659,969	-	-	-	-	-
-	-	-	-	-	-
<u>42,588,187</u>	<u>32,148,616</u>	<u>30,054,271</u>	<u>38,548,863</u>	<u>54,324,026</u>	<u>44,704,709</u>
(6,125,849)	(2,104,832)	16,212	(3,721,396)	2,087,065	2,929,714
12,158,838	1,968,354	2,428,336	3,199,457	2,357,577	2,500,304
(11,688,328)	(1,484,669)	(1,957,458)	(2,842,845)	(2,667,838)	(2,850,273)
-	-	-	-	-	-
-	-	-	349,864	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(31,265,732)	-	-	-	-
<u>470,510</u>	<u>(30,782,047)</u>	<u>470,878</u>	<u>706,476</u>	<u>(310,261)</u>	<u>(349,969)</u>
<u>\$ (5,655,339)</u>	<u>\$ (32,886,879)</u>	<u>\$ 487,090</u>	<u>\$ (3,014,920)</u>	<u>\$ 1,776,804</u>	<u>\$ 2,579,745</u>
15.2%	9.3%	5.7%	5.8%	5.2%	5.2%

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Vacant Land
2007	3,702,610,075	218,826,360	85,520,475	422,316,489
2008	4,400,289,170	244,221,927	91,173,729	510,056,236
2009	4,427,159,519	370,595,628	104,193,318	527,756,171
2010	3,727,991,951	451,912,848	109,259,356	508,707,791
2011	3,287,296,617	465,526,817	111,617,208	430,839,207
2012	3,266,196,822	480,536,311	105,788,103	411,335,510
2013	3,260,215,571	492,907,447	103,795,831	387,455,911
2014	3,402,497,481	497,709,903	104,897,941	378,715,488
2015	3,663,250,402	489,745,796	102,938,558	368,381,804
2016	3,926,314,702	498,277,093	107,174,307	360,835,990

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 2015/2016 Combined Tax Rolls

<u>Unsecured</u>	<u>Other</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
118,624,490	63,047,232	-	4,610,945,121	1.00000%
129,233,682	71,450,735	-	5,446,425,479	1.00000%
154,190,423	87,406,824	-	5,671,301,883	1.00000%
169,846,550	80,709,595	-	5,048,428,091	1.00000%
173,885,410	82,348,845	-	4,551,514,104	1.00000%
164,165,317	91,203,867	-	4,519,225,930	1.00000%
158,196,900	87,813,270	-	4,490,384,930	1.00000%
144,579,258	74,060,067	-	4,602,460,138	1.00000%
135,086,868	82,725,994	-	4,842,129,422	1.00000%
133,605,042	84,690,200	-	5,110,897,334	1.00000%

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Town Direct Rates:										
Town Basic Rate	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438
A V Fire Protection District	0.09263	0.09263	0.09263	0.09263	0.09263	0.09263	0.09263	0.09263	0.09263	0.09263
Apple Valley Unified	0.31078	0.31079	0.31079	0.31079	0.31079	0.31079	0.31079	0.31079	0.31079	0.31079
County Free Library	0.01431	0.01431	0.01431	0.01431	0.01431	0.01431	0.01431	0.01431	0.01431	0.01431
San Bernardino County	0.14778	0.14778	0.14778	0.14778	0.14778	0.14778	0.14778	0.14778	0.14778	0.14778
County Superintendent	0.01006	0.01006	0.01006	0.01006	0.01006	0.01006	0.01006	0.01006	0.01006	0.01006
Csa 60 Victorville	0.01024	0.01024	0.01024	0.01024	0.01024	0.01024	0.01024	0.01024	0.01024	0.01024
Education Revenue Aug Fund	0.22378	0.22378	0.22378	0.22378	0.22378	0.22378	0.22378	0.22378	0.22378	0.22378
Flood Control Admin 3-6	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089
Flood Control Zone 4	0.02335	0.02335	0.02335	0.02335	0.02335	0.02335	0.02335	0.02335	0.02335	0.02335
Mojave Desert Resource Conservation District	0.00013	0.00013	0.00013	0.00013	0.00013	0.00013	0.00013	0.00013	0.00013	0.00013
Mojave Water Agency	0.00526	0.00526	0.00526	0.00526	0.00526	0.00526	0.00526	0.00526	0.00526	0.00526
Victor Valley Com. College	0.06641	0.06641	0.06641	0.06641	0.06641	0.06641	0.06641	0.06641	0.06641	0.06641
Total Direct Tax Rate	1.00000									
Overlapping Rates:										
Apple Valley Unified	0.03030	0.02470	0.02550	0.02760	0.03870	0.03740	0.03910	0.03730	0.03550	0.03450
Mojave Water Agency - Land Only	0.11250	0.11250	0.11250	0.11250	0.11250	0.11250	0.11250	0.11250	0.11250	0.11250
Mojave Water Agency	0.05500	0.05500	0.05500	0.05500	0.05500	0.05500	0.05500	0.05500	0.05500	0.05500
Oro Grande Elementary Bond	0.06930	0.02640	0.01550	0.02110	0.03440	0.03480	0.03810	0.03770	0.03790	0.03780
Victor High School Bond	0.01850	0.01620	0.01670	0.05250	0.05740	0.06190	0.07680	0.07920	0.07700	0.07160
Victor Valley Community College Bond	-	-	-	0.01990	0.03060	0.02530	0.02740	0.02640	0.02620	0.01970
Total Voter Approved Rate	0.28560	0.23480	0.22520	0.28860	0.32860	0.32690	0.34890	0.34810	0.34410	0.33110
Total Direct and Overlapping Rates	1.28560	1.23480	1.22520	1.28860	1.32860	1.32690	1.34890	1.34810	1.34410	1.33110

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.

Overlapping rates are those of local and county governments that apply to property owners within the Town. Not all overlapping rates apply to all Town property owners.

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.

Source: San Bernardino County Assessor 2006/07 - 2015/16 Tax Rate Table as summarized by HdL Coren & Cone

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

<u>Taxpayer</u>	<u>2016</u>		<u>2007</u>	
	<u>Taxable Assessed Value</u>	<u>Percent of Total Town Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total Town Taxable Assessed Value</u>
Wal-Mart Stores, Inc.	\$ 94,166,848	1.84%	\$ -	
WRI Alliance Riley Venture	65,621,667	1.28%	-	
Apple Valley Rancho Water Company	46,331,879	0.91%	31,904,252	0.69%
Target Corporation	33,020,031	0.65%	-	
Apple Valley Commons I, LLC	28,737,538	0.56%	-	
Carl E Ross Living Trust	20,972,201	0.41%	-	
Winco Foods LLC	14,545,659	0.28%	-	
Apple Valley Square Center, LLC	14,508,721	0.28%	-	
Winterfell Rock Spring Ca	14,085,505	0.28%	-	
MHC Los Ranchos LP	12,221,941	0.24%		
Wal-Mart Stores East LP			99,536,084	2.16%
Pulte Home Corporation			46,891,710	1.02%
Heavy Lift Helicopters Inc			16,973,746	0.37%
Western land Properties			12,476,130	0.27%
21602 Bear Valley L P			10,606,536	0.23%
Cambridge Homes Inc			10,497,443	0.23%
Target Stores			10,285,818	0.22%
Lowes HIW Inc			10,012,690	0.22%
Los Ranchos FSPE LLC			9,915,012	0.22%
	<u>\$ 344,211,990</u>	<u>6.73%</u>	<u>\$ 259,099,421</u>	<u>5.62%</u>

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

Source: San Bernardino County Assessor 2006/07 and 2015/16 Combined Tax Rolls as summarized by HdL Coren & Cone

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

Fiscal Year Ended June 30	Taxes Levied (2) for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date (1)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	4,005,347	4,005,347	100.00%	-	4,005,347	100.00%
2008	4,579,518	4,579,518	100.00%	-	4,579,518	100.00%
2009	4,120,024	4,120,024	100.00%	-	4,120,024	100.00%
2010	3,772,351	3,772,351	100.00%	-	3,772,351	100.00%
2011	3,502,562	3,502,562	100.00%	-	3,502,562	100.00%
2012	3,307,004	3,307,004	100.00%	-	3,307,004	100.00%
2013	3,324,933	3,324,933	100.00%	-	3,324,933	100.00%
2014	3,430,461	3,430,461	100.00%	-	3,430,461	100.00%
2015	3,670,369	3,670,369	100.00%	-	3,670,369	100.00%
2016	4,137,907	4,137,907	100.00%	-	4,137,907	100.00%

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

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

Source: HdL Coren & Cone, San Bernardino County Assessor 2015/16 Combined Tax Rolls

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

Fiscal Year	Governmental Activities			
	Certificates of Participation	Tax Allocation Bonds	Lease Revenue Bonds	Capital Lease Payable
2007	6,162,000	16,860,000	-	134,879
2008	17,065,750	53,005,000	-	123,884
2009	16,280,750	52,090,000	-	112,268
2010	15,403,250	51,140,000	-	99,997
2011	14,498,250	50,155,000	-	87,034
2012	13,560,750 (1)	-	-	72,164
2013	12,515,416	-	-	57,631
2014	11,515,846	-	-	-
2015	2,077,000 (2)	-	8,405,526 (2)	-
2016	1,480,000	-	7,918,456	-

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

- (1) As of January 31, 2012, Tax Allocation Bonds were transfers to the Successor Agency of the Redevelopment Agency of the Town of Apple Valley.
- (2) As of June 30, 2015, Lease Revenue Bonds are presentated separately from Certificates of Participation.

Business-type Activities

Certificates of Participation	Special Assessment Bonds	Installment Purchase Agreement	Total Primary Government	Percentage of Personal Income	Per Capita
593,000	4,715,000	2,518,958	30,983,837	2130.30%	443
534,250	3,750,000	2,366,250	76,845,134	5274.75%	1,104
474,250	3,410,000	2,210,205	74,577,473	5211.22%	1,069
411,750	3,015,000	2,048,958	72,118,955	5039.43%	1,034
346,750	2,579,700	1,880,625	69,547,359	4622.53%	993
279,250	2,130,000	1,706,458	17,748,622	1175.15%	253
209,250	1,650,000	1,522,708	15,955,005	1005.41%	227
136,750	1,135,000	1,331,458	14,119,054	889.71%	200
63,000	-	1,131,875	11,677,401	729.42%	165
-	-	920,448	10,318,904	621.16%	138

Town of Apple Valley
Ratios of General Bonded Debt Outstanding
Last Ten 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>
2007	16,860,000	16,860,000	0.37%	241
2008	53,005,000	53,005,000	0.97%	761
2009	52,090,000	52,090,000	0.92%	747
2010	51,140,000	51,140,000	1.01%	730
2011	50,155,000	50,155,000	1.10%	716
2012 (1)	-	-	0.00%	0
2013	-	-	0.00%	0
2014	-	-	0.00%	0
2015	-	-	0.00%	0
2016	-	-	0.00%	0

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

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

**Town of Apple Valley
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Tax and Assessment Debt:			
Mojave Water Agency	\$ 10,405,000	16.5290%	\$ 1,719,842
Victor Valley Joint Community College District	138,214,490	19.2090%	26,549,621
Victor Valley Union High School District	115,824,205	0.0002%	232
Apple Valley Unified School District	27,748,758	84.4420%	23,431,606
Oro Grande School District	207,900	0.0060%	12
Town of Apple Valley 1915 Act Bonds	1,465,000	100.0000%	1,465,000
Direct and Overlapping General Fund Debt:			
San Bernardino County General Fund Obligations	435,550,000	2.7210%	11,851,316
San Bernardino County Pension Obligations	419,370,824	2.7210%	11,411,080
San Bernardino County Flood Control General Fund Obligations	78,165,000	2.7210%	2,126,870
Victor Valley Union High School District Certificates of Participation	26,895,000	0.0002%	54
Apple Valley Unified School District Certificates of Participation	2,970,000	84.4420%	2,507,927
Hesperia Unified School District Certificates of Participation	96,945,000	0.0020%	1,939
Oro Grande School District Certificates of Participation	39,665,000	0.0060%	2,380
Overlapping Tax Increment Debt:	353,549,925	13.900-100%	<u>86,467,071</u>
Subtotal, Overlapping Debt			167,534,950
Town Direct Debt	9,398,456	100.0000%	<u>9,398,456</u>
Total Direct and Overlapping Debt			<u><u>\$ 176,933,406</u></u>

Notes:

The percentage of overlapping debt applicable to the town is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the town divided by the district's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town. This process recognizes that, when considering the Town'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 tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: San Bernardino County Assessor and Auditor
Source - MuniServices, LLC

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assessed valuation	4,610,716,666	5,445,989,305	5,670,597,064	5,048,428,091
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,152,679,167	1,361,497,326	1,417,649,266	1,262,107,023
Debt limit percentage	15%	15%	15%	15%
Debt limit	172,901,875	204,224,599	212,647,390	189,316,053
Total net debt applicable to limit: Certificates of Participation	<u>6,755,000</u>	<u>17,590,000</u>	<u>16,755,000</u>	<u>15,815,000</u>
Legal debt margin	<u><u>166,146,875</u></u>	<u><u>186,634,599</u></u>	<u><u>195,892,390</u></u>	<u><u>173,501,053</u></u>
Total debt applicable to the limit as a percentage of debt limit	3.9%	8.6%	7.9%	8.4%

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 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 2015/2016 Combined Tax Rolls

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
4,551,514,104	4,519,225,930	4,490,384,930	4,602,460,138	4,842,129,422	5,110,897,334
25%	25%	25%	25%	25%	25%
1,137,878,526	1,129,806,483	1,122,596,233	1,150,615,035	1,210,532,356	1,277,724,334
15%	15%	15%	15%	15%	15%
170,681,779	169,470,972	168,389,435	172,592,255	181,579,853	191,658,650
<u>14,845,000</u>	<u>13,840,000</u>	<u>12,795,000</u>	<u>11,720,000</u>	<u>10,545,526</u>	<u>9,398,456</u>
<u><u>155,836,779</u></u>	<u><u>155,630,972</u></u>	<u><u>155,594,435</u></u>	<u><u>160,872,255</u></u>	<u><u>171,034,327</u></u>	<u><u>182,260,194</u></u>
8.7%	8.2%	7.6%	6.8%	5.8%	4.9%

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

Special Assessment Bonds							
Fiscal Year	Gross Revenues (1)	Gross Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2007	4,231,588	2,705,872	1,525,716	607,500	386,338	993,838	153.52%
2008	3,474,982	3,332,796	142,186	1,023,750	301,310	1,325,060	10.73%
2009	3,814,764	3,607,565	207,199	400,000	247,590	647,590	32.00%
2010	4,197,645	3,464,210	733,435	457,500	215,977	673,477	108.90%
2011	4,554,042	5,091,496	(537,454)	500,300	186,642	686,942	-78.24%
2012	4,373,054	4,120,838	252,216	517,200	152,559	669,759	37.66%
2013	4,986,754	4,577,695	409,059	550,000	157,759	707,759	57.80%
2014	5,212,465	4,257,723	954,742	587,500	84,394	671,894	142.10%
2015	6,173,964	4,935,413	1,238,551	1,208,750	30,866	1,239,616	99.91%
2016	6,629,550	4,955,087	1,674,463	63,000	14	63,014	2657.29%

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**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income In Thousands</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
2006	67,276	1,361,200	20,233	5.30%
2007	69,941	1,454,437	20,795	6.10%
2008	69,622	1,456,850	20,925	8.70%
2009	69,748	1,431,094	20,518	14.30%
2010	70,040	1,504,529	21,481	15.60%
2011	70,033	1,510,332	21,566	14.40%
2012	70,436	1,586,923	22,530	10.50%
2013	70,755	1,572,742	22,228	9.10%
2014	70,687	1,600,919	22,648	8.60%
2015	74,656	1,661,227	22,251	6.90%

1) Population Source: California State Department of finance

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

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

Source: Hdl, Coren & Cone

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

Employer	2016			2007		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Apple Valley Unified School District	1,800	1	7.14%	1,770	1	6.76%
St. Mary Regional Medical Center	1,660	2	6.59%	1,350	2	5.16%
Wal-Mart Distribution Center	1,001	3	3.97%	1,100	3	4.20%
Target Stores	547	4	2.17%	402	4	1.54%
Wal-Mart Stores	210	5	0.83%	276	6	1.05%
Stater Brothers Market	151	7	0.60%	292	5	
WinCo Foods	136	8	0.54%			
Apple Valley Post Acute Center	135	9	0.54%	-		
The Home Depot	120	10	0.48%	115	10	0.44%
Town of Apple Valley ¹	105	6	0.42%	117	9	0.45%
Lowes				170	7	0.65%
Apple Valley Christian Center				140	8	0.53%

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

¹ Does not include part-time employment

Source: CA Employment Development Department (EDD)

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

<u>Function</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government	33	34	33	33	35	35	35	36	37	36
Public Safety	40	39	35	30	34	35	34	41	44	44
Economic Development	7	7	9	9	10	9	3	1	2	2
Public Works/Wastewater	14	13	14	21	20	23	20	18	20	38
Community Development	9	8	12	12	13	11	12	13	15	15
Parks & Recreation	124	118	109	107	109	116	116	116	107	112
Total	227	219	212	212	221	229	220	225	225	247

Source: Town of Apple Valley

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police:			
Arrests	1,996	2,009	1,952
Parking citations issued	57	78	78
Public works:			
Street resurfacing (miles)	52.92	48.10	65.28
Parks and recreation:			
Number of recreation classes	499	483	552
Number of indoor facility rentals	4,713	4,086	3,925
Number of outdoor facility rentals	6,896	5,704	8,244
Sewer:			
New connections	829	576	327
Average daily sewage treatment (thousands of gallons)	1567	1930	1919

Source: Town of Apple Valley

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1,937	1,927	2,164	2,145	1,868	2,540	2,734
93	203	114	165	235	101	63
5.97	1.30	2.00	2.00	2.00	2.50	22.00
584	513	554	659	531	546	558
3,886	3,628	3,373	3,537	3,561	3,524	3,158
7,636	8,406	8,893	8,328	8,623	8,750	9,312
180	134	61	108	122	112	134
1670	1814	1656	1679	1677	1680	1738

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public works:					
Streets (miles)	417.17	422.71	422.71	422.71	422.71
Streetlights	628	628	628	628	628
Traffic signals	17	21	22	22	22
Parks and recreation:					
Parks	14	13	13	13	13
Community centers	2	2	2	2	3
Wastewater:					
Sanitary sewers (miles)	140	142	142	142	142
Storm drains (miles)	1	2	2	2	2
Number of Service Connections	12,313	13,179	13,506	13,686	13,820

Source: Town of Apple Valley

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
422.71	422.71	422.71	422.71	422.71
629	629	629	629	629
24	24	24	24	26
12	12	12	12	12
3	3	3	3	3
142	142	142	142	142
2	2	2	2	2
13,881	13,989	14,111	14,223	14,357