

TOWN OF APPLE VALLEY, CALIFORNIA

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2022

Prepared by
Finance Department

**Town of Apple Valley, California
Annual Financial Statements
Year Ended June 30, 2022**

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FINANCIAL SECTION



Independent Auditor’s Report

The Honorable Town Council
 Town of Apple Valley, California

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

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 (Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-type Activities	Unmodified
General Fund	Unmodified
Street Maintenance Special Revenue Fund	Unmodified
Capital Projects Fund	Unmodified
Measure I Capital Projects Fund	Unmodified
Town Hall Annex Debt Service Fund	Unmodified
Sewer Enterprise Fund	Qualified
Solid Waste Management Enterprise Fund	Qualified
Apple Valley Golf Course Enterprise Fund	Unmodified
Apple Valley Choice Energy Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinions on the Sewer and Solid Waste Management Enterprise Funds

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Sewer and Solid Waste Management Enterprise Funds of the Town of Apple Valley, as of June 30, 2022, and the 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.

Unmodified Opinions on Governmental Activities, Business-type Activities, Governmental Funds: General Fund, Street Maintenance, Capital Projects, Measure I, Town Hall Annex, Enterprise Funds: Apple Valley Golf Course and Apple Valley Choice Energy, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-type Activities, Governmental Funds: General Fund, Street Maintenance, Capital Projects, Measure I, Town Hall Annex, Enterprise Funds: Apple Valley Golf Course and Apple Valley Choice Energy, and the aggregate remaining fund information of the Town of Apple Valley, as of

Van Lant & Fankhanel, LLP

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June 30, 2022, 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.

Basis for Qualified and Unmodified Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on the Sewer and Solid Waste Management Enterprise Funds

Management has not reconciled the customer accounts receivable balances in the general ledger to the subsidiary customer account ledger in the Sewer and Solid Waste Management Enterprise Funds as of June 30, 2022. We were unable to confirm or verify by alternative means the financial statement amounts for accounts receivable balances in these funds. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary for the amounts included in the statement of net position and statement of revenues, expenses and changes in net position.

Responsibilities of Management 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, and for 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 error or fraud.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining statements and budget schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining statements, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2024, 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 compliance.

Van Lant & Fankhaed, LLP

August 12, 2024

**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows on June 30, 2022 by \$405 million (net position). Of this amount, \$4.82 million (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$5.66 million from the prior fiscal year's total of \$410.70 million. This includes a change in net position of (\$0.48) million and a prior period adjustment of (\$5.18) million.
- As of June 30, 2022, the Town's governmental funds reported combined ending fund balances of \$40.30 million, an increase of \$8.58 million in comparison with the prior fiscal year.
- At the end of fiscal year 2021-22, unassigned fund balance for the general fund was \$13.36 million, or 41.63% of total general fund expenditures.
- The Town of Apple Valley's total outstanding long-term liabilities for Governmental and Business-type Activities decreased by \$3.91 million or 11.81%, during fiscal year 2021-22. The decrease is primarily due to changes in the Town's Net Pension Liability.

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 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.

**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONT'D

Government-Wide Financial Statements - Cont'd

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 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, leisure golf at the Apple Valley Golf Course, and Community Choice Aggregation (CCA) through Apple Valley Choice Energy (AVCE).

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 17 - 19 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 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 21 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, Transportation Development Act, Measure I fund, and Capital Projects fund, all of which are considered to be major funds. Data from the other seventeen 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 governmental fund financial statements can be found on pages 22 – 24 of this report.

**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS - CONT'D

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, leisure golf at the Apple Valley Golf Course, and CCA through AVCE.

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, Golf Course and AVCE funds. All the Proprietary funds are considered major funds of the Town.

The basic proprietary fund financial statements can be found on pages 26 - 28 of this report.

Fiduciary funds.

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 29 - 30.

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 33 - 63 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to Pension and OPEB, as well as providing budgetary comparison schedules for the General Fund, Transportation Development Act Fund, Measure I Fund, and Capital Project Fund. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position 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 \$405. million at the close of the most recent fiscal year.

**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONT'D

FOR THE YEAR ENDED JUNE 30, 2022

Town of Apple Valley's Net Position

	Activities					
	Governmental		Business-type		Total	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and Other						
Assets	\$ 52,342,829	\$ 40,409,140	\$ 29,904,565	\$ 17,609,988	\$ 82,247,394	\$ 58,019,128
Capital assets	353,731,520	360,177,238	29,569,322	29,939,244	383,300,842	390,116,482
Deferred outflows of resources	4,907,269	3,150,656	486,310	238,540	5,393,579	3,389,196
Total assets and deferred outflows of resources	410,981,618	403,737,034	59,960,197	47,787,772	470,941,815	451,524,806
LIABILITIES						
Other current liabilities	12,705,650	4,070,214	11,514,448	1,996,087	24,220,098	6,066,301
Long-term liabilities	27,850,818	31,528,690	1,345,599	1,579,442	29,196,417	33,108,132
Deferred inflows of resources	11,413,658	1,565,161	1,070,036	83,730	12,483,694	1,648,891
Total liabilities and deferred inflows of resources	51,970,126	37,164,065	13,930,083	3,659,259	65,900,209	40,823,324
NET POSITION						
Net investment in capital assets	347,678,303	352,957,973	29,398,469	29,681,073	377,076,772	382,639,046
Restricted	19,502,429	15,104,873	3,646,818	4,107,083	23,149,247	19,211,956
Unrestricted	(8,169,240)	(1,489,877)	12,984,827	10,340,357	4,815,587	8,850,480
Total net position	\$ 359,011,492	\$ 366,572,969	\$ 46,030,114	\$ 44,128,513	\$ 405,041,606	\$ 410,701,482

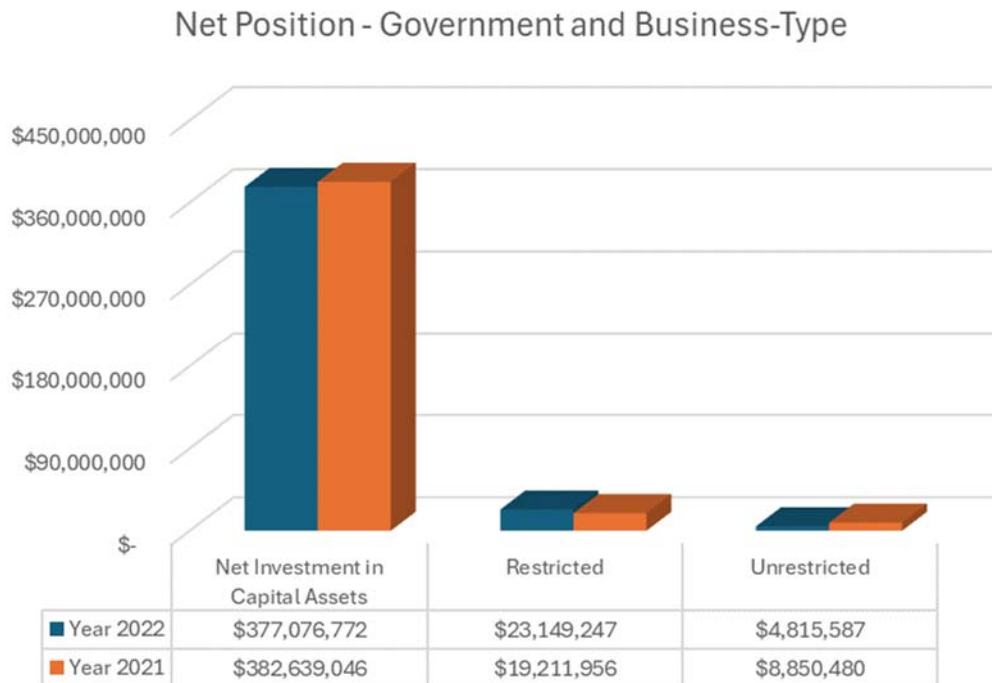
The largest portion of the Town's net position, 93.1%, reflects its investment in capital assets (e.g. Land, Construction in progress, structures and improvements, furniture and equipment, trucks and automobiles, collector lines, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, the costs associated with acquiring 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, 5.7%, represents resources that are subject to re-categorization. The remaining balance of unrestricted net position, 1.2%, may be used to meet the government's ongoing obligations to citizens and creditors.

**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONT'D

At the end of the current fiscal year, the Town reports positive balances in Net investment in capital assets and Restricted Net Position for the government as a whole and for its separate governmental and business-type activities. Governmental Activities reported a negative Unrestricted net position of \$8.17 million, which was driven by a significant increase in pension's deferred inflows of resources.



Governmental activities

Governmental activities decreased the Town's beginning net position by \$7.56 million or 2.06%. This includes a change in net position of negative \$1.83 million, and the restatement of the beginning net position by negative \$5.73 million. The key element of this decrease is the restatement of unearned revenue previously reported as revenue.

The largest portion of the governmental activities' net position, 96.84%, reflects its investment in capital assets (e.g. Land, Construction in progress, structures and improvements, furniture and equipment, trucks and automobiles, collector lines, and infrastructure); less any related debt used to acquire those assets that is still outstanding.

**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONT'D

Governmental activities – Cont'd

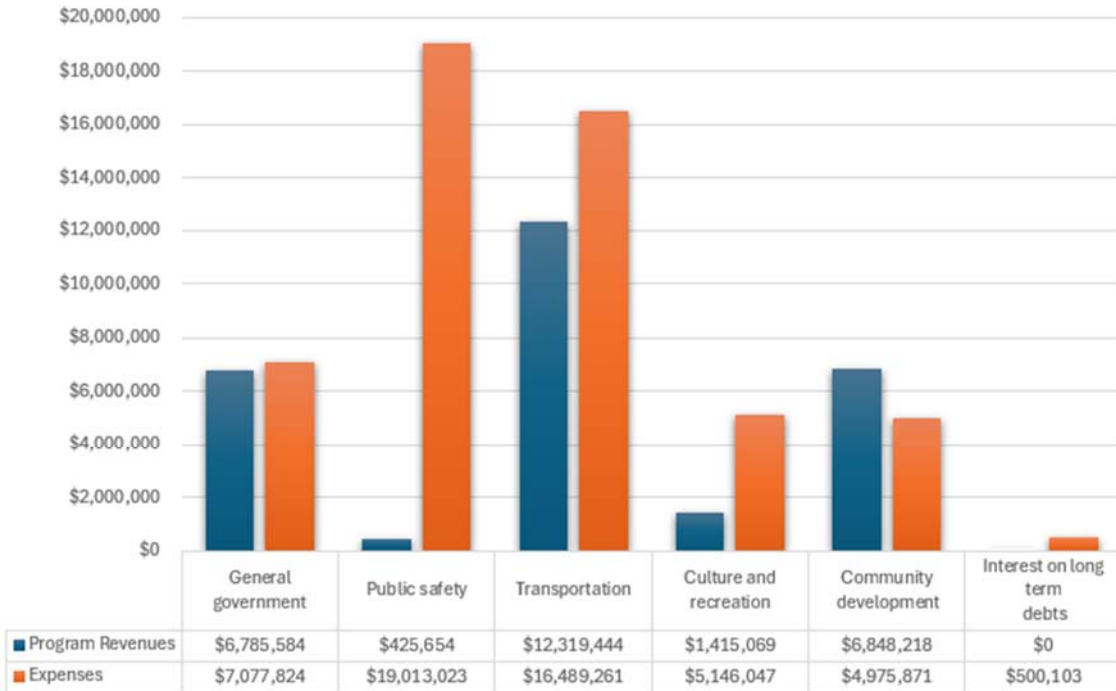
	Town of Apple Valley's Changes in Net Position					
	<i>Activities</i>					
	Governmental		Business-type		Total	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues:						
Charges for services	\$ 6,181,506	\$ 9,957,067	\$ 43,622,813	\$ 37,156,220	\$ 49,804,319	\$ 47,113,287
Operating grants & contributions	10,670,011	11,630,355	12,616	10,121	10,682,627	11,640,476
Capital grants & contributions	10,942,452	5,966,782	-	677,340	10,942,452	6,644,122
General Revenue:						
Property taxes	7,372,587	6,111,022	-	-	7,372,587	6,111,022
Other taxes	13,664,800	14,969,574	-	-	13,664,800	14,969,574
Motor Vehicle in-Lieu	8,078,040	7,620,871	-	-	8,078,040	7,620,871
Pass Through Revenues	-	1,045,479	-	-	-	1,045,479
Miscellaneous Revenues	8,893	10,431	-	1,190,024	8,893	1,200,455
Investment Income	(515,363)	75,711	195,481	67,914	(319,882)	143,625
Total Revenues	56,402,926	57,387,292	43,830,910	39,101,619	100,233,836	96,488,911
EXPENDITURES						
General government	7,077,824	11,071,273	-	-	7,077,824	11,071,273
Public safety	19,013,023	19,248,894	-	-	19,013,023	19,248,894
Transportation	16,489,261	14,486,233	-	-	16,489,261	14,486,233
Culture and recreation	5,146,047	4,316,121	-	-	5,146,047	4,316,121
Community Development	4,975,871	5,764,944	-	-	4,975,871	5,764,944
Interest on long term debts	500,103	313,402	-	-	500,103	313,402
Apple Valley Choice Energy	-	-	24,908,917	18,553,925	24,908,917	18,553,925
Golf Course	-	-	1,408,146	1,024,501	1,408,146	1,024,501
Sewer	-	-	8,263,305	7,271,126	8,263,305	7,271,126
Waste Management	-	-	12,929,188	14,267,233	12,929,188	14,267,233
Total Expenses	53,202,129	55,200,867	47,509,556	41,116,785	100,711,685	96,317,652
Change in Net Position before Transfers	3,200,797	2,186,425	(3,678,646)	(2,015,166)	(477,849)	171,259
Transfers	(5,028,713)	(110,000)	5,028,713	110,000	-	-
Change in net position	(1,827,916)	2,076,425	1,350,067	(1,905,166)	(477,849)	171,259
Net position - beginning	366,572,969	369,922,863	44,128,513	46,033,679	410,701,482	415,956,542
Restatement	(5,733,561)	(5,426,319)	551,534	-	(5,182,027)	(5,426,319)
Net position - beginning, restated	360,839,408	364,496,544	44,680,047	46,033,679	405,519,455	410,530,223
Net position, ending	\$ 359,011,492	\$ 366,572,969	\$ 46,030,114	\$ 44,128,513	\$ 405,041,606	\$ 410,701,482

**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

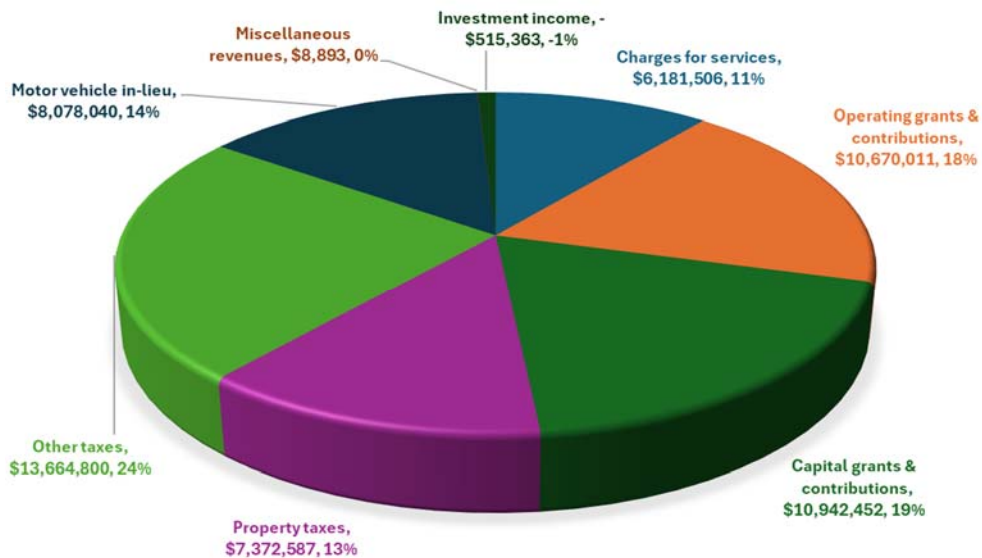
GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONT'D

Governmental activities – Cont'd

Program Revenues & Expenses - Governmental Activities



REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES



**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

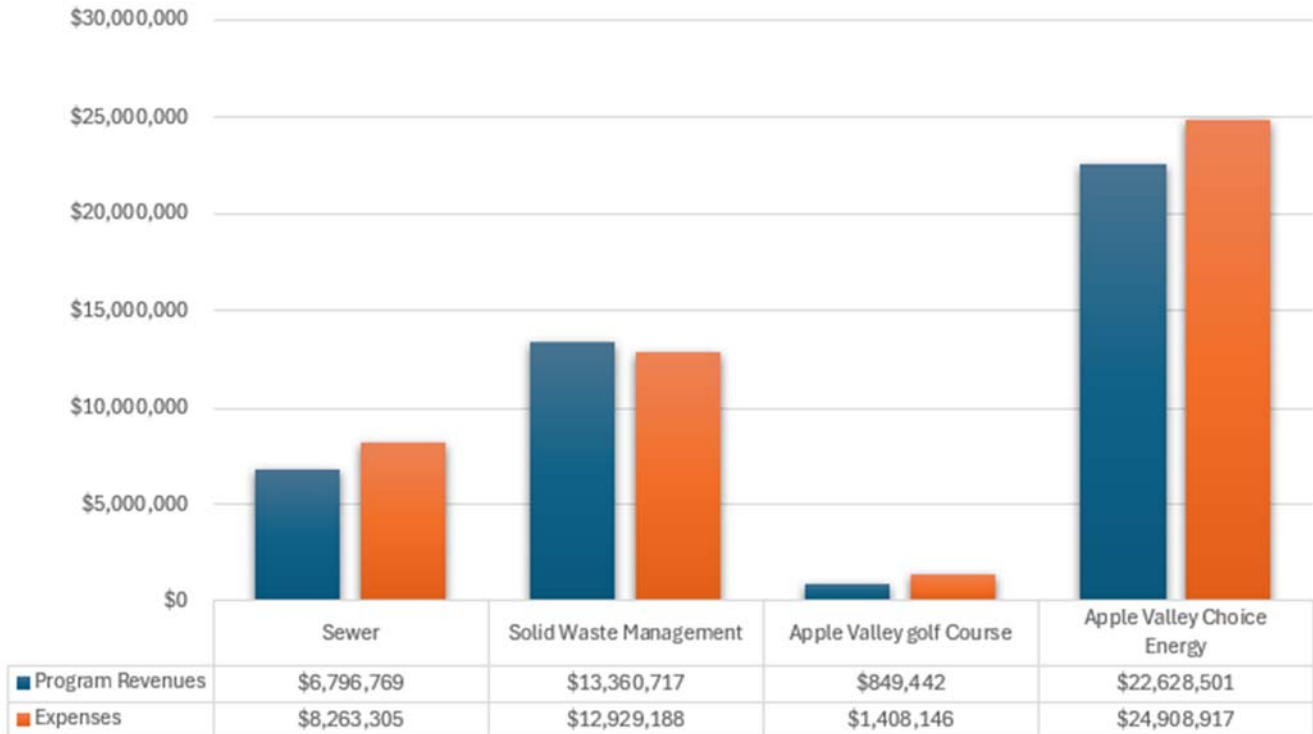
GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONT'D

Business-type activities

Business-type activities increased the Town's beginning net position by \$1,901,601. Key elements of this increase are as follows:

- The Sewer fund's net position decreased by \$462,498 this fiscal year. This was mainly due to an increase in operating expenses, particularly in the salaries and benefits category.
- The Solid Waste Management fund's net position increased by \$556,951. This was mainly due to an increase in charges for services.
- The Apple Valley Golf Course fund's net position increased by \$3,536,030. This is due to transfers-in from the General Fund to support Golf Course activities.
- The Apple Valley Choice Energy fund's net position decreased by \$2,280,416. This was mainly due to an increase in the cost of power procurement.
- Prior period adjustments of \$551,534. This is due to adjustments to prior year receivables and cash of \$1,055,495, and adjustments to report OPEB allocations not reported in prior year of negative \$470,961.

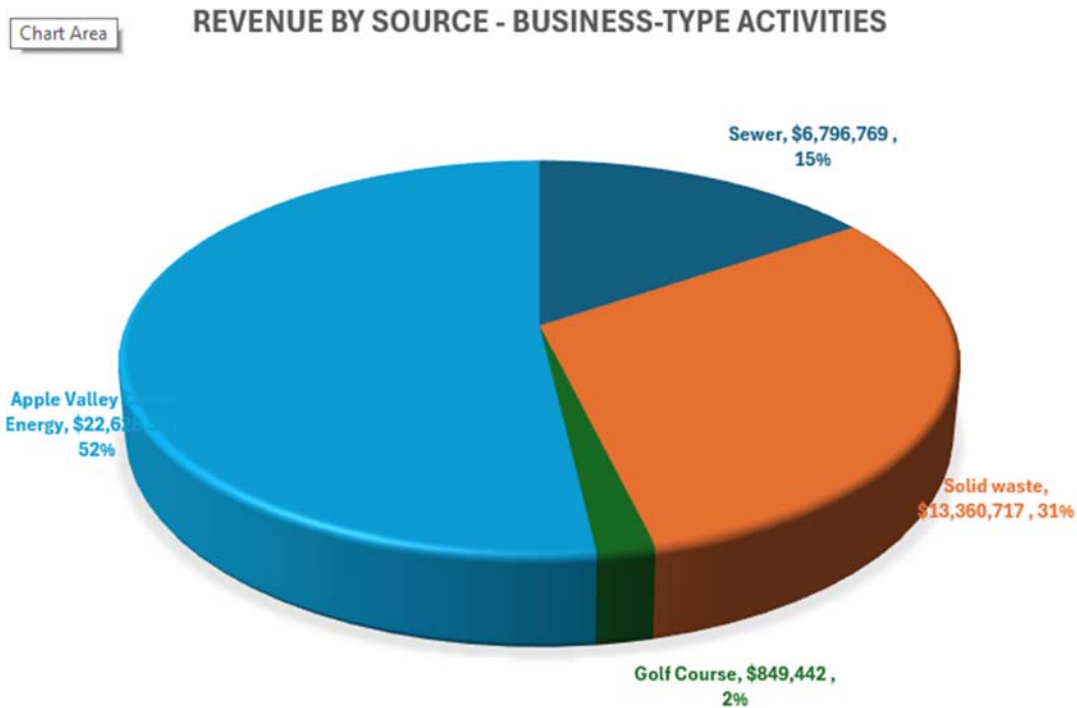
Program Revenues & Expenses - Business-Type Activities



**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONT'D

Business-type activities – cont'd



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 \$40,300,478, an increase of \$8,373,325 compared to the prior fiscal year. Approximately 43.6% of this total amount - \$17,563,256 - constitutes unassigned and assigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance - \$22,737,222 is either restricted or non-spendable.

**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS – CONT'D

Governmental funds – Cont'd

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the General Fund balance amounted to \$13,605,171. Of this amount, \$13,358,846 was unassigned fund balance. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 41.6% of total general fund expenditures. The fund balance of the Town's General Fund increased by \$3,697,343 during the current fiscal year. The increase was mainly due to the receipt of the second installment of the American Rescue Plan Act of \$7.4 million.

The Street Maintenance and Transportation Development Act funds has a fund balance of \$987,884 and \$897,182, respectively, at year end, all of which is reported as restricted. The Street Maintenance fund reported a net decrease of \$604,931 during the current year due to spending \$5 million on various capital outlays. The Transportation Development Act fund reported an increase of \$46,291.

The Measure I fund has a fund balance of \$4,597,100 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 \$463,568. This increase is due to the completion of capital projects for which costs have been reimbursed.

The Capital Projects fund has a fund balance of \$4,271,921 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. During the fiscal year, expenditures increased significantly in comparison to the prior fiscal year due to construction commencing on multiple projects.

Proprietary funds

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

At the end of the fiscal year, the unrestricted net position of the Sewer fund was \$9,149,635. The total decrease in net position for the fiscal year in the Sewer fund was \$527,682. For the Solid Waste Management fund, unrestricted net position totaled \$1,584,310 at year end. The total increase in net position for the Solid Waste Management fund for the fiscal year was \$1,173,669. Correspondingly, unrestricted net position for the Apple Valley Golf Course fund as of June 30, 2022 amounted to \$(144,187). Apple Valley Choice Energy's unrestricted net position as of the end of the fiscal year was \$2,395,069.

GENERAL FUND BUDGETARY HIGHLIGHTS

The FY 2021-22 original budget as approved by the Town Council projected expenditures will exceed revenues by \$3,365,480, which represents utilization of fund balance. The final adopted budget, as amended, projected a utilization of \$3,165,779 from fund balance. At year end, actual budgetary performance resulted in a net increase in fund balance of \$4,042,011. Tax revenues increased from budgetary projections this fiscal year by \$271,361. The increase from budgetary projections for tax revenues was mainly due to Property tax, Sales tax and Franchise fee revenues (the General Fund's three major revenue sources) more than the projections. Overall, General Fund actual revenues exceeded the budgetary projections by 20.4%. Actual expenditures in the General Fund ended the fiscal year below the amended budget by \$4,820,264.

**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2022, amounts to \$383,300,842 (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 \$6,815,640 (a \$6,445,718 decrease for governmental activities and a \$369,922 decrease for business-type activities).

<i>Asset Category</i>	Town of Apple Valley's Capital assets					
	Activities					
	Governmental		Business-type		Total	
	2022	2021	2022	2021	2022	2021
Land	\$100,536,944	\$100,447,189	\$1,819,012	\$1,819,012	\$102,355,956	\$102,266,201
Water rights	-	-	3,650,000	3,650,000	3,650,000	3,650,000
Construction in progress	16,888,370	13,297,698	807,960	-	17,696,330	13,297,698
Furniture and equipment	876,722	1,054,827	283,000	58,204	1,159,722	1,113,031
Trucks and automobiles	249,612	326,700	56,027	388,684	305,639	715,384
Structures and improvements	42,774,195	45,532,173	1,500,283	1,690,208	44,274,478	47,222,381
Right-to-use leased vehicles	663,217	-	-	-	663,217	-
Infrastructure	191,742,460	199,518,651	-	-	191,742,460	199,518,651
Collector Liens	-	-	21,453,040	22,333,136	21,453,040	22,333,136
Total Capital assets	<u>\$353,731,520</u>	<u>\$360,177,238</u>	<u>\$29,569,322</u>	<u>\$29,939,244</u>	<u>\$383,300,842</u>	<u>\$390,116,482</u>

Additional information on the Town's capital assets can be found in Note III-D on pages 46 – 47 of this report.

Long-Term Debts

Under State law, the Town may not issue debt in excess of 15% of the total assessed valuation of taxable property within its boundaries. In accordance with California Governmental Code Section 43605, only the Town's general obligation bonds are subject to that legal debt limit. For the year ended June 30, 2022, the Town does not have any general obligation bonds.

**TOWN OF APPLE VALLEY, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION - CONT'D

Long-Term Debt – Cont'd

	Town of Apple Valley's Outstanding Debts					
	Activities				Total	
	Governmental		Business-type			
	2022	2021	2022	2021	2022	2021
Vehicle lease liability	\$ -	\$ -	\$170,853	\$258,171	\$ 170,853.00	\$258,171
Revolving line of credit	-	6,000,000	-	-	-	6,000,000
2017 Loan payable	5,390,000	6,205,000	-	-	5,390,000	6,205,000
2021 Lease revenue bonds	10,000,000	-	-	-	10,000,000	-
Leases	663,217	-	-	-	663,217	-
Claims payable	61,989	54,243	-	-	61,989	54,243
Compensated absences	906,108	1,014,265	-	-	906,108	1,014,265
Net pension liability	9,020,905	14,214,015	893,958	1,408,590	9,914,863	15,622,605
OPEB liability	3,630,991	5,246,735	451,641	-	4,082,632	5,246,735
Total Long-Term debt	<u>\$29,673,210</u>	<u>\$32,734,258</u>	<u>\$1,516,452</u>	<u>\$1,666,761</u>	<u>\$31,189,662</u>	<u>\$34,401,019</u>

REQUEST 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 Director of Finance, 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, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 43,126,655	\$ 19,830,382	\$ 62,957,037
Accounts Receivable	130,042	8,168,987	8,299,029
Interest Receivable	33,029	-	33,029
Due from Other Governments, Net	3,831,852	12,119	3,843,971
Lease Receivable	616,107	-	616,107
Internal Balances	528,176	(528,176)	-
Prepaid Items	246,325	-	246,325
Restricted Assets:			
Cash and Investments with Fiscal Agent	3,830,643	-	3,830,643
Cash and Investments	-	2,421,253	2,421,253
Capital Assets, Not Being Depreciated:			
Land	100,536,944	1,819,012	102,355,956
Water Rights	-	3,650,000	3,650,000
Construction in Progress	16,888,370	807,960	17,696,330
Capital Assets, Net of Accumulated Depreciation:			
Structures and Improvements	42,774,195	1,500,283	44,274,478
Furniture and Equipment	876,722	283,000	1,159,722
Trucks and Automobiles	249,612	56,027	305,639
Collector Lines	-	21,453,040	21,453,040
Right-to-Use Leased Vehicles	663,217	-	663,217
Infrastructure	191,742,460	-	191,742,460
Total Assets	<u>406,074,349</u>	<u>59,473,887</u>	<u>465,548,236</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to OPEB	596,316	59,095	655,411
Deferred Amounts Related to Pensions	4,310,953	427,215	4,738,168
Total Deferred Outflows of Resources	<u>4,907,269</u>	<u>486,310</u>	<u>5,393,579</u>
LIABILITIES			
Accounts Payable	1,569,409	1,874,269	3,443,678
Accrued Liabilities	498,655	2,774,583	3,273,238
Interest Payable	136,103	192,000	328,103
Due to Other Governments	239,624	6,510,543	6,750,167
Deposits	682,478	-	682,478
Unearned Revenue	7,756,989	75,735	7,832,724
Noncurrent Liabilities:			
Due Within One Year	1,822,392	87,318	1,909,710
Due in More Than One Year, Net	27,850,818	1,345,599	29,196,417
Total Liabilities	<u>40,556,468</u>	<u>12,860,047</u>	<u>53,416,515</u>
DEFERRED INFLOWS OF RESOURCES			
Lease Related	616,107	-	616,107
Deferred Amounts Related to OPEB	1,842,460	182,586	2,025,046
Deferred Amounts Related to Pensions	8,955,091	887,450	9,842,541
Total Deferred Outflows of Resources	<u>11,413,658</u>	<u>1,070,036</u>	<u>12,483,694</u>
NET POSITION			
Net Investment in Capital Assets	347,678,303	29,398,469	377,076,772
Restricted for:			
Transportation	6,482,166	-	6,482,166
Culture and Recreation	317,916	-	317,916
Community Development	3,399,786	-	3,399,786
Capital Projects	9,302,561	1,476,078	10,778,639
Assessment District Improvements	-	2,170,740	2,170,740
Unrestricted	(8,169,240)	12,984,827	4,815,587
Total Net Position	<u>\$ 359,011,492</u>	<u>\$ 46,030,114</u>	<u>\$ 405,041,606</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 7,077,824	\$ 438,270	\$ 6,272,023	\$ 75,291
Public Safety	19,013,023	119,224	287,758	18,672
Transportation	16,489,261	830	1,840,778	10,477,836
Culture and Recreation	5,146,047	1,023,355	27,724	363,990
Community Development	4,975,871	4,599,827	2,241,728	6,663
Interest on Long-Term Debt	500,103	-	-	-
Total Governmental Activities	<u>53,202,129</u>	<u>6,181,506</u>	<u>10,670,011</u>	<u>10,942,452</u>
Business-type Activities:				
Sewer	8,263,305	6,796,769	-	-
Solid Waste Management	12,929,188	13,348,101	12,616	-
Apple Valley Golf Course	1,408,146	849,442	-	-
Apple Valley Choice Energy	24,908,917	22,628,501	-	-
Total Business-type Activities	<u>47,509,556</u>	<u>43,622,813</u>	<u>12,616</u>	<u>-</u>
Total Primary Government	<u><u>\$ 100,711,685</u></u>	<u><u>\$ 49,804,319</u></u>	<u><u>\$ 10,682,627</u></u>	<u><u>\$ 10,942,452</u></u>

General Revenues:

Taxes:

Property Taxes

Franchise Taxes

Sales Taxes

Transient Occupancy Taxes

Motor Vehicle in-lieu (intergovernmental,
unrestricted)

Miscellaneous Revenues

Investment Income

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustments

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
\$ (292,240)	\$	\$ (292,240)
(18,587,369)		(18,587,369)
(4,169,817)		(4,169,817)
(3,730,978)		(3,730,978)
1,872,347		1,872,347
<u>(500,103)</u>		<u>(500,103)</u>
<u>(25,408,160)</u>	-	<u>(25,408,160)</u>
	(1,466,536)	(1,466,536)
	431,529	431,529
	(558,704)	(558,704)
	<u>(2,280,416)</u>	<u>(2,280,416)</u>
-	<u>(3,874,127)</u>	<u>(3,874,127)</u>
<u>(25,408,160)</u>	<u>(3,874,127)</u>	<u>(29,282,287)</u>
7,372,587	-	7,372,587
4,007,977	-	4,007,977
9,598,713	-	9,598,713
58,110	-	58,110
8,078,040	-	8,078,040
8,893	-	8,893
(515,363)	195,481	(319,882)
<u>(5,028,713)</u>	<u>5,028,713</u>	<u>-</u>
<u>23,580,244</u>	<u>5,224,194</u>	<u>28,804,438</u>
(1,827,916)	1,350,067	(477,849)
366,572,969	44,128,513	410,701,482
<u>(5,733,561)</u>	<u>551,534</u>	<u>(5,182,027)</u>
<u>\$ 359,011,492</u>	<u>\$ 46,030,114</u>	<u>\$ 405,041,606</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Balance Sheet
Governmental Funds
June 30, 2022

	Special Revenue Funds			Capital Projects Fund
	General	Street Maintenance	Transportation Development Act	Capital Projects
ASSETS				
Cash and Investments	\$ 20,358,677	\$ 1,024,258	\$ 897,966	\$ 4,293,299
Cash with Fiscal Agent	-	-	-	-
Accounts Receivable	13,057	-	-	-
Interest Receivable	33,029	-	-	-
Due from Other Funds	585,687	-	-	-
Due from Other Governments	2,752,426	407,895	-	-
Lease Receivable	616,107	-	-	-
Loans Receivable	-	-	-	-
Prepaid Items	246,325	-	-	-
Total Assets	\$ 24,605,308	\$ 1,432,153	\$ 897,966	\$ 4,293,299
LIABILITIES				
Accounts Payable	\$ 746,382	\$ 428,353	\$ 784	\$ 8,067
Accrued Liabilities	354,330	15,916	-	13,311
Due to Other Governments	239,624	-	-	-
Due to Other Funds	-	-	-	-
Deposits	682,478	-	-	-
Unearned Revenue	7,756,989	-	-	-
Total Liabilities	9,779,803	444,269	784	21,378
DEFERRED INFLOWS OF RESOURCES				
Lease Related	616,107	-	-	-
Unavailable Revenue	604,227	-	-	-
Total Deferred Inflows of Resources	1,220,334	-	-	-
FUND BALANCE (DEFICITS)				
Nonspendable	246,325	-	-	-
Restricted	-	987,884	897,182	-
Assigned	-	-	-	4,271,921
Unassigned	13,358,846	-	-	-
Total Fund Balances (Deficits)	13,605,171	987,884	897,182	4,271,921
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 24,605,308	\$ 1,432,153	\$ 897,966	\$ 4,293,299

The accompanying notes are an integral part of this statement.

<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
<u>Measure I</u>	<u>Town Hall Annex</u>		
\$ 4,314,702	\$ -	\$ 12,237,753	\$ 43,126,655
-	3,830,643	-	3,830,643
-	-	116,985	130,042
-	-	-	33,029
-	-	-	585,687
565,747	-	105,784	3,831,852
-	-	-	616,107
-	-	-	-
-	-	-	246,325
<u>\$ 4,880,449</u>	<u>\$ 3,830,643</u>	<u>\$ 12,460,522</u>	<u>\$ 52,400,340</u>
\$ 178,424	\$ -	\$ 207,399	\$ 1,569,409
104,925	-	10,173	498,655
-	-	-	239,624
-	-	57,511	57,511
-	-	-	682,478
-	-	-	7,756,989
<u>283,349</u>	<u>-</u>	<u>275,083</u>	<u>10,804,666</u>
-	-	-	616,107
-	-	74,862	679,089
-	-	74,862	1,295,196
-	-	-	246,325
4,597,100	3,830,643	12,178,088	22,490,897
-	-	-	4,271,921
-	-	(67,511)	13,291,335
<u>4,597,100</u>	<u>3,830,643</u>	<u>12,110,577</u>	<u>40,300,478</u>
<u>\$ 4,880,449</u>	<u>\$ 3,830,643</u>	<u>\$ 12,460,522</u>	<u>\$ 52,400,340</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, 2022

Fund balances of governmental funds	\$ 40,300,478
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.	353,731,520
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported as available revenues in the funds.	679,089
Long term liabilities are not due and payable in the current period and are not reported in the funds.	
2021 Lease Revenue Bonds	(10,000,000)
2017 Loan Payable	(5,390,000)
Leases	(663,217)
Compensated Absences	(906,108)
Claims Payable	(61,989)
Net Pension Liability	(9,020,905)
Total OPEB Liability	(3,630,991)
Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability and OPEB Liability are not reported in the funds.	
Deferred Outflows Related to Pensions	4,310,953
Deferred Inflows Related to Pensions	(8,955,091)
Deferred Outflows Related to OPEB	596,316
Deferred Inflows Related to OPEB	(1,842,460)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	<u>(136,103)</u>
Net position of governmental activities	<u><u>\$ 359,011,492</u></u>

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, 2022

	Special Revenue Fund			Capital Projects Fund
	General	Street Maintenance	Transportation Development Act	Capital Projects
REVENUES				
Taxes	\$ 28,720,359	\$ -	\$ -	\$ -
Licenses & Permits	1,069,277	-	-	850,158
Fines & Forfeitures	625,748	-	-	-
Investment Income	(717,573)	6,378	2,664	21,748
Intergovernmental	6,848,868	4,997,263	60,398	-
Charges for Services	3,349,084	-	-	-
Donations	-	-	-	-
Other Revenue	439,469	9,041	-	-
Total Revenues	40,335,232	5,012,682	63,062	871,906
EXPENDITURES				
Current:				
General Government	5,244,108	-	-	-
Public Safety	18,552,391	-	-	-
Transportation	-	724,459	-	-
Culture and Recreation	3,164,606	-	-	-
Community Development	3,290,269	-	-	-
Capital Outlay	708,648	5,010,036	16,771	1,275,640
Debt Service:				
Principal	945,604	-	-	-
Interest & Fiscal Charges	186,747	-	-	-
Bond Issuance Costs	-	-	-	-
Total Expenditures	32,092,373	5,734,495	16,771	1,275,640
Excess (Deficiency) of Revenues over Expenditures	8,242,859	(721,813)	46,291	(403,734)
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	-	-
Transfer Out	(4,218,848)	-	-	-
Issuance of Debt	-	-	-	-
Total Other Financing Sources (Uses)	(4,218,848)	-	-	-
Net Change in Fund Balances	4,024,011	(721,813)	46,291	(403,734)
Fund Balances, Beginning	9,907,828	1,592,815	850,891	4,675,655
Prior Period Adjustments	(326,668)	116,882	-	-
Fund Balances, Ending	\$ 13,605,171	\$ 987,884	\$ 897,182	\$ 4,271,921

The accompanying notes are an integral part of this statement.

Capital Projects Fund	Debt Service Fund	Other Govern- mental Funds	Total Govern- mental Funds
Measure I	Town Hall Annex		
\$ 2,795,662	\$ -	\$ 448,117	\$ 31,964,138
-	-	706,191	2,625,626
-	-	-	625,748
11,267	-	49,644	(625,872)
3,135,104	-	2,024,134	17,065,767
-	-	-	3,349,084
-	-	184,726	184,726
-	-	252,672	701,182
<u>5,942,033</u>	<u>-</u>	<u>3,665,484</u>	<u>55,890,399</u>
-	-	18,140	5,262,248
-	-	46,587	18,598,978
-	-	415,879	1,140,338
-	-	23,432	3,188,038
-	-	1,358,097	4,648,366
5,478,465	-	476,218	12,965,778
-	6,000,000	-	6,945,604
-	117,762	-	304,509
-	158,695	-	158,695
<u>5,478,465</u>	<u>6,276,457</u>	<u>2,338,353</u>	<u>53,212,554</u>
<u>463,568</u>	<u>(6,276,457)</u>	<u>1,327,131</u>	<u>2,677,845</u>
-	107,100	17,014	124,114
-	-	-	(4,218,848)
-	10,000,000	-	10,000,000
<u>-</u>	<u>10,107,100</u>	<u>17,014</u>	<u>5,905,266</u>
463,568	3,830,643	1,344,145	8,583,111
4,133,532	-	10,766,432	31,927,153
-	-	-	(209,786)
<u>\$ 4,597,100</u>	<u>\$ 3,830,643</u>	<u>\$ 12,110,577</u>	<u>\$ 40,300,478</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

Net change in fund balances-total governmental funds \$ 8,583,111

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.

Capital Outlay	8,152,896
Depreciation Expense	(14,598,614)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 512,527

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.

Principal Paid on Long-Term Debt	6,945,604
Issuance of Debt	(10,349,068)
Change in Net Pension Liability	5,193,110
Change in Total OPEB Liability	1,142,680

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	108,157
Net Change in Claims Payable	(7,746)
Net Change in Accrued Interest Payable	(36,899)
Net Change in Deferred Outflows Related to Pensions	1,903,856
Net Change in Deferred Inflows Related to Pensions	(8,110,181)
Net Change in Deferred Outflows Related to OPEB	(80,200)
Net Change in Deferred Inflows Related to OPEB	<u>(1,187,149)</u>

Change in net position of governmental activities \$ (1,827,916)

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Net Position
Proprietary Funds
June 30, 2022

	Sewer	Solid Waste Management	Apple Valley Golf Course	Apple Valley Choice Energy	Total
ASSETS					
Current Assets:					
Cash and Investments	\$ 18,336,371	\$ -	\$ -	\$ 1,494,011	\$ 19,830,382
Accounts Receivable	1,332,249	2,588,829	-	4,247,909	8,168,987
Due from Other Governments	-	12,119	-	-	12,119
Total Current Assets	<u>19,668,620</u>	<u>2,600,948</u>	<u>-</u>	<u>5,741,920</u>	<u>28,011,488</u>
Noncurrent Assets:					
Restricted Assets:					
Cash and Investments	2,229,253	-	-	192,000	2,421,253
Capital Assets, Not Being Depreciated:					
Land	379,012	-	1,440,000	-	1,819,012
Water Rights	3,650,000	-	-	-	3,650,000
Construction in Progress	807,960	-	-	-	807,960
Capital Assets, Net of Accumulated Depreciation	<u>21,839,728</u>	<u>1,111,055</u>	<u>341,567</u>	<u>-</u>	<u>23,292,350</u>
Total Noncurrent Assets	<u>28,905,953</u>	<u>1,111,055</u>	<u>1,781,567</u>	<u>192,000</u>	<u>31,990,575</u>
Total Assets	<u>48,574,573</u>	<u>3,712,003</u>	<u>1,781,567</u>	<u>5,933,920</u>	<u>60,002,063</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Items	374,543	52,672	-	-	427,215
OPEB Related Items	51,809	7,286	-	-	59,095
Total Deferred Outflows of Resources	<u>426,352</u>	<u>59,958</u>	<u>-</u>	<u>-</u>	<u>486,310</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	891,002	233,226	141,930	608,111	1,874,269
Accrued Liabilities	31,917	27,669	2,257	2,712,740	2,774,583
Deposits	-	-	-	192,000	192,000
Due to Other Governments	6,510,543	-	-	-	6,510,543
Due to Other Funds	-	528,176	-	-	528,176
Unearned Revenue	49,735	-	-	26,000	75,735
Current Portion of Long-Term Debt	87,318	-	-	-	87,318
Total Current Liabilities	<u>7,570,515</u>	<u>789,071</u>	<u>144,187</u>	<u>3,538,851</u>	<u>12,042,624</u>
Noncurrent Liabilities:					
Noncurrent Portion of Long-Term Debt	1,190,002	155,597	-	-	1,345,599
Total Noncurrent Liabilities	<u>1,190,002</u>	<u>155,597</u>	<u>-</u>	<u>-</u>	<u>1,345,599</u>
Total Liabilities	<u>8,760,517</u>	<u>944,668</u>	<u>144,187</u>	<u>3,538,851</u>	<u>13,388,223</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Actuarial Amounts	778,033	109,417	-	-	887,450
OPEB Related Items	160,075	22,511	-	-	182,586
Total Deferred Inflows of Resources	<u>938,108</u>	<u>131,928</u>	<u>-</u>	<u>-</u>	<u>1,070,036</u>
NET POSITION					
Net Investment in Capital Assets	26,505,847	1,111,055	1,781,567	-	29,398,469
Restricted for Capital Projects	1,476,078	-	-	-	1,476,078
Restricted for Assessment District Improvements	2,170,740	-	-	-	2,170,740
Unrestricted	<u>9,149,635</u>	<u>1,584,310</u>	<u>(144,187)</u>	<u>2,395,069</u>	<u>12,984,827</u>
Total Net Position	<u>\$ 39,302,300</u>	<u>\$ 2,695,365</u>	<u>\$ 1,637,380</u>	<u>\$ 2,395,069</u>	<u>\$ 46,030,114</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, 2022

	Sewer	Solid Waste Management	Apple Valley Golf Course	Apple Valley Choice Energy	Total
OPERATING REVENUES					
Charges for Services	\$ 6,796,769	\$ 13,348,101	\$ 849,442	\$ 22,628,501	\$ 43,622,813
Total Operating Revenue	<u>6,796,769</u>	<u>13,348,101</u>	<u>849,442</u>	<u>22,628,501</u>	<u>43,622,813</u>
OPERATING EXPENSES					
Salaries and Benefits	1,011,408	825,606	16,575	-	1,853,589
Contract Services	68,839	10,769,146	505,858	630,827	11,974,670
Maintenance and Treatment	3,711,913	-	571,793	-	4,283,706
Power Purchases	-	-	-	23,083,865	23,083,865
General Administration	748,400	807,205	191,747	1,194,225	2,941,577
Depreciation	1,938,407	67,561	122,173	-	2,128,141
Other	773,252	459,670	-	-	1,232,922
Total Operating Expenses	<u>8,252,219</u>	<u>12,929,188</u>	<u>1,408,146</u>	<u>24,908,917</u>	<u>47,498,470</u>
Operating Income (Loss)	<u>(1,455,450)</u>	<u>418,913</u>	<u>(558,704)</u>	<u>(2,280,416)</u>	<u>(3,875,657)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Income	70,059	125,422	-	-	195,481
Grant Revenue	-	12,616	-	-	12,616
Interest	(11,086)	-	-	-	(11,086)
Total Nonoperating Revenues (Expenses)	<u>58,973</u>	<u>138,038</u>	<u>-</u>	<u>-</u>	<u>197,011</u>
Income Before Contributions and Transfers	(1,396,477)	556,951	(558,704)	(2,280,416)	(3,678,646)
Capital Contributions	933,979	-	-	-	933,979
Transfers In	-	-	4,094,734	-	4,094,734
Transfers Out	-	-	-	-	-
Change in Net Position	(462,498)	556,951	3,536,030	(2,280,416)	1,350,067
Total Net Position, Beginning	39,829,982	1,521,696	(1,898,650)	4,675,485	44,128,513
Prior Period Adjustments	(65,184)	616,718	-	-	551,534
Total Net Position, Ending	<u>\$ 39,302,300</u>	<u>\$ 2,695,365</u>	<u>\$ 1,637,380</u>	<u>\$ 2,395,069</u>	<u>\$ 46,030,114</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Sewer	Solid Waste Management	Apple Valley Golf Course	Apple Valley Choice Energy	Total
Cash Flows from Operating Activities					
Cash Received from Customers	\$ 5,956,322	\$ 13,334,082	\$ 849,596	\$ 19,699,615	\$ 39,839,615
Cash Paid to Suppliers	(4,297,619)	(11,383,244)	(1,013,835)	(20,744,633)	(37,439,331)
Cash Paid to Other Funds for Services Provided	(748,400)	(807,205)	(191,747)	(1,194,225)	(2,941,577)
Cash Paid to Employees for Services	(905,286)	(810,678)	(16,575)	-	(1,732,539)
Net Cash Provided (Used) by Operating Activities	<u>5,017</u>	<u>332,955</u>	<u>(372,561)</u>	<u>(2,239,243)</u>	<u>(2,273,832)</u>
Cash Flows from Noncapital Financing Activities					
Cash Received from Other Governments	6,382,529	-	-	-	6,382,529
Grant Revenue	-	497	-	-	497
Advances Paid (to) from Other Funds	-	-	(68,099)	-	(68,099)
Cash Paid (to) from Other Funds	-	(458,874)	440,660	-	(18,214)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>6,382,529</u>	<u>(458,377)</u>	<u>372,561</u>	<u>-</u>	<u>6,296,713</u>
Cash Flows from Capital and Related Financing Activities					
Capital Asset Purchases	(824,240)	-	-	-	(824,240)
Principal Paid on Debt	(87,318)	-	-	-	(87,318)
Interest Paid on Debt	(11,086)	-	-	-	(11,086)
Net Cash Used by Capital and Related Financing Activities	<u>(922,644)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(922,644)</u>
Cash Flows from Investing Activities					
Interest on Investments	70,059	125,422	-	-	195,481
Net Cash Provided (Used) by Investing Activities	<u>70,059</u>	<u>125,422</u>	<u>-</u>	<u>-</u>	<u>195,481</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,534,961	-	-	(2,239,243)	3,295,718
Cash and Cash Equivalents, Beginning of Fiscal Year	15,030,663	-	-	3,925,254	18,955,917
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 20,565,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,686,011</u>	<u>\$ 22,251,635</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Cash Flows from Operating Activities					
Operating income (loss)	\$ (1,455,450)	\$ 418,913	\$ (558,704)	\$ (2,280,416)	\$ (3,875,657)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,938,407	67,561	122,173	-	2,128,141
(Increase) Decrease in Accounts Receivable	(840,447)	(14,019)	154	(2,928,886)	(3,783,198)
(Increase) Decrease in Deferred Outflows - Pensions	(165,412)	(23,263)	-	-	(188,675)
(Increase) Decrease in Deferred Outflows - OPEB	6,968	980	-	-	7,948
Increase (Decrease) in Accounts Payable	270,014	(182,097)	73,051	435,675	596,643
Increase (Decrease) in Accrued Liabilities	(13,629)	27,669	(9,235)	2,534,384	2,539,189
Increase (Decrease) in Net Pension Liability	(451,182)	(63,448)	-	-	(514,630)
Increase (Decrease) in Total OPEB Liability	(92,019)	(12,940)	-	-	(104,959)
Increase (Decrease) in Deferred Inflows - Pensions	704,626	99,094	-	-	803,720
Increase (Decrease) in Deferred Inflows - OPEB	103,141	14,505	-	-	117,646
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,017</u>	<u>\$ 332,955</u>	<u>\$ (372,561)</u>	<u>\$ (2,239,243)</u>	<u>\$ (2,273,832)</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Net Position
Fiduciary Funds
June 30, 2022

	Successor Agency Private-purpose Trust Fund	Custodial Funds
ASSETS		
Cash and Investments	\$ 750,128	\$ 15,304,926
Accounts Receivable	-	752,095
Due from Other Governments	-	3,627
Prepaid Items	298,646	-
Total Assets	1,048,774	16,060,648
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding of debt	676,386	-
LIABILITIES		
Accounts Payable	73	1,503
Accrued Liabilities	3,900	845,097
Interest Payable	101,283	-
Bonds Payable	36,147,981	-
Total Liabilities	36,253,237	846,600
NET POSITION		
Net Position Held in Trust for Successor Agency	(34,528,077)	-
Restricted for:		
Organizations and Individuals	-	140,218
Other Governments	-	15,073,830
Total Net Position	\$ (34,528,077)	\$ 15,214,048

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2022

	Successor Agency Private-purpose Trust Fund	Custodial Funds
	<u> </u>	<u> </u>
ADDITIONS		
Taxes	\$ 913,773	\$ 22,166,650
Charges for Services	-	4,931,714
Other Revenue	338,815	1,311,484
Investment Income	3,920	16,779
	<u> </u>	<u> </u>
Total Additions	1,256,508	28,426,627
	<u> </u>	<u> </u>
DEDUCTIONS		
Administrative Costs	442,177	6,449,437
Pass-through Agreements	-	21,791,064
Interest on Bonds	894,420	666,300
	<u> </u>	<u> </u>
Total Deductions	1,336,597	28,906,801
	<u> </u>	<u> </u>
Change in Net Position	(80,089)	(480,174)
Net Position - Beginning of Year	<u>(34,447,988)</u>	<u>15,694,222</u>
Net Position - End of Year	<u><u>\$ (34,528,077)</u></u>	<u><u>\$ 15,214,048</u></u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

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, 2022

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

The Governmental Accounting Standards Board has issued the following Statements, which may affect the Town's financial reporting requirements in the future:

GASB 96 – Subscription-Based Information Technology Arrangements: The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and 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.

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.

Transportation Development Act Fund – This fund accounts for the Town's share of Article 3 and 8 monies which are restricted for transit or street/repair construction projects/activities.

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.

Town Hall Annex Fund - This fund accounts for all debt service activity for the Town Hall Annex debt service activity.

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.

Apple Valley Choice Energy Fund - This fund accounts for the costs of providing electric power to residents and businesses and the user charges by which these costs are recovered.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

Lien Date	March 1
Levy Year	July 1 to June 30
Due Dates	November 1 - 1st Installment; February 1 - 2nd Installment
Delinquent Dates	December 10 - 1st Installment; April 10 - 2nd 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. 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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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:

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

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, 2022

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 relating to pensions and OPEB, in accordance with GASB Statements No. 68 and 75.

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 relating to pensions and OPEB, in accordance with GASB Statements No. 68 and 75.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

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.

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

15) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within curtailed defined timeframes. For this report, the following timeframes are used: June 30, 2022 Valuation Date, June 30, 2022 Measurement Date, July 1, 2021 through June 30, 2022 Measurement Period.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

16) Leases

Lessee: The Town is a lessee for noncancellable leases of equipment. The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements and the proprietary funds. The Town recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Town is a lessor for a noncancellable lease of certain property for communications facilities and office space. The Town recognizes a lease receivable and a deferred inflow of resources in the General Fund and the government-wide financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The lease terms of the property for communications facilities range from 5 to 27 years and the Town will receive annual payments ranging from approximately \$66,000 to \$77,000. The Town recognized approximately \$64,000 in lease revenue, including interest revenue during the current fiscal year related to these leases. As of June 30, 2022, the Town’s receivable for lease payments was \$616,107. Also, the Town has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflow of resources was \$616,107.

II) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances/Net Position

The following non-major funds had deficit fund balances as of June 30, 2022:

	<u>Deficit Balance</u>
MSHCP	\$ 67,511

Management expects these deficits to be eliminated either by future revenues or transfers from the Town’s General Fund.

In addition, the Apple Valley Golf Course proprietary fund (Fund) continues to incur operating deficits, with a current year operating deficit of \$558,704. The Fund is subsidized by the General Fund. Management is currently working on increasing revenues in the Fund, but is also considering moving the Golf Course activities and balances into the General Fund in future fiscal years.

III) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

The Town pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated quarterly to the various funds based on the month-end cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments are classified in the accompanying financial statements as follows:

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

III) DETAILED NOTES ON ALL FUNDS - Continued

Statement of Net Position:	
Cash and Investments	\$ 62,957,037
Cash and Investments with Fiscal Agent	3,830,643
Restricted Cash and Investments	2,421,253
Statement of Fiduciary Net Position	
Cash and Investments	16,055,054
Total Cash and Investments	\$ 85,263,987

Cash and investments consist of the following:

Petty Cash	\$ 5,350
Deposits with Financial Institutions	53,495,363
Investments	31,763,274
Total Cash and Investments	\$ 85,263,987

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.

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

III) DETAILED NOTES ON ALL FUNDS - Continued

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

As of June 30, 2022, the Town had the following investments:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity</u>		
		<u>12 Months Or Less</u>	<u>One to Three Years</u>	<u>Three to Five Years</u>
State Investment Pool - LAIF	\$ 17,416,254	\$ 17,416,254	\$ -	\$ -
Certificates of Deposit	6,934,000	2,249,342	3,776,275	908,383
Money Market Mutual Funds	2,597,542	2,597,542	-	-
U.S. Agency Securities	984,835	-	496,910	487,925
Held by Bond Trustee:				
Money Market Mutual Funds	3,830,643	3,830,643	-	-
Total Pooled Investments	\$ 31,763,274	\$ 26,093,781	\$ 4,273,185	\$ 1,396,308

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. LAIF and money market mutual funds are not subject to level reporting.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

III) DETAILED NOTES ON ALL FUNDS - Continued

The Town has the following recurring fair value measurements as of June 30, 2022:

- Negotiable Certificates of Deposit of \$6,934,000, Level 2 inputs
- U.S. Agency Securities of \$984,835, 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.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Not Rated
State Investment Pool - LAIF	\$ 17,416,254	N/A	\$ -	\$ -	\$ 17,416,254
Certificates of Deposit	6,934,000	N/A	-	-	6,934,000
Money Market Mutual Funds	2,597,542	A	2,597,542	-	-
U.S. Agency Securities	984,835	A	-	984,835	-
Held by Bond Trustee:					
Money Market Mutual Funds	3,830,643	A	3,830,643	-	-
Total Pooled Investments	\$ 31,763,274		\$ 6,428,185	\$ 984,835	\$ 24,350,254

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

III) DETAILED NOTES ON ALL FUNDS - Continued

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.

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, 2022 are as follows:

Fund	Due To	Due From
General Fund	\$ 585,687	\$ -
Solid Waste Management Fund	-	528,176
Nonmajor Funds	-	57,511
Total	<u>\$ 585,687</u>	<u>\$ 585,687</u>

The amounts due to the General Fund are from routine cash flows covered by the General Fund, these amounts are expected to be repaid within the next fiscal year.

Interfund transfers for the year ended June 30, 2022 are as follows:

Transfers Out	Transfers In			Total
	Town Hall Annex Fund	Other Governmental Funds	Apple Valley Golf Course	
General Fund	\$ 107,100	\$ 17,014	\$ 4,094,734	\$ 4,218,848
	<u>\$ 107,100</u>	<u>\$ 17,014</u>	<u>\$ 4,094,734</u>	<u>\$ 4,218,848</u>

The General Fund transferred \$107,100 and \$17,014 to the Town Hall Annex Fund and Other Governmental Funds, respectively, to provide funds for debt service costs. In addition, the General Fund transferred \$4,094,734 to the Apple Valley Golf Course to fund certain expenditures and cover operating deficits.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

III) DETAILED NOTES ON ALL FUNDS - Continued

C) Loans Receivable

The Town administers a residential rehabilitation loan program and a down payment assistance program for low- to moderate-income families. The loans provided have a 30-year term, and bear no interest. The loans may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2022, the outstanding loans receivable totaled \$5,356,453, which is offset by an allowance for doubtful accounts for the same amount. The allowance was established for loans that are forgivable after a given period of time, assuming all conditions of the loan are met.

D) Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases*	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 100,447,189	\$ 89,755	\$ -	\$ 100,536,944
Construction in Progress	13,297,698	7,947,654	(4,356,982)	16,888,370
Total Capital Assets, Not Depreciated	<u>113,744,887</u>	<u>8,037,409</u>	<u>(4,356,982)</u>	<u>117,425,314</u>
Capital Assets Being Depreciated:				
Furniture and Equipment	3,653,421	109,845	-	3,763,266
Computer Equipment	2,655,357	-	-	2,655,357
Trucks and Automobiles	1,532,766	-	-	1,532,766
Structures and Improvements	92,595,896	331,578	-	92,927,474
Infrastructure	432,802,690	3,091,425	-	435,894,115
Right-to-Use Leased Vehicles	-	939,621	-	939,621
Total Capital Assets Being Depreciated	<u>533,240,130</u>	<u>4,472,469</u>	<u>-</u>	<u>537,712,599</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(3,474,527)	(78,750)	-	(3,553,277)
Computer Equipment	(1,779,424)	(209,200)	-	(1,988,624)
Trucks and Automobiles	(1,206,066)	(77,088)	-	(1,283,154)
Structures and Improvements	(47,063,723)	(3,089,556)	-	(50,153,279)
Infrastructure	(233,284,039)	(10,867,616)	-	(244,151,655)
Right-to-Use Leased Vehicles	-	(276,404)	-	(276,404)
Total Accumulated Depreciation	<u>(286,807,779)</u>	<u>(14,598,614)</u>	<u>-</u>	<u>(301,406,393)</u>
Net Capital Assets Being Depreciated	<u>246,432,351</u>	<u>(10,126,145)</u>	<u>-</u>	<u>236,306,206</u>
Governmental Activities, Capital Assets, Net	<u>\$ 360,177,238</u>	<u>\$ (2,088,736)</u>	<u>\$ (4,356,982)</u>	<u>\$ 353,731,520</u>

*The increases for the Right-to-Use leased vehicles includes a beginning balance increase to the capital assets of \$590,553 and an increase to accumulated depreciation of \$145,800 due to the implementation of GASB 87, *Leases*. See Note I) E) for more information.

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

III) DETAILED NOTES ON ALL FUNDS - Continued

Governmental Activities:

General Government	\$ 702,933
Public Safety	414,045
Transportation	11,125,084
Culture and Recreation	1,985,784
Community Development	370,768
Total Depreciation Expense, Governmental Activities	\$ 14,598,614

Business-type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 1,819,012	\$ -	\$ -	\$ 1,819,012
Construction in Progress	-	807,960	-	807,960
Water Rights	3,650,000	-	-	3,650,000
Total Capital Assets, Not Depreciated	5,469,012	807,960	-	6,276,972
Capital Assets Being Depreciated:				
Building and System	4,281,773	-	-	4,281,773
Machinery and Equipment	813,473	16,280	-	829,753
Trucks and Automobiles	951,412	-	-	951,412
Collector Lines	75,554,200	933,979	-	76,488,179
Total Capital Assets Being Depreciated	81,600,858	950,259	-	82,551,117
Less Accumulated Depreciation:				
Building and System	(2,591,565)	(189,925)	-	(2,781,490)
Machinery and Equipment	(755,269)	(24,333)	-	(779,602)
Trucks and Automobiles	(562,728)	(99,807)	-	(662,535)
Collector Lines	(53,221,064)	(1,814,076)	-	(55,035,140)
Total Accumulated Depreciation	(57,130,626)	(2,128,141)	-	(59,258,767)
Net Capital Assets Being Depreciated	24,470,232	(1,177,882)	-	23,292,350
Business-type Activities, Capital Assets	\$ 29,939,244	\$ (369,922)	\$ -	\$ 29,569,322

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

Business-type Activities:

Sewer	\$ 1,938,407
Solid Waste Management	67,561
Apple Valley Golf Course	122,173
Total Depreciation Expense, Business-type Activities	\$ 2,128,141

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

III) DETAILED NOTES ON ALL FUNDS – Continued

E) Long-Term Debt

Long-term liabilities for the year ended June 30, 2022 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Direct Borrowings:					
2017 Loan Payable	\$ 6,205,000	\$ -	\$ (815,000)	\$ 5,390,000	\$ 835,000
2021 Lease Revenue Bond	-	10,000,000	-	10,000,000	410,000
Revolving Line of Credit	6,000,000	-	(6,000,000)	-	-
Leases	-	793,821	(130,604)	663,217	186,824
Compensated Absences	1,014,265	1,198,612	(1,306,769)	906,108	390,568
Claims Payable	54,243	7,746	-	61,989	-
Net Pension Liability	14,214,015	-	(5,193,110)	9,020,905	-
Total OPEB Liability	5,246,735	-	(1,615,744)	3,630,991	-
Long-term Liabilities, Governmental Activities	<u>\$ 32,734,258</u>	<u>\$ 12,000,179</u>	<u>\$ (15,061,227)</u>	<u>\$ 29,673,210</u>	<u>\$ 1,822,392</u>
Business-type Activities:					
Net Pension Liability	\$ 1,408,590	\$ -	\$ (514,632)	\$ 893,958	\$ -
Total OPEB Liability	-	451,641	-	451,641	-
Direct Borrowing: Lease Liability	258,171	-	(87,318)	170,853	87,318
Long-term Liabilities, Business-type Activities	<u>\$ 1,666,761</u>	<u>\$ 451,641</u>	<u>\$ (601,950)</u>	<u>\$ 1,516,452</u>	<u>\$ 87,318</u>

*Included in the additions for leases is a restatement of \$444,753 for leases from prior years due to the implementation of GASB 87, *Leases*. See Note I) E) for more information.

Obligations for Compensated Absences, the Net Pension Liability and Total OPEB Liability are typically liquidated from the General Fund and applicable Enterprise Funds.

2017 Loan Payable

In July 2017, the Apple Valley Public Financing Authority entered into a loan agreement with Public Property Financing Corporation for \$8,475,000. Proceeds of the loan were used for the purpose of advance refunding the 2007 Lease Revenue Bonds and to finance the acquisition of vehicles. The 2007 Lease Revenue Bonds were issued for the construction of an annex to the Town Hall. Interest on the Loan is 2.90% and is payable semi-annually on March 1 and September 1. Principal is payable September 1 of each year until maturity on September 1, 2027.

Future debt service requirements are as follows:

Fiscal Year Ending	Principal	Interest	Total
2023	\$ 835,000	\$ 144,203	\$ 979,203
2024	860,000	119,625	979,625
2025	885,000	94,322	979,322
2026	910,000	68,295	978,295
2027	940,000	41,470	981,470
2028	960,000	13,920	973,920
Total	<u>\$ 5,390,000</u>	<u>\$ 481,835</u>	<u>\$ 5,871,835</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

III) DETAILED NOTES ON ALL FUNDS – Continued

2021 Lease Revenue Bond

During the 2021-22 fiscal year, the Apple Valley Public Financing Authority (Authority) issued a 2021 Lease Revenue Bond for \$10,000,000. A portion of the proceeds of the Bond was used to refinance the outstanding \$6,000,000 Line of Credit with JPMorgan Chase Bank, which was originally entered into for providing interim financing for certain costs incurred by the Town in connection with the Town's acquisition of a municipal water system (Project), and had a maturity date of October 1, 2021. The remainder of the proceeds is to be used for ongoing Project costs and/or additional capital improvements, and to pay costs of issuance.

The 2021 Lease Revenue Bond is payable from base rental payments made in accordance with the Ground Lease entered into by the Town and the Authority. Interest, at 2.52%, is to be paid on March 1 and September 1 of each year, commencing March 1, 2022, and Principal payments are due September 1 of each year, commencing September 1, 2022, with final maturity at September 1, 2041. Future debt service requirements are as follows:

Fiscal Year Ending	Principal	Interest	Total
2023	\$ 410,000	\$ 246,834	\$ 656,834
2024	400,000	236,628	636,628
2025	410,000	226,422	636,422
2026	420,000	215,964	635,964
2027	430,000	205,254	635,254
2028-2032	2,325,000	855,729	3,180,729
2033-2037	2,630,000	543,690	3,173,690
2038-2042	2,975,000	191,205	3,166,205
Total	<u>\$ 10,000,000</u>	<u>\$ 2,721,726</u>	<u>\$ 12,721,726</u>

Lease Liability

The Town, at various occasions, enters into lease agreements that qualify as lease liabilities for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments at the inception date. The amount of lease assets, reported in governmental activities, net of accumulated amortization, is \$663,217, and the amount reported in business-type activities is \$170,853. The following represents the future lease payments to be made:

Fiscal Year Ending	Governmental Activities	Business-type Activities	Total
2023	\$ 213,450	\$ 98,404	\$ 311,854
2024	213,450	94,032	307,482
2025	164,221	-	164,221
2026	102,220	-	102,220
2027	66,071	-	66,071
Totals	<u>\$ 759,412</u>	<u>\$ 192,436</u>	<u>\$ 951,848</u>
Less: Interest	(96,195)	(21,583)	(117,778)
Present Value	<u>\$ 663,217</u>	<u>\$ 170,853</u>	<u>\$ 834,070</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

III) DETAILED NOTES ON ALL FUNDS – Continued

F) Fiduciary Fund Long-Term Debt

Fiduciary Fund long-term debt activity for the 2021-22 fiscal year is as follows:

Fiduciary Funds:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2020 Tax Allocation Revenue Refunding Bonds:					
Project Area 2 Loan	\$ 21,610,000	\$ -	\$ -	\$ 21,610,000	\$ -
Unamortized Premium	4,367,110	-	(274,373)	4,092,737	-
Apple Valley - VVEDA Loan	8,775,000	-	-	8,775,000	-
Unamortized Premium	1,782,216	-	(111,972)	1,670,244	-
Long-term Liabilities, Fiduciary Funds	<u>\$ 36,534,326</u>	<u>\$ -</u>	<u>\$ (386,345)</u>	<u>\$ 36,147,981</u>	<u>\$ -</u>

Tax Allocation Revenue Refunding Bonds, Series 2020A

During the 2020-21 fiscal year, the Apple Valley Public Financing Authority issued \$32,015,000 in Tax Allocation Revenue Refunding Bonds, Series 2020A (Bonds), to refund previously outstanding bonds issued by the former Redevelopment Agency of the Town of Apple Valley. The Bonds are payable from and secured by payments to be made by the Successor Agency pursuant to a \$22,720,000 Project Area 2 Loan and a \$9,295,000 Apple Valley – VVEDA Loan. The revenues securing the Successor Agency's payments consist of property taxes deposited into the Successor Agency's Private-purpose Trust Fund.

The Bonds mature annually from 2021 through 2037 with interest payments of 3% to 4% payable semi-annually on June 1 and December 1 of each year. Future debt service requirements are as follows:

Project Area 2 Loan			
Fiscal Year Ending	Principal	Interest	Total
2023	\$ -	\$ 864,400	\$ 864,400
2024	-	864,400	864,400
2025	-	864,400	864,400
2026	740,000	864,400	1,604,400
2027	1,545,000	834,800	2,379,800
2028	1,610,000	773,000	2,383,000
2029	1,675,000	708,600	2,383,600
2030	1,740,000	641,600	2,381,600
2031	1,810,000	572,000	2,382,000
2032	1,885,000	499,600	2,384,600
2033	1,960,000	424,200	2,384,200
2034	2,035,000	345,800	2,380,800
2035	2,120,000	264,400	2,384,400
2036	2,200,000	179,600	2,379,600
2037	2,290,000	91,600	2,381,600
Total	<u>\$ 21,610,000</u>	<u>\$ 8,792,800</u>	<u>\$ 30,402,800</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

III) DETAILED NOTES ON ALL FUNDS – Continued

Apple Valley - VVEDA Loan

Fiscal Year Ending	Principal	Interest	Total
2023	\$ -	\$ 351,000	\$ 351,000
2024	-	351,000	351,000
2025	-	351,000	351,000
2026	-	351,000	351,000
2027	350,000	351,000	701,000
2028	605,000	337,000	942,000
2029	735,000	312,800	1,047,800
2030	770,000	283,400	1,053,400
2031	800,000	252,600	1,052,600
2032	830,000	220,600	1,050,600
2033	865,000	187,400	1,052,400
2034	895,000	152,800	1,047,800
2035	935,000	117,000	1,052,000
2036	975,000	79,600	1,054,600
2037	1,015,000	40,600	1,055,600
Total	\$ 8,775,000	\$ 3,738,800	\$ 12,513,800

G) Fund Balance

The details of fund balances as of June 30, 2022 are as follows:

	General Fund	Street Maintenance	Transportation Development Act Fund	Capital Projects Fund	Measure I Fund	Town Hall Annex Fund	Other Governmental Funds	Total Governmental Funds
Non Spendable:								
Prepaid Items	\$ 246,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 246,325
Restricted for:								
PEG	-	-	-	-	-	-	303,648	303,648
Housing	-	-	-	-	-	-	2,482,489	2,482,489
Streets and Transportation	-	987,884	897,182	-	4,597,100	-	-	6,482,166
Community Development	-	-	-	-	-	-	1,830,782	1,830,782
Culture and Recreation	-	-	-	-	-	-	1,641,248	1,641,248
Capital Projects	-	-	-	-	-	3,830,643	5,919,921	9,750,564
Assigned for:								
Capital Projects	-	-	-	4,271,921	-	-	-	4,271,921
Community Development	-	-	-	-	-	-	-	-
Unassigned	13,381,895	-	-	-	-	-	(67,511)	13,314,384
Total Fund Balance	\$13,628,220	\$ 987,884	\$ 897,182	\$4,271,921	\$ 4,597,100	\$ 3,830,643	\$ 12,110,577	\$ 40,323,527

H) Unavailable Revenue

Unavailable revenues of \$604,227 reported in the General Fund, and \$74,862 reported in other governmental funds, represent amounts due from other governments at June 30, 2022 which were not received within the 60-day availability period after year-end.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

I) Restricted Cash and Investments

The Sewer Fund is reporting restricted cash of \$2,229,253, as of June 30, 2022, relating to connection and capacity fees. The Apple Valley Choice Energy Fund reports restricted cash of \$192,000 for deposits held by California Independent Service Operator, a non-profit entity that oversees California's bulk electric power system.

IV) 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 124 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 \$100,000 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 \$100,000 to \$500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$500,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$50 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

IV) OTHER INFORMATION - Continued

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 \$75,000 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 \$75,000 to \$200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2021-22 the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 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 \$77,321,132.

There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 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, 2022, the amount of these liabilities was \$61,989. This liability is the Town's best estimate based on available information.

Changes in Claims Payable were as follows:

	<u>2021-2022</u>	<u>2020-2021</u>
Claims payable, beginning of fiscal year	\$ 54,243	\$ 237,951
Current year claims and changes in estimates	7,746	-
Claim payments and changes in estimates	<u>-</u>	<u>(183,708)</u>
Claims payable, end of fiscal year	<u>\$ 61,989</u>	<u>\$ 54,243</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

IV) OTHER INFORMATION - Continued

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 Plant 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 2021-2022 fiscal year, the Town remitted \$3,930,950 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, 2022, reported as a capital asset of the Solid Waste Management Fund, was \$1,111,055. 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.

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

IV) OTHER INFORMATION - Continued

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 Plan

Plan Description – 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 miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous pool. Accordingly, rate plans within the miscellaneous pool are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous pool. The Town sponsors two rate plans. 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 Plan is a cost-sharing multiple-employer defined benefit pension plan 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, 2020 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2020 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

The rate plan provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	Miscellaneous Tier II	Miscellaneous PEPRA
	Prior to October 23, 2011	On or after October 23, 2011	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%	6.75%
Required employer contribution rates	14.02% + \$1,292,592	10.34% + \$6,246	7.59% + \$11,247

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 was \$1,310,085 in fiscal year 2022.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

IV) OTHER INFORMATION – Continued

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 Plan is 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, 2022 were \$3,504,463.

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

As of June 30, 2022, the Town reported a net pension liability for its proportionate shares of the net pension liability of the Plan of \$9,914,863.

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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2020 and 2021 was as follows:

Proportion - June 30, 2020	0.14358%
Proportion - June 30, 2021	0.18333%
Change - Increase (Decrease)	0.03975%

For the year ended June 30, 2022, the Town recognized pension expense of \$4,618,091. At June 30, 2022, 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	\$ 3,504,463	\$ -
Differences between actual and expected experience	1,111,845	-
Changes in assumptions	-	-
Change in employer's proportion	121,860	264,983
Differences between the employer's contributions and the employer's proportionate share of contributions	-	922,407
Net differences between projected and actual earnings on plan investments	-	8,655,151
	<hr/>	<hr/>
Total	\$ 4,738,168	\$ 9,842,541

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

IV) OTHER INFORMATION – Continued

\$3,504,463 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, 2023. 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,	
2023	\$ (2,048,464)
2024	(2,056,334)
2025	(2,112,200)
2026	(2,391,838)
2027	-
Thereafter	-

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	Plan
Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

(1) Depending on age, service and type of employment

(2) Derived using CalPERS' Membership Data for all Funds.

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-term Expected Rate of Return - 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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

IV) OTHER INFORMATION – Continued

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.

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	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	-	-0.92%

(1) An expected inflation of 2.0% used for this period.

(2) An expected inflation of 2.92% used for this period.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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.

Subsequent Events - On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

IV) OTHER INFORMATION – Continued

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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		6.15%
Net Pension Liability	\$	17,474,221
Current Discount Rate		7.15%
Net Pension Liability	\$	9,914,863
1% Increase		8.15%
Net Pension Liability	\$	3,665,649

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

At June 30, 2022, the Town reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

D) Other Post Employment Benefits

General Information About the OPEB Plan

Plan Description - The Town medical benefits to retirees that retire with a minimum of 10 years of service with the Town and reach age 55. The plan is a single-employer defined contribution post-employment healthcare benefits plan.

Benefits Provided – The Town pays for the vested retiree monthly medical insurance premiums for retirees and spouses (spouses only if retired prior to 6/22/2015) up to age 65. After age 65, benefits are Parts B and D of Medicare. In any case, benefits are limited to 10 years. Vested benefits are 25% for service of 10 to 14 years, 50% for service of 15 to 19 years, 75% for service of 20 to 24 years and 100% for service of 25 years or more. For retirees and spouses that retired prior to 6/22/2015 (up to age 65) benefits are similar to actives. Employees hired after 6/30/2015 are not eligible for OPEB benefits.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

IV) OTHER INFORMATION - Continued

Employees Covered by Benefit Terms – As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Retirees or spouses of retirees currently receiving benefits	15
Active employees	112
	127
	127

Contributions – The Plan and its contribution requirements are established by Town policy and may be amended through Town Council. The annual contributions to the Plan are based on the costs to provide the benefits as described above on a pay as you go basis. For the fiscal year ended June 30, 2022, the Town’s pay-as-you-go costs were \$149,746.

Total OPEB Liability - The Town’s total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation dated June 30, 2022, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost
Mortality	CalPERS Experience Study, November 2021 for Public Agency Miscellaneous Members
Age at Retirement	57 with 10 years of service or age +1 if eligible to retire
Health Care Trend Rate	6.50% initial, 3.94% ultimate
Discount Rate	3.69% as of June 30, 2022
	1.92% as of June 30, 2021
Medical CPI	2.50%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.69 percent and is based on the Bond Buyer 20-Bond GO index.

Changes in the Total OPEB Liability

	Total OPEB Liability (TOL)
Balance at June 30, 2021	\$ 5,246,735
Changes in the year:	
Service cost	438,254
Interest on the total OPEB liability	107,721
Changes in Assumptions	(1,388,708)
Difference between actual and expected experience	(171,624)
Benefit payments, including implicit subsidy	(149,746)
Net changes	(1,164,103)
Balance at June 30, 2022	\$ 4,082,632

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

IV) OTHER INFORMATION – Continued

Sensitivity of the Total OPEB Liability to changes in the Discount Rate - The following presents the total OPEB liability of the Town if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.69%)	Discount Rate (3.69%)	1% Increase (4.69%)
Total OPEB liability	\$ 4,615,220	\$ 4,082,632	\$ 3,639,899

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rates	1% Increase
Total OPEB liability	\$ 3,530,091	\$ 4,082,632	\$ 4,783,881

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized OPEB expense of \$378,586. The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 342,266	\$ 154,462
Differences between Actual and Expected Experience	313,145	1,870,584
Total	\$ 655,411	\$ 2,025,046

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,		
2023	\$	(167,389)
2024		(167,389)
2025		(167,389)
2026		(167,788)
2027		(168,938)
Thereafter		(530,742)

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

IV) OTHER INFORMATION – Continued

In November 2015, the Town adopted the Apple Valley Ranchos Water System Acquisition Project to acquire the water system in order to provide local control, and in January 2016 the Town filed a lawsuit to take the Apple Valley Ranchos Water Company by eminent domain. In November 2021 the Court issued a ruling against the Town. The Town has appealed the ruling and the appeal is still pending. The Court recognized the Apple Valley Ranchos Water Company litigation expenses of approximately \$13.2 million. Due to the Town's pending appeal, it is unclear if the Town will be required to pay the litigation expenses of the Water Company and therefore, no liability has been recorded in these financial statements. It is in the opinion of management that this is not covered by the Town's purchased insurance.

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 and other obligations at year-end is \$3,044,215.

F) Prior Period Adjustments

The following is a summary of the prior period adjustments reported in these financial statements:

Nature of Prior Period Adjustments	Statement of Activities		General Fund	Street Maintenance		Sewer Fund	Solid Waste Management Fund
	Governmental Activities	Business-type Activities		Fund	Fund		
To record prepaid rent for amounts previously reported as revenue	\$ (326,668)	\$ -	\$ (326,668)	\$ -	\$ -	\$ -	\$ -
To record revenue not reported in the prior year	116,882	-	-	116,882	-	-	-
Adjustments to prior year receivables and cash	-	1,022,495	-	-	347,714	674,781	-
Adjustments to report OPEB allocations not reported in prior year	470,961	(470,961)	-	-	(412,898)	(58,063)	-
Unearned revenue previously reported as revenue	(5,994,736)	-	-	-	-	-	-
Totals	\$ (5,733,561)	\$ 551,534	\$ (326,668)	\$ 116,882	\$ (65,184)	\$ 616,718	

G) Apple Valley Choice Energy (AVCE)

The Town has registered as a Community Choice Aggregator (CCA) and established the Apple Valley Choice Energy (AVCE) for the purpose of delivering electric services to certain customers located within the Town of Apple Valley. The Town entered into "Take or Pay" contracts to provide for future electric capacity for AVCE customers. These contracts constitute an obligation of the Town to purchase a set volume of electricity at a set price throughout the terms of the contracts. The Town's obligation is not recorded on the accompanying basic financial statements; however, it is included as a component of its power supply expenses.

During the fiscal year ended June 30, 2022, the Town made payments totaling \$20,325,999 for take or pay contracts. At June 30, 2022, the Town has \$63,387,964 remaining on its take or pay contracts, which have terms of one month to 15 years expiring at various dates through 2036.

H) Subsequent Events

The Town applied for and received approximately \$6.4 million in a California Water and Wastewater Arrearages Payment Program Grant from the State Water Resources Control Board (SWRCB), received in May 2022. The amount received was significantly in excess of the amount that should have been claimed by the Town based on the grant requirements. Therefore, approximately \$6.2 million of the grant received is reported as Due to Other Governments in the Sewer Fund and \$187,494 in the General Fund at year-end.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2022

V) OTHER INFORMATION – Continued

During the fiscal year 2022-23, subsequent to the end of the fiscal year ended June 30, 2022, the Town repaid \$687,803 to the SWRCB. In addition, the Town's Sewer Fund inappropriately applied credits to Sewer customers throughout the year. This resulted in the Sewer Fund not collecting fees from customers totaling approximately \$5.7 million. It is management's understanding, based on their communications with the SWRCB, the Town's Sewer Enterprise Fund will be required to return approximately \$5.7 million to the SWRCB before December 31, 2024. As a result, the Town's Sewer Enterprise Fund is expected to have losses of up to \$5.7 million in the fiscal year ended June 30, 2023.

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 26,610,998	\$ 28,448,998	\$ 28,720,359	\$ 271,361
Licenses & Permits	749,200	849,200	1,069,277	220,077
Fines & Forfeitures	409,500	409,500	625,748	216,248
Investment Income	170,000	170,000	(717,573)	(887,573)
Intergovernmental	751,094	751,094	6,848,868	6,097,774
Charges for Services	2,354,780	2,830,266	3,349,084	518,818
Other Revenue	222,800	287,800	439,469	151,669
Total Revenues	31,268,372	33,746,858	40,335,232	6,588,374
EXPENDITURES				
Current:				
General Government	5,252,218	7,149,252	5,244,108	1,905,144
Public Safety	19,177,569	19,606,739	18,552,391	1,054,348
Culture and Recreation	3,324,936	3,327,536	3,164,606	162,930
Community Development	3,036,004	3,137,104	3,290,269	(153,165)
Capital Outlay	2,140,000	1,590,000	708,648	881,352
Debt Service:				
Principal	815,000	1,630,000	945,604	684,396
Interest and Fiscal Charges	418,125	472,006	186,747	285,259
Total Expenditures	34,163,852	36,912,637	32,092,373	4,820,264
Excess (Deficiency) of Revenues over Expenditures	(2,895,480)	(3,165,779)	8,242,859	11,408,638
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(470,000)	-	(4,218,848)	(4,218,848)
Total Other Financing Sources (Uses)	(470,000)	-	(4,218,848)	(4,218,848)
Net Change in Fund Balances	(3,365,480)	(3,165,779)	4,024,011	7,189,790
Fund Balances, Beginning (Adjusted)	9,581,160	9,581,160	9,581,160	-
Fund Balances, Ending	<u>\$ 6,215,680</u>	<u>\$ 6,415,381</u>	<u>\$ 13,605,171</u>	<u>\$ 7,189,790</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 5,482,246	\$ 5,482,246	\$ 4,997,263	\$ (484,983)
Investment Income	-	-	6,378	6,378
Other Revenue	500	500	9,041	8,541
Total Revenues	<u>5,482,746</u>	<u>5,482,746</u>	<u>5,012,682</u>	<u>(470,064)</u>
EXPENDITURES				
Current:				
Transportation	1,011,450	1,904,431	724,459	1,179,972
Capital Outlay	5,534,691	5,387,991	5,010,036	377,955
Total Expenditures	<u>6,546,141</u>	<u>7,292,422</u>	<u>5,734,495</u>	<u>1,557,927</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,063,395)</u>	<u>(1,809,676)</u>	<u>(721,813)</u>	<u>1,087,863</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	690,100	690,100	-	(690,100)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>690,100</u>	<u>690,100</u>	<u>-</u>	<u>(690,100)</u>
Net Change in Fund Balances	(373,295)	(1,119,576)	(721,813)	397,763
Fund Balance, Beginning	1,592,815	1,592,815	1,592,815	-
Restatement of Net Position	-	-	116,882	116,882
Fund Balance, Ending	<u>\$ 1,219,520</u>	<u>\$ 473,239</u>	<u>\$ 987,884</u>	<u>\$ 514,645</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ 9,000	\$ 9,000	\$ -	\$ (9,000)
Intergovernmental	430,965	430,965	1,274,704	843,739
Other Revenue	-	-	-	-
Total Revenues	<u>439,965</u>	<u>439,965</u>	<u>1,274,704</u>	<u>834,739</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Transportation	-	-	-	-
Capital Outlay	436,000	436,000	292,398	143,602
Total Expenditures	<u>436,000</u>	<u>436,000</u>	<u>292,398</u>	<u>143,602</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,965</u>	<u>3,965</u>	<u>982,306</u>	<u>978,341</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	3,965	3,965	982,306	978,341
Fund Balances, Beginning	<u>850,891</u>	<u>850,891</u>	<u>850,891</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 854,856</u>	<u>\$ 854,856</u>	<u>\$ 1,833,197</u>	<u>\$ 978,341</u>

**Town of Apple Valley, California
Required Supplementary Information
Year Ended June 30, 2022**

**Schedule of Changes in Total OPEB Liability
And Related Ratios – Last Ten Fiscal Years***

	Measurement Period				
	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 438,254	\$ 357,809	\$ 372,499	\$ 351,480	\$ 54,788
Interest on total OPEB liability	107,721	117,610	112,892	106,054	103,741
Difference between expected and actual experience	(171,624)	977	486,590	-	-
Changes in Assumptions	(1,388,708)	383,602	(601,773)	174,769	-
Changes in benefits	-	-	1,542,708	(531,941)	13,560
Benefit payments, including implicit subsidy	(149,746)	(111,765)	(104,726)	(61,408)	(59,477)
Net change in total OPEB liability	(1,164,103)	748,233	1,808,190	38,954	112,612
Total OPEB liability - beginning	5,246,735	4,498,502	2,690,312	2,651,358	2,538,746
Total OPEB liability - ending	<u>\$ 4,082,632</u>	<u>\$ 5,246,735</u>	<u>\$ 4,498,502</u>	<u>\$ 2,690,312</u>	<u>\$ 2,651,358</u>
Covered payroll	\$ 6,874,745	\$ 6,242,023	\$ 5,760,624	\$ 6,110,762	\$ 6,439,825
Total OPEB liability as a percentage of covered payroll	59.39%	84.06%	78.09%	44.03%	41.17%

*Fiscal year 2018 was the first year of implementation; therefore, 10 years of information is not yet available.

Notes to the Schedule of Changes in the Town's Total OPEB Liability

No assets are accumulated in a trust that meets the criteria in GASBS No. 75, paragraph 4, to pay related benefits.

Benefit Changes: None

Changes in Assumptions: None

**Town of Apple Valley, California
Required Supplementary Information
Year Ended June 30, 2022**

**Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 Years***

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2021	0.35283%	\$ 9,914,863	\$ 6,242,023	158.84%	82.68%
2020	0.37037%	15,622,605	5,760,624	271.20%	71.54%
2019	0.36506%	14,618,763	6,110,762	239.23%	72.41%
2018	0.36107%	13,607,876	6,439,825	211.31%	77.73%
2017	0.35283%	13,908,768	6,723,094	206.88%	70.75%
2016	0.35013%	12,162,986	6,758,188	180.91%	71.01%
2015	0.36700%	10,068,561	6,370,240	158.06%	74.08%
2014	0.13396%	8,335,481	5,884,871	141.64%	77.14%

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

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

Benefit Changes: None

Changes in Assumptions: In 2017, the accounting discount rate changed from 7.65% to 7.15%.

Town of Apple Valley, California
Required Supplementary Information
Year Ended June 30, 2022

Schedule of Plan Contributions
Last 10 Years*

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2022	\$ 3,504,463	\$ (3,504,463)	\$ -	\$ 6,874,745	50.98%
2021	1,161,605	(1,331,946)	-	6,242,023	18.61%
2020	1,133,620	(1,232,664)	-	5,760,624	19.68%
2019	1,033,777	(1,257,466)	-	6,110,762	16.92%
2018	1,384,661	(1,384,661)	-	6,439,825	21.50%
2017	1,331,946	(1,331,946)	-	6,723,094	19.81%
2016	1,232,664	(1,232,664)	-	6,758,188	18.24%
2015	1,257,466	(1,257,466)	-	6,370,240	19.74%

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

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2013, 6/30/2014, 6/30/2015, 6/30/2016, 6/30/2017, 6/30/2018, 6/30/2019, 6/30/2020, 6/30/2021

Changes in Assumptions: None.

Town of Apple Valley, California
Notes to Required Supplementary Information
Year Ended June 30, 2022

BUDGETS AND BUDGETARY ACCOUNTING

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

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

Help Down Payment Assistance, HCD State Program Income, CDBG Program Income, AVCRF, and Low- and Moderate-income Housing.

SUPPLEMENTARY INFORMATION

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ -	\$ -	\$ 850,158	\$ 850,158
Investment Income	75,000	75,000	21,748	(53,252)
Intergovernmental	500,000	500,000	-	(500,000)
Other Revenue	-	-	-	-
Total Revenues	<u>575,000</u>	<u>575,000</u>	<u>871,906</u>	<u>296,906</u>
EXPENDITURES				
Current:				
Community Development	-	-	-	-
Capital Outlay	<u>1,511,895</u>	<u>1,909,407</u>	<u>1,275,640</u>	<u>633,767</u>
Total Expenditures	<u>1,511,895</u>	<u>1,909,407</u>	<u>1,275,640</u>	<u>633,767</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(936,895)</u>	<u>(1,334,407)</u>	<u>(403,734)</u>	<u>930,673</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	2,675,458	2,675,458	-	(2,675,458)
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,675,458</u>	<u>2,675,458</u>	<u>-</u>	<u>(2,675,458)</u>
Net Change in Fund Balances	1,738,563	1,341,051	(403,734)	(1,744,785)
Fund Balance, Beginning	<u>4,675,655</u>	<u>4,675,655</u>	<u>4,675,655</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 6,414,218</u>	<u>\$ 6,016,706</u>	<u>\$ 4,271,921</u>	<u>\$ (1,744,785)</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,970,000	\$ 1,970,000	\$ 2,795,662	\$ 825,662
Investment Income	25,000	25,000	11,267	(13,733)
Intergovernmental	3,986,750	3,986,750	3,135,104	(851,646)
Other Revenue	-	-	-	-
	<u>5,981,750</u>	<u>5,981,750</u>	<u>5,942,033</u>	<u>(39,717)</u>
Total Revenues				
EXPENDITURES				
Current:				
Transportation	-	-	-	-
Capital Outlay	6,252,875	5,855,363	5,478,465	376,898
	<u>6,252,875</u>	<u>5,855,363</u>	<u>5,478,465</u>	<u>376,898</u>
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	<u>(271,125)</u>	<u>126,387</u>	<u>463,568</u>	<u>337,181</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(271,125)	126,387	463,568	337,181
Fund Balance, Beginning	<u>4,133,532</u>	<u>4,133,532</u>	<u>4,133,532</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 3,862,407</u>	<u>\$ 4,259,919</u>	<u>\$ 4,597,100</u>	<u>\$ 337,181</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Town Hall Annex
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government	-	-	-	-
Debt Service				
Principal	-	-	6,000,000	(6,000,000)
Interest and Fiscal Charges	-	-	117,762	(117,762)
Bond Issuance Costs	-	-	158,695	(158,695)
Total Expenditures	-	-	6,276,457	(6,276,457)
Excess (Deficiency) of Revenues over Expenditures	-	-	(6,276,457)	(6,276,457)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	107,100	107,100
Issuance of Debt	-	-	10,000,000	10,000,000
Total Other Financing Sources (Uses)	-	-	10,107,100	10,107,100
Net Change in Fund Balances	-	-	3,830,643	3,830,643
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,830,643</u>	<u>\$ 3,830,643</u>

Town of Apple Valley, California Non-major Governmental Funds

Special Revenue Funds:

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

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

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.

MSHCP Fund – To account for the revenues and expenditures associated with the Town's MSHCP fee collections.

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.

Low and Moderate Income Housing Fund – To account for revenues received restricted for low and moderate income housing.

PEG Channel Fund – To account for PEG fees collected and to be used for public access channel projects.

Town of Apple Valley, California
Non-major 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.

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Special Revenue			
	CDBG	Neighborhood Stabilization Program	Assessment District L-1	MSHCP
ASSETS				
Cash and Investments	\$ 179,231	\$ 629,118	\$ 1,407,960	\$ -
Accounts Receivable	-	-	3,708	-
Due from Other Governments	90,784	-	-	-
Total Assets	<u>\$ 270,015</u>	<u>\$ 629,118</u>	<u>\$ 1,411,668</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$ 40,660	\$ -	\$ 122,532	\$ 10,000
Accrued Liabilities	5,625	-	-	-
Due to Other Funds	-	-	-	57,511
Total Liabilities	<u>46,285</u>	<u>-</u>	<u>122,532</u>	<u>67,511</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICITS)				
Restricted	223,730	629,118	1,289,136	-
Assigned	-	-	-	-
Unassigned	-	-	-	(67,511)
Total Fund Balances (Deficits)	<u>223,730</u>	<u>629,118</u>	<u>1,289,136</u>	<u>(67,511)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 270,015</u>	<u>\$ 629,118</u>	<u>\$ 1,411,668</u>	<u>\$ -</u>

Special Revenue

Help Down Payment Assistance	Quimby Fees	HCD State Program Income	CDBG Program Income	HOME	AVCRF	Low and Moderate Inc. Housing Fund
\$ 64,291	\$ 1,643,789	\$ 630,961	\$ 126,805	\$ 310,303	\$ 325,777	\$ 723,951
-	-	-	74,862	-	-	-
-	-	-	-	-	-	-
<u>\$ 64,291</u>	<u>\$ 1,643,789</u>	<u>\$ 630,961</u>	<u>\$ 201,667</u>	<u>\$ 310,303</u>	<u>\$ 325,777</u>	<u>\$ 723,951</u>
\$ -	\$ 2,541	\$ -	\$ -	\$ 2,386	\$ 7,861	\$ -
-	-	-	-	554	-	-
-	-	-	-	-	-	-
-	2,541	-	-	2,940	7,861	-
-	-	-	74,862	-	-	-
-	-	-	74,862	-	-	-
64,291	1,641,248	630,961	126,805	307,363	317,916	723,951
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>64,291</u>	<u>1,641,248</u>	<u>630,961</u>	<u>126,805</u>	<u>307,363</u>	<u>317,916</u>	<u>723,951</u>
<u>\$ 64,291</u>	<u>\$ 1,643,789</u>	<u>\$ 630,961</u>	<u>\$ 201,667</u>	<u>\$ 310,303</u>	<u>\$ 325,777</u>	<u>\$ 723,951</u>

Continued

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds - Continued
June 30, 2022

	Special Revenue	Capital Projects		
	PEG Channel	NAVISP Infrastructure	Storm Drains	Project Manager Grants
ASSETS				
Cash and Investments	\$ 283,569	\$ 768,417	\$ 892,364	\$ 410,671
Accounts Receivable	38,415	-	-	-
Due from Other Governments	-	-	-	15,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 321,984</u>	<u>\$ 768,417</u>	<u>\$ 892,364</u>	<u>\$ 425,671</u>
LIABILITIES				
Accounts Payable	\$ 18,336	\$ -	\$ 3,083	\$ -
Accrued Liabilities	-	-	-	3,994
Due to Other Funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>18,336</u>	<u>-</u>	<u>3,083</u>	<u>3,994</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICITS)				
Restricted	303,648	768,417	889,281	421,677
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficits)	<u>303,648</u>	<u>768,417</u>	<u>889,281</u>	<u>421,677</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 321,984</u>	<u>\$ 768,417</u>	<u>\$ 892,364</u>	<u>\$ 425,671</u>

<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Development Impact Fees</u>	
\$ 3,840,546	\$ 12,237,753
-	116,985
-	<u>105,784</u>
<u>\$ 3,840,546</u>	<u>\$ 12,460,522</u>
\$ -	\$ 207,399
-	10,173
-	<u>57,511</u>
-	<u>275,083</u>
-	<u>74,862</u>
-	<u>74,862</u>
3,840,546	12,178,088
-	-
-	<u>(67,511)</u>
<u>3,840,546</u>	<u>12,110,577</u>
<u>\$ 3,840,546</u>	<u>\$ 12,460,522</u>

Town of Apple Valley, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2022

	Special Revenue			
	CDBG	Neighborhood Stabilization Program	Assessment District L-1	MSHCP
REVENUES				
Taxes	\$ -	\$ -	\$ 224,712	\$ -
Licenses and Permits	-	-	-	-
Investment Income	-	2,795	6,460	-
Intergovernmental	1,274,704	-	-	-
Donations	-	-	-	-
Other Revenue	-	21,386	-	-
Total Revenues	1,274,704	24,181	231,172	-
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Transportation	-	-	415,879	-
Culture and Recreation	-	-	-	-
Community Development	769,707	-	-	67,511
Capital Outlay	292,398	-	-	-
Total Expenditures	1,062,105	-	415,879	67,511
Excess (Deficiency) of Revenues Over Expenditures	212,599	24,181	(184,707)	(67,511)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	212,599	24,181	(184,707)	(67,511)
Fund Balances - Beginning	11,131	604,937	1,473,843	-
Fund Balances - Ending	\$ 223,730	\$ 629,118	\$ 1,289,136	\$ (67,511)

Special Revenue

Help Down Payment Assistance	Quimby Fees	HCD State Program Income	CDBG Program Income	HOME	AVCRF	Low and Moderate Inc. Housing Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	347,798	-	-	-	-	-
-	6,755	2,320	594	2,521	1,152	2,010
64,291	-	-	-	162,815	-	310,770
-	-	-	-	-	184,726	-
-	-	231,286	-	-	-	-
<u>64,291</u>	<u>354,553</u>	<u>233,606</u>	<u>594</u>	<u>165,336</u>	<u>185,878</u>	<u>312,780</u>
-	-	-	-	-	18,140	-
-	-	-	-	-	46,587	-
-	-	-	-	-	-	-
-	-	-	-	-	23,432	-
-	-	-	-	498,083	-	-
-	65,636	-	-	-	-	-
<u>-</u>	<u>65,636</u>	<u>-</u>	<u>-</u>	<u>498,083</u>	<u>88,159</u>	<u>-</u>
<u>64,291</u>	<u>288,917</u>	<u>233,606</u>	<u>594</u>	<u>(332,747)</u>	<u>97,719</u>	<u>312,780</u>
-	-	-	17,014	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>17,014</u>	<u>-</u>	<u>-</u>	<u>-</u>
64,291	288,917	233,606	17,608	(332,747)	97,719	312,780
-	1,352,331	397,355	109,197	640,110	220,197	411,171
<u>\$ 64,291</u>	<u>\$ 1,641,248</u>	<u>\$ 630,961</u>	<u>\$ 126,805</u>	<u>\$ 307,363</u>	<u>\$ 317,916</u>	<u>\$ 723,951</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, 2022

	Special Revenue	Capital Projects		
	PEG Channel	NAVISP Infrastructure	Storm Drains	Project Manager Grants
REVENUES				
Taxes	\$ 223,405	\$ -	\$ -	\$ -
Licenses and Permits	-	-	135,853	-
Investment Income	925	3,463	3,857	-
Intergovernmental	-	-	-	211,554
Donations	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	224,330	3,463	139,710	211,554
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Transportation	-	-	-	-
Culture and Recreation	-	-	-	-
Community Development	-	-	18,761	4,035
Capital Outlay	22,954	-	94,955	-
Total Expenditures	22,954	-	113,716	4,035
Excess (Deficiency) of Revenues Over Expenditures	201,376	3,463	25,994	207,519
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	201,376	3,463	25,994	207,519
Fund Balances - Beginning	102,272	764,954	863,287	214,158
Fund Balances - Ending	<u>\$ 303,648</u>	<u>\$ 768,417</u>	<u>\$ 889,281</u>	<u>\$ 421,677</u>

<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Development Impact Fees</u>	
\$ -	\$ 448,117
222,540	706,191
16,792	49,644
-	2,024,134
-	184,726
-	252,672
239,332	3,665,484
-	18,140
-	46,587
-	415,879
-	23,432
-	1,358,097
275	476,218
275	2,338,353
239,057	1,327,131
-	17,014
-	-
-	17,014
239,057	1,344,145
3,601,489	10,766,432
\$ 3,840,546	\$ 12,110,577

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,541,730	\$ 1,712,503	\$ 1,274,704	\$ (437,799)
Total Revenues	<u>1,541,730</u>	<u>1,712,503</u>	<u>1,274,704</u>	<u>(437,799)</u>
EXPENDITURES				
Current:				
Community Development	1,541,730	1,451,887	769,707	682,180
Capital Outlay	<u>-</u>	<u>153,011</u>	<u>292,398</u>	<u>(139,387)</u>
Total Expenditures	<u>1,541,730</u>	<u>1,604,898</u>	<u>1,062,105</u>	<u>542,793</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>107,605</u>	<u>212,599</u>	<u>104,994</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	107,605	212,599	104,994
Fund Balance, Beginning	<u>11,131</u>	<u>11,131</u>	<u>11,131</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 11,131</u>	<u>\$ 118,736</u>	<u>\$ 223,730</u>	<u>\$ 104,994</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ -	\$ -	\$ 2,795	\$ 2,795
Other Revenue	311,000	311,000	21,386	(289,614)
Total Revenues	311,000	311,000	24,181	(286,819)
EXPENDITURES				
Current:				
Community Development	281,000	281,000	-	281,000
Total Expenditures	281,000	281,000	-	281,000
Excess (Deficiency) of Revenues over Expenditures	30,000	30,000	24,181	(5,819)
Fund Balance, Beginning	604,937	604,937	604,937	-
Fund Balance, Ending	<u>\$ 634,937</u>	<u>\$ 634,937</u>	<u>\$ 629,118</u>	<u>\$ (5,819)</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 315,000	\$ 315,000	\$ 224,712	\$ (90,288)
Investment Income	5,000	5,000	6,460	1,460
Total Revenues	<u>320,000</u>	<u>320,000</u>	<u>231,172</u>	<u>(88,828)</u>
EXPENDITURES				
Current:				
Transportation	<u>220,000</u>	<u>570,000</u>	<u>415,879</u>	<u>154,121</u>
Total Expenditures	<u>220,000</u>	<u>570,000</u>	<u>415,879</u>	<u>154,121</u>
Excess (Deficiency) of Revenues over Expenditures	100,000	(250,000)	(184,707)	65,293
Fund Balance, Beginning	<u>1,473,843</u>	<u>1,473,843</u>	<u>1,473,843</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 1,573,843</u></u>	<u><u>\$ 1,223,843</u></u>	<u><u>\$ 1,289,136</u></u>	<u><u>\$ 65,293</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - MSHCP
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ -	\$ -	\$ -	\$ -
Intergovernmental	300,000	300,000	-	(300,000)
Other Revenue	-	-	-	-
Total Revenues	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
EXPENDITURES				
Current:				
Community Development	150,000	150,000	67,511	82,489
Total Expenditures	<u>150,000</u>	<u>150,000</u>	<u>67,511</u>	<u>82,489</u>
Excess (Deficiency) of Revenues over Expenditures	150,000	150,000	(67,511)	(217,511)
Fund Balance, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ (67,511)</u>	<u>\$ (217,511)</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 300,000	\$ 300,000	\$ 347,798	\$ 47,798
Investment Income	10,000	10,000	6,755	(3,245)
Total Revenues	<u>310,000</u>	<u>310,000</u>	<u>354,553</u>	<u>44,553</u>
EXPENDITURES				
Current:				
Culture and Recreation	-	-	-	-
Capital Outlay	540,000	540,000	65,636	474,364
Total Expenditures	<u>540,000</u>	<u>540,000</u>	<u>65,636</u>	<u>474,364</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(230,000)</u>	<u>(230,000)</u>	<u>288,917</u>	<u>518,917</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	(230,000)	(230,000)	288,917	518,917
Fund Balance, Beginning	<u>1,352,331</u>	<u>1,352,331</u>	<u>1,352,331</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 1,122,331</u></u>	<u><u>\$ 1,122,331</u></u>	<u><u>\$ 1,641,248</u></u>	<u><u>\$ 518,917</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ -	\$ -	\$ 2,521	\$ 2,521
Intergovernmental	3,212,493	3,212,493	162,815	(3,049,678)
Other Revenue	-	-	-	-
Total Revenues	<u>3,212,493</u>	<u>3,212,493</u>	<u>165,336</u>	<u>(3,047,157)</u>
EXPENDITURES				
Current:				
Community Development	<u>3,212,493</u>	<u>3,212,493</u>	<u>498,083</u>	<u>2,714,410</u>
Total Expenditures	<u>3,212,493</u>	<u>3,212,493</u>	<u>498,083</u>	<u>2,714,410</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(332,747)</u>	<u>(332,747)</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	-	-	(332,747)	(332,747)
Fund Balance, Beginning	<u>640,110</u>	<u>640,110</u>	<u>640,110</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 640,110</u>	<u>\$ 640,110</u>	<u>\$ 307,363</u>	<u>\$ (332,747)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - PEG Channel Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 120,000	\$ 120,000	\$ 223,405	\$ 103,405
Investment Income	-	-	925	925
Other Revenue	-	-	-	-
Total Revenues	-	120,000	224,330	104,330
EXPENDITURES				
Current:				
Community Development	-	-	23,432	(23,432)
Capital Outlay	93,500	93,500	22,954	70,546
Total Expenditures	93,500	93,500	22,954	70,546
Excess (Deficiency) of Revenues over Expenditures	(93,500)	26,500	201,376	174,876
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(93,500)	26,500	201,376	174,876
Fund Balance, Beginning	102,272	102,272	102,272	-
Fund Balance, Ending	\$ 8,772	\$ 128,772	\$ 303,648	\$ 174,876

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - NAVISP Infrastructure
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ 8,000	\$ 8,000	\$ 3,463	\$ (4,537)
Total Revenues	<u>8,000</u>	<u>8,000</u>	<u>3,463</u>	<u>(4,537)</u>
EXPENDITURES				
Current:				
Transportation	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	8,000	8,000	3,463	(4,537)
Fund Balance, Beginning	<u>764,954</u>	<u>764,954</u>	<u>764,954</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 772,954</u></u>	<u><u>\$ 772,954</u></u>	<u><u>\$ 768,417</u></u>	<u><u>\$ (4,537)</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses & Permits	\$ 135,000	\$ 135,000	\$ 135,853	\$ 853
Investment Income	5,000	5,000	3,857	(1,143)
Total Revenues	<u>140,000</u>	<u>140,000</u>	<u>139,710</u>	<u>(290)</u>
EXPENDITURES				
Current:				
Community Development	-	-	18,761	(18,761)
Capital Outlay	10,000	10,000	94,955	(84,955)
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>113,716</u>	<u>(103,716)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>130,000</u>	<u>130,000</u>	<u>25,994</u>	<u>(104,006)</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	130,000	130,000	25,994	(104,006)
Fund Balance, Beginning	<u>863,287</u>	<u>863,287</u>	<u>863,287</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 993,287</u>	<u>\$ 993,287</u>	<u>\$ 889,281</u>	<u>\$ (104,006)</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 47,800	\$ 95,840	\$ 211,554	\$ 115,714
Total Revenues	<u>47,800</u>	<u>95,840</u>	<u>211,554</u>	<u>115,714</u>
EXPENDITURES				
Current:				
Community Development	47,840	58,840	4,035	54,805
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>47,840</u>	<u>58,840</u>	<u>4,035</u>	<u>54,805</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(40)</u>	<u>37,000</u>	<u>207,519</u>	<u>170,519</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(40)	37,000	207,519	170,519
Fund Balances, Beginning	<u>214,158</u>	<u>214,158</u>	<u>214,158</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 214,118</u></u>	<u><u>\$ 251,158</u></u>	<u><u>\$ 421,677</u></u>	<u><u>\$ 170,519</u></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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses & Permits	\$ 189,000	\$ 189,000	\$ 222,540	\$ 33,540
Investment Income	32,400	32,400	16,792	(15,608)
Total Revenues	<u>221,400</u>	<u>221,400</u>	<u>239,332</u>	<u>17,932</u>
EXPENDITURES				
Current:				
Transportation	-	-	-	-
Capital Outlay	-	-	275	(275)
Total Expenditures	<u>-</u>	<u>-</u>	<u>275</u>	<u>(275)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>221,400</u>	<u>221,400</u>	<u>239,057</u>	<u>17,657</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	221,400	221,400	239,057	17,657
Fund Balance, Beginning	<u>3,601,489</u>	<u>3,601,489</u>	<u>3,601,489</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 3,822,889</u>	<u>\$ 3,822,889</u>	<u>\$ 3,840,546</u>	<u>\$ 17,657</u>

Town of Apple Valley, California Custodial Funds

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

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

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

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

Town of Apple Valley, California
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2022

	Assessment District 98-1	Village PBID	Victor Valley Economic Dev. Authority	Mojave Desert and Mountain Integrated Waste Mgmt. Authority	Total
ASSETS					
Cash and Investments	\$ -	\$ 141,721	\$ 14,959,407	\$ 203,798	\$ 15,304,926
Accounts Receivable	-	-	-	752,095	752,095
Due from Other Governments	-	-	-	3,627	3,627
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,627</u>	<u>3,627</u>
Total Assets	<u>-</u>	<u>141,721</u>	<u>14,959,407</u>	<u>959,520</u>	<u>16,060,648</u>
LIABILITIES					
Accounts Payable	-	1,503	-	-	1,503
Accrued Liabilities	-	-	566,037	279,060	845,097
	<u>-</u>	<u>-</u>	<u>566,037</u>	<u>279,060</u>	<u>845,097</u>
Total Liabilities	<u>-</u>	<u>1,503</u>	<u>566,037</u>	<u>279,060</u>	<u>846,600</u>
NET POSITION					
Restricted for:					
Organizations and Individuals	-	140,218	-	-	140,218
Other Governments	-	-	14,393,370	680,460	15,073,830
	<u>-</u>	<u>-</u>	<u>14,393,370</u>	<u>680,460</u>	<u>15,073,830</u>
Total Net Position	<u>\$ -</u>	<u>\$ 140,218</u>	<u>\$ 14,393,370</u>	<u>\$ 680,460</u>	<u>\$ 15,214,048</u>

Town of Apple Valley, California
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
June 30, 2022

	Assessment District 98-1	Village PBID	Victor Valley Economic Dev. Authority	Mojave Desert and Mountain Integrated Waste Mgmt. Authority	Total
ADDITIONS					
Contributions:					
Taxes and assessments collected for others	\$ -	\$ 238,365	\$ 21,928,285	\$ -	\$ 22,166,650
Charges for Services	-	-	-	4,931,714	4,931,714
Other Revenue	773,544	-	-	537,940	1,311,484
Investment Earnings:					
Interest Income	12	620	15,660	487	16,779
Total Additions	773,556	238,985	21,943,945	5,470,141	28,426,627
DEDUCTIONS					
Administrative Costs	-	373,466	312,366	5,763,605	6,449,437
Pass-through Agreements	-	-	21,791,064	-	21,791,064
Interest and Fiscal Charges	666,300	-	-	-	666,300
Total Deductions	666,300	373,466	22,103,430	5,763,605	28,906,801
Net Increase (decrease) in fiduciary net position	107,256	(134,481)	(159,485)	(293,464)	(480,174)
Net Position, beginning of the year	(107,256)	274,699	14,552,855	973,924	15,694,222
Net Position, end of the year	\$ -	\$ 140,218	\$ 14,393,370	\$ 680,460	\$ 15,214,048