

# *Comprehensive Annual Financial Report*

Fiscal Year

July 1, 2008 through June 30, 2009



Town of Apple Valley, California

*A Better Way of Life*

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

Year Ended June 30, 2009

Prepared by  
Finance Department

William Pattison  
Assistant Town Manager, Finance & Administration

**Town of Apple Valley, California**  
**Comprehensive Annual Financial Report**  
Year Ended June 30, 2009

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**INTRODUCTORY SECTION**

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# Town of Apple Valley

14955 Dale Evans Parkway • Apple Valley, California 92307

December 17, 2009

*For the Citizens of the Town of Apple Valley,*

*Honorable Mayor and Town Council  
Town of Apple Valley*

State law requires that all general-purpose local governments publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the Town of Apple Valley for the fiscal year ended June 30, 2009.

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

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

The Town of Apple Valley's financial statements have been audited by Teaman, Ramirez & Smith, Inc., a firm of licensed certified public accountants. The independent auditors concluded that the Town's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with generally accepted accounting principles. The independent auditors' report is presented as the first component of the financial section of this report.

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

## PROFILE OF THE TOWN

### *Reporting Entity*

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

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

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

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

### ***History***

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

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

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

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

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

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



## ***Budget***

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

## ***ECONOMIC CONDITION AND OUTLOOK***

From a historical perspective, growth in the area which became known as the Town of Apple Valley proceeded at a fairly slow, but steady pace. Early development consisted primarily of custom-built single family homes on one acre lots. In the later half of the 1980s, however, the pace quickened as residents of the Inland Empire and Greater East Los Angeles area became aware of the moderate cost of housing, amenities and quality of life offered by the area. Tract development began to occur. Various types of businesses began to locate in the Town to serve the basic needs of the new residents. Apple Valley's population grew from approximately 16,000 in 1980 to over 70,000 in 2009. The three major industries within Apple Valley became the building of single family homes, real estate sales and the medical industry.

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

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

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

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

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

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

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

### ***Major Initiatives***

#### **Economic Development**

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

This past year, such goals were highly successful. More than 200 stores have opened since 2005; with another list of retailers opening within the last 12 months including Cinemark Theater, 24 Hour Fitness and Ross Dress for Less.

As retail development continues to expand into the Apple Valley market, the Town Council has made the implementation of a targeted marketing and industrial business attraction program a priority of economic development for the coming years. The Town's goal for the next 12 months is to focus on attracting logistics based industrial development, including manufacturing and distribution facilities that can take advantage of the North Apple Valley Industrial Specific Plan's streamlined entitlement process, inexpensive land and operating costs, and strategic market location and accessibility. The NAVISP area, projected to site 30 million square feet and provide 38,000 jobs at build out, will be a major logistics and manufacturing hub and influence subsidiary services, including housing and commercial markets.

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

#### **Capital Improvement Program**

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

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

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

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

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

## **Quality of Life Issues**

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

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

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

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

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

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

## ***AWARDS AND ACKNOWLEDGEMENTS***

### ***Awards***

The Town's comprehensive financial report for the year ended June 30, 2008, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

*Acknowledgments*

The preparation of this report on a timely basis is a team effort, requiring the dedication and cooperation of the entire Finance Department staff and the Town Manager's Office. The guidance and suggestions from the accounting firm of Teaman, Ramirez & Smith, Inc. was also invaluable. I would like to acknowledge the following individuals who directly contributed to the publication of this document: Kaye Reynolds, Finance Manager; Orlando Acevedo, Economic Development Specialist II, Brad Miller, Town Engineer and Dennis Cron, Assistant Town Manager Operations & Contract Services.

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

Sincerely,

William B. Pattison Jr.  
Assistant Town Manager  
Finance & Administration



**-Town Officials-**

*June 30, 2009*

Town Council

Rick Roelle, *Mayor*

Scott Nassif, *Mayor Pro-Tem*

Peter Allan

Ginger Coleman

Bob Sagona

Town Staff

Frank Robinson, *Town Manager*

William B. Pattison, Jr., *Assistant Town Manager, Finance  
and Administration*

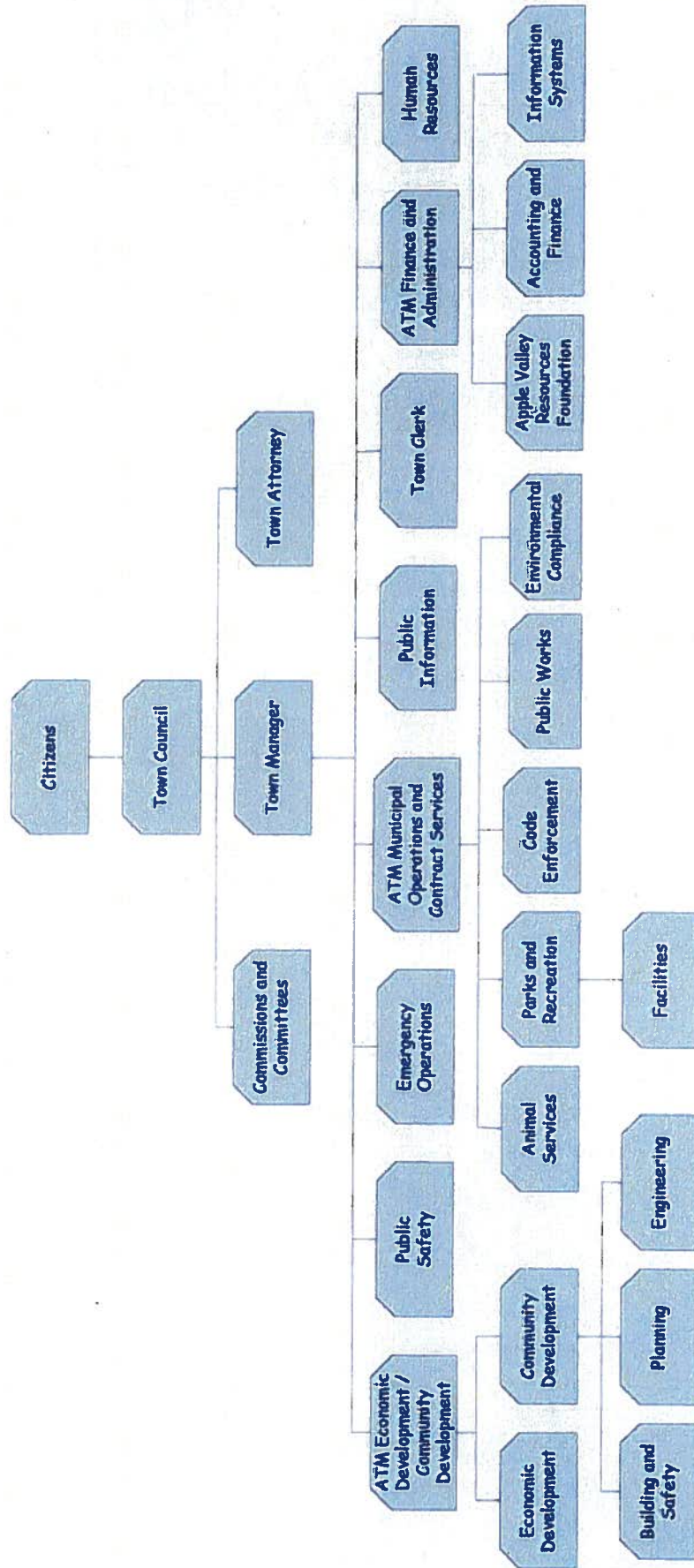
Bart Belknap, *Chief of Police*

LaVonda Pearson, *Town Clerk*

John Brown, *Town Attorney, Best, Best & Krieger*

# TOWN OF APPLE VALLEY ORGANIZATION CHART

(as of July 01, 2009)



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Town of Apple Valley  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director



**FINANCIAL SECTION**

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley, California, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Apple Valley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009 on our consideration of the Town of Apple Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 11 and the required supplementary information on pages 59 through 64 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Teaman Ramirez & Smith*

December 17, 2009

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

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The management of the Town of Apple Valley provides this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2009. Please consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii, and the Town's basic financial statements, which follow this section.

**Financial Highlights**

The assets of the Town exceeded its liabilities at the close of the Fiscal Year 2008-09 by \$469,636,482 (*net assets*). Of this amount, \$12,709,352 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's total net assets decreased by \$6,304,193.

As of FY 2008-09 year end, the Town of Apple Valley's governmental funds reported combined ending fund balances of \$88,111,459, a decrease of \$11,191,146 in comparison with the prior year. Nearly 97% of this total amount, \$85,680,981, is available for spending at the government's discretion (*unreserved fund balance*).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$17,094,067, or 92 percent of total general fund expenditures.

The Town of Apple Valley's total debt decreased by \$1,827,167 (2.5 percent) during the current fiscal year. No new debt was issued in the current fiscal year.

**Overview of the Financial Statements**

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

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

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, transportation, culture and recreation, community development, and health. The business-type activities of the Town include Sewer and Waste Management.

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

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

The government-wide financial statements can be found on pages 12-14 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Article 8 fund, Parks and Recreation fund, Low/Mod Housing fund, RDA Debt Service fund, Capital Projects fund, Development Impact Fees fund, RDA Capital Projects fund, Measure I fund, and the Project Manager Grants fund, all of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

**Proprietary funds.** The Town maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its Sewer and Waste Management operations as well as the Apple Valley Golf Club.

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

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

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

The basic fiduciary fund financial statements can be found on page 24.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-58 of this report.

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

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Town's case, assets exceeded liabilities by \$469,636,482 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (88 percent) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$12,709,352) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets for the government as a whole as well as for the business-type activities. Governmental activities are positive in all categories except unrestricted.

The government's net assets decreased by \$6,304,193 during the current fiscal year.



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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$101,077,405	\$109,942,098	\$19,776,963	\$20,612,731	\$120,854,368	\$130,554,829
Capital assets	<u>397,958,705</u>	<u>392,824,650</u>	<u>36,301,623</u>	<u>37,983,539</u>	<u>434,260,328</u>	<u>430,808,189</u>
<b>Total assets</b>	<b><u>\$499,036,110</u></b>	<b><u>\$502,766,748</u></b>	<b><u>\$56,078,586</u></b>	<b><u>\$58,596,270</u></b>	<b><u>\$555,114,696</u></b>	<b><u>\$561,363,018</u></b>
Long-term liabilities outstanding	69,594,662	70,911,245	5,433,613	5,955,988	75,028,275	76,867,233
Other liabilities	<u>8,202,593</u>	<u>6,231,319</u>	<u>2,247,346</u>	<u>2,323,791</u>	<u>10,449,939</u>	<u>8,555,110</u>
<b>Total liabilities</b>	<b><u>\$77,797,255</u></b>	<b><u>\$77,142,564</u></b>	<b><u>\$7,680,959</u></b>	<b><u>\$8,279,779</u></b>	<b><u>\$85,478,214</u></b>	<b><u>\$85,422,343</u></b>
Net assets:						
Invested in capital assets, net of related debt	381,677,955	387,123,900	32,459,593	33,768,176	414,137,548	420,892,076
Restricted	40,971,278	51,867,938	1,818,304	1,816,804	42,789,582	53,684,742
Unrestricted	<u>(1,410,378)</u>	<u>(13,367,654)</u>	<u>14,119,730</u>	<u>14,731,511</u>	<u>12,709,352</u>	<u>1,363,857</u>
<b>Total net assets</b>	<b><u>\$421,238,855</u></b>	<b><u>\$425,624,184</u></b>	<b><u>\$48,397,627</u></b>	<b><u>\$50,316,491</u></b>	<b><u>\$469,636,482</u></b>	<b><u>\$475,940,675</u></b>

**Governmental activities.** Governmental activities decreased the Town's net assets by \$4,188,963 (1%). Key elements of this increase are as follows:

- Investment income decreased \$1,351,768 (55 percent). This is due to the decline in interest rates.
- Tax Increment income decreased \$627,993 (6 percent). This is due to a reduction in assessed values by the County Tax Assessor.
- Property Tax income decreased \$635,368 (13 percent). This is also due to a reduction in assessed values by the County Tax Assessor.
- Public Safety expenditures increased \$1,352,732 (13 percent).

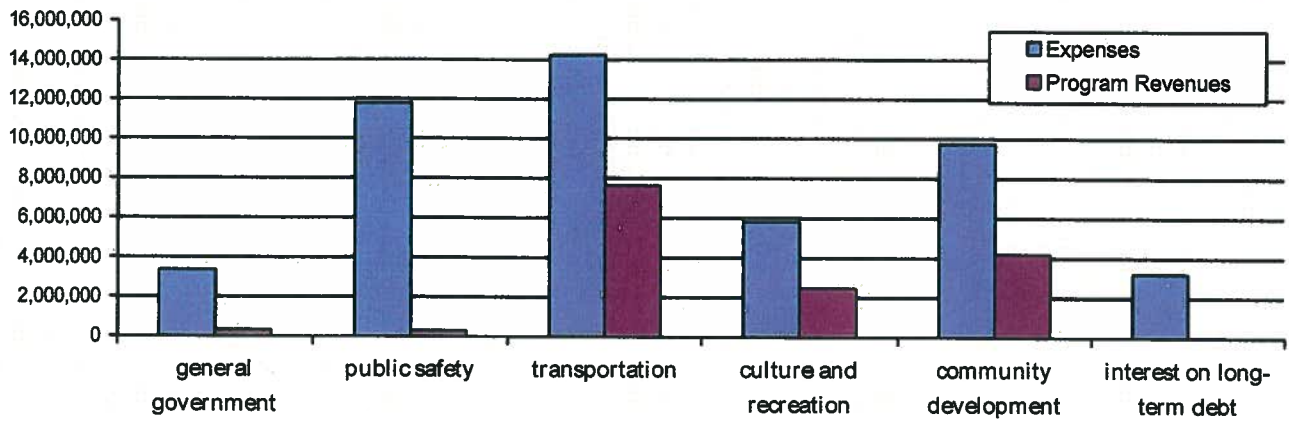
Overall, General Government expenses were reduced due to the continual decline in service revenues. One noteworthy exception, however, was the Town's transportation function. In that instance, for the 4<sup>th</sup> year in a row, the growth in expenses of \$4,383,786 (44 percent) reflects the cost of increased road programs.



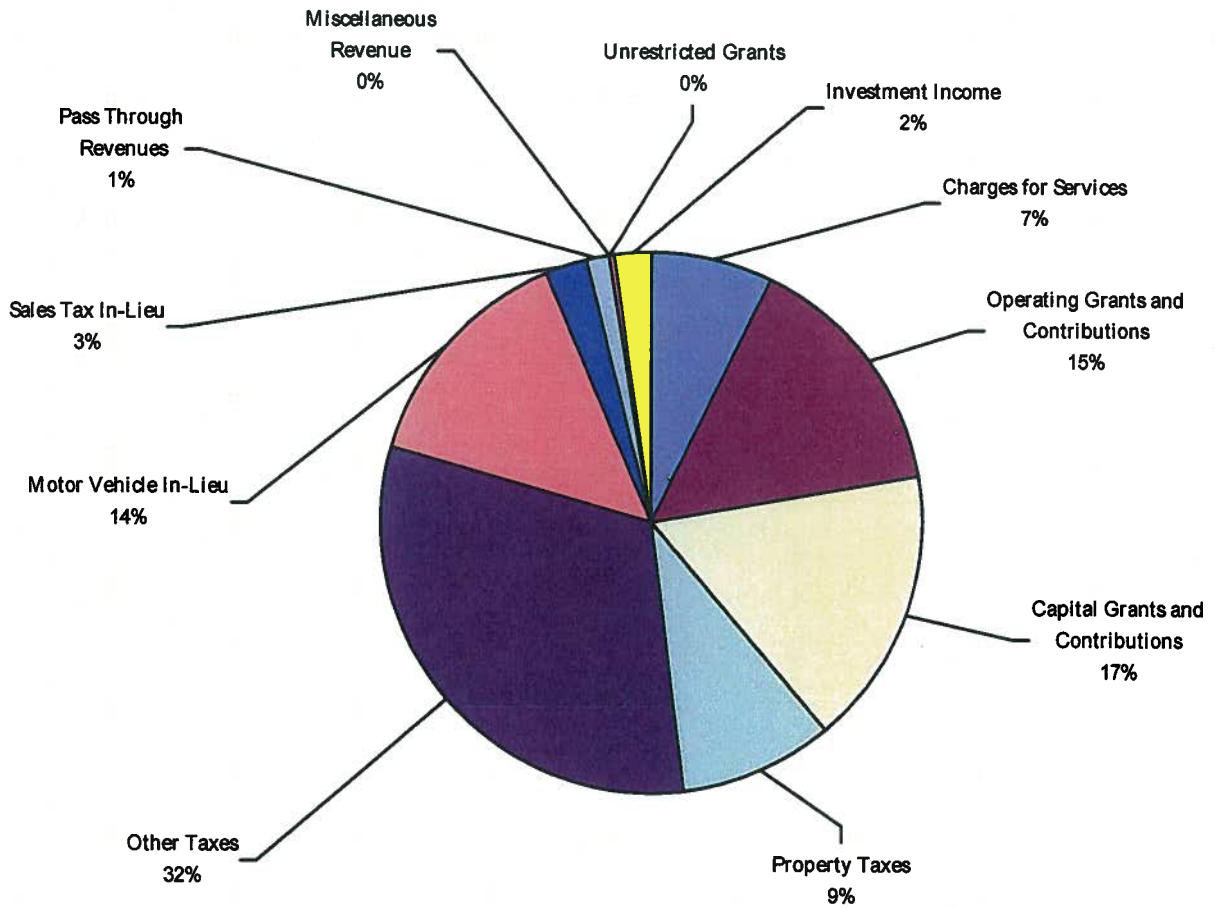
**Town of Apple Valley's Changes in Net Assets**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues</b>						
Program revenues:						
Charges for service	\$3,708,910	\$3,338,669	\$13,357,554	\$11,977,753	17,066,464	15,316,422
Operating grants and contributions	4,533,857	7,034,992			4,533,857	7,034,992
Capital grants and contributions	6,620,923	7,719,437	586,969	1,173,704	7,207,892	8,893,141
General revenues:						
Property taxes	4,190,359	4,825,727			4,190,359	4,825,727
Other taxes	14,609,991	14,666,236			14,609,991	14,666,236
Motor Vehicle in-Lieu	6,670,204	6,493,901			6,670,204	6,493,901
Sales Tax in-Lieu	1,167,513	1,220,476			1,167,513	1,220,476
Pass Through Revenues	563,609	417,770			563,609	417,770
Miscellaneous Revenues	105,846	169,328			105,846	169,328
Grants and contribution not restricted to specific programs	9,686	19,310			9,686	19,310
Investment Income	1,090,479	2,442,247	332,704	613,328	1,423,183	3,055,575
<b>Total revenues</b>	<b>43,271,377</b>	<b>48,348,093</b>	<b>14,277,227</b>	<b>13,764,785</b>	<b>57,548,604</b>	<b>62,112,878</b>
<b>Expenses</b>						
General government	3,351,071	3,533,678			3,351,071	3,533,678
Public safety	11,783,023	10,430,291			11,783,023	10,430,291
Transportation	14,238,533	9,854,747			14,238,533	9,854,747
Culture and recreation	5,827,113	5,188,538			5,827,113	5,188,538
Community Development	9,753,475	8,805,564			9,753,475	8,805,564
Interest on long-term debt	3,203,143	3,539,966			3,203,143	3,539,966
Golf Club			1,276,919	0	1,276,919	0
Sewer			5,593,652	4,977,119	5,593,652	4,977,119
Waste Management			8,825,868	8,817,281	8,825,868	8,817,281
<b>Total expenses</b>	<b>48,156,358</b>	<b>41,352,784</b>	<b>15,696,439</b>	<b>13,794,400</b>	<b>63,852,797</b>	<b>55,147,184</b>
Change in net assets before transfers	(4,884,981)	6,995,309	(1,419,212)	(29,615)	(6,304,193)	6,965,694
Transfers	499,652	792,788	(499,652)	(792,788)	0	0
Change in net assets	(4,385,329)	7,788,097	(1,918,864)	(822,403)	(6,304,193)	6,965,694
Net assets (beginning)	425,624,184	419,582,262	50,316,491	51,517,079	475,940,675	471,099,341
Prior Period Adjustment	0	(1,746,175)	0	(378,185)	0	(2,124,360)
<b>Net assets (ending)</b>	<b>\$421,238,855</b>	<b>\$425,624,184</b>	<b>\$48,397,627</b>	<b>\$50,316,491</b>	<b>\$469,636,482</b>	<b>\$475,940,675</b>

### Expenses and Program Revenues - Governmental Activities



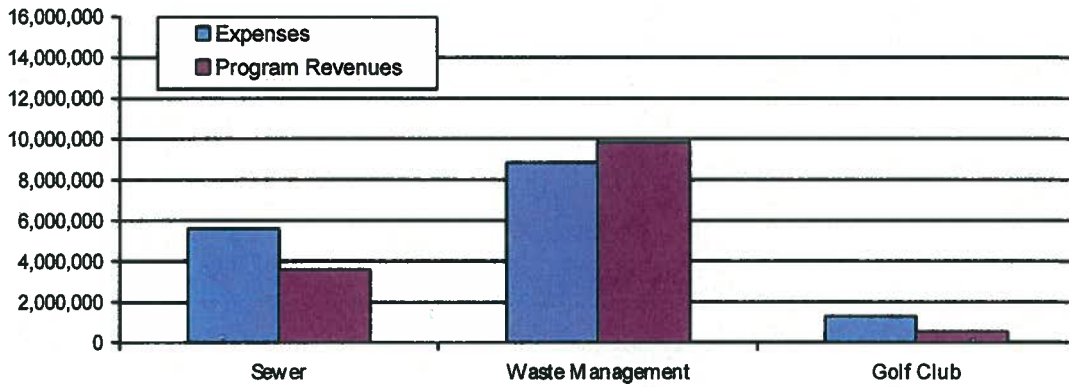
### Revenues by Source - Governmental Activities



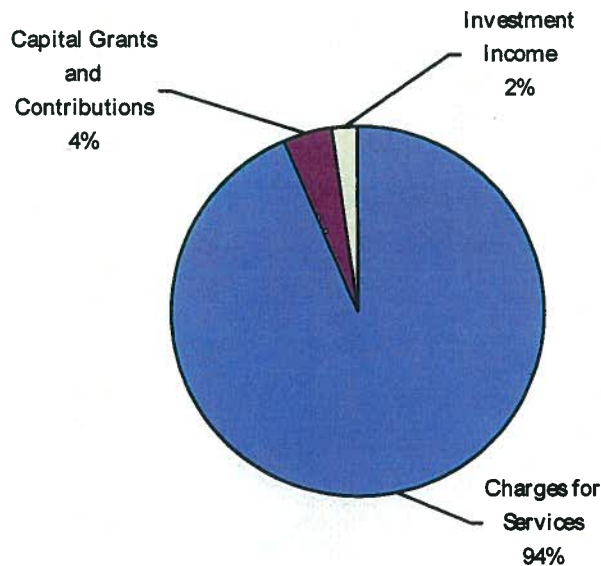
**Business-type activities.** Business-type activities decreased the Town's net assets by \$1,918,864. Key elements of this decrease are as follows:

- The Sewer fund's net assets decreased by \$1,782,754 this fiscal year. This was mainly due to greater maintenance costs in the 08-09 fiscal year.
- The Golf Club fund is a new activity for the Town and for the 08-09 fiscal year expenses exceeded revenues by \$741,330. The Town is currently in escrow for purchase of the Club and once escrow closes accounting adjustments will result in the capitalization of certain previously expensed items which will reduce the overall deficit.
- Investment income decreased \$280,624 (46 percent). This is due to the decline in interest rates.

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source - Business-type Activities**



## **Financial Analysis of the Town's Funds**

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$88,111,459, a decrease of \$11,191,146 in comparison with the prior year. Approximately 97 percent of this total amount (\$85,680,981) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service (\$1,883,553) and as prepaid items (\$546,925).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, 97 percent of the total fund balance (\$17,094,067) was unreserved. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 92 percent of total general fund expenditures.

- The fund balance of the Town's general fund decreased by \$45,563 during the current fiscal year.

The Article 8 fund has as a total fund balance of \$(141,196), which is reported as unreserved. The net decrease in fund balance during the current year in the Article 8 fund was \$2,359,188. This decrease was the result of fund balance being used to fund various projects.

The Parks and Recreation fund has a total fund balance of \$(2,878,421), which is reported as unreserved. The net decrease in fund balance during the current year in the Parks and Recreation fund was \$610,502. This is primarily due to program costs exceeding revenues.

The Low/Moderate Income Housing fund has a fund balance of \$13,002,626, which is all reported as unreserved. This fund represents 20% of tax increment from the Town's two RDA's. A significant portion of the fund balance, \$4,500,000, came from the issuance of tax allocation bonds in July, 2007. Proceeds of these bonds will be used for low and moderate income housing purposes.

The RDA Debt Service Fund has a total fund balance of \$35,894,448. The net decrease in fund balance during the current year was \$4,013,259. This is mainly due to payments on RDA financed construction projects.

The Capital Projects fund has a fund balance of \$10,476,562, which is all reported as unreserved. This fund represents transportation impact fees collected by the Town and will be used for capacity enhancing street projects in the Town.

The Development Impact Fees fund has a fund balance of \$9,457,417, which is reported as unreserved. In July 2007 Lease Revenue Bonds were issued for \$11,355,000. The proceeds are being used for a Town Hall Expansion project.

The Measure I fund has a fund balance of \$3,705,579, all of which is unreserved. The net decrease in the fund during the current year for the Measure I fund was \$216,793. This decrease was the result of fund balance being used to fund various 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.

Unrestricted net assets of the Sewer fund were \$11,228,417, \$3,632,643 for the Solid Waste Management fund and \$(741,330) for the Apple Valley Golf fund as of June 30, 2009. The total increase in net assets for the Solid Waste Management fund was \$605,220 while the decrease in the Sewer fund was \$1,782,754.

**General Fund Budgetary Highlights**

The original budget approved by the Town Council projected a balanced budget for the year. Final numbers resulted in a \$45,563 negative change in fund balance. Actual revenues were under budget by \$1,014,225. Property taxes decreased due to a decrease in the assessed valuation of property but were offset by an increase in sales tax revenues over last year. Sales taxes were increased over 07-08 levels due to several new retail outlets opening during 2008-09 but still came in under budget by \$531,537. Actual expenditures were over budget by \$223,870.

**Capital Asset and Debt Administration**

**Capital assets.** The Town's investment in capital assets for its governmental and business type activities as of June 30, 2009, amounts to \$434,260,328 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the Town's investment in capital assets for the current fiscal year was \$3,452,139 (a \$5,134,055 increase for governmental activities and a \$1,681,916 decrease for business-type activities).

**Town of Apple Valley's Capital Assets  
(net of depreciation)**

<i>Asset Category</i>	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
Land	\$ 96,976,741	\$ 96,386,563	\$ 385,744	\$ 385,744	\$ 97,362,485	\$ 96,772,307
Construction in Progress	14,624,846	8,563,543			14,624,846	8,563,543
Furniture and Equipment	1,023,180	765,214			1,023,180	765,214
Trucks and Automobiles	486,171	526,585	255,502	293,912	741,673	820,497
Structures and Improvements	52,184,482	54,284,415			52,184,482	54,284,415
Infrastructure	232,663,285	232,298,330			232,663,285	232,298,330
Building and System			115,706	121,516	115,706	121,516
Machinery and Equipment			92,746	60,607	92,746	60,607
Collector Lines			35,451,925	37,121,760	35,451,925	37,121,760
<b>Total Capital Assets</b>	<b>\$ 397,958,705</b>	<b>\$ 392,824,650</b>	<b>\$ 36,301,623</b>	<b>\$ 37,983,539</b>	<b>\$ 434,260,328</b>	<b>\$ 430,808,189</b>

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

**Long-term debt.** At the end of the current fiscal year, the Town had total bonded debt outstanding of \$72,255,000. Of this amount, \$68,370,750 comprises debt backed by the full faith and credit of the government and \$3,410,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the Town's debt represents bonds secured solely by specified revenue sources.

The Town's total bonded debt decreased by \$2,090,000 during the current fiscal year.

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value. The computation of the legal debt limit reflects a conversion of assessed valuation data from the current full valuation perspective to the 25% level. The current debt limitation for the Town is \$212,647,390, which is significantly in excess of the Town's outstanding general obligation debt.

**Town of Apple Valley's Outstanding Debt**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Certificates of Participation	\$ 16,280,750	\$ 17,055,750	\$ 474,250	\$ 534,250	\$ 16,755,000	\$ 17,590,000
Tax Allocation Bonds	52,090,000	53,005,000			52,090,000	53,005,000
Claims Payable	45,000	45,000			45,000	45,000
Special assessment debt with Governmental commitment			3,410,000	3,750,000	3,410,000	3,750,000
California Housing Loan	250,000	250,000			250,000	250,000
Capital Lease Payable	112,268	123,884			112,268	123,884
Installment Purchase Agreement			2,210,208	2,366,042	2,210,208	2,366,042
<b>Total</b>	<u>\$ 68,778,018</u>	<u>\$ 70,479,634</u>	<u>\$ 6,094,458</u>	<u>\$ 6,650,292</u>	<u>\$ 74,872,476</u>	<u>\$ 77,129,926</u>

Additional information of the Town of Apple Valley's long-term debt can be found in note IV.E on pages 41 - 51 of this report.

**Requests for Information**

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

**Town of Apple Valley**  
**Statement of Net Assets**  
**June 30, 2009**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 40,232,961	\$ 12,167,906	\$ 52,400,867
Accounts Receivable	859,674	1,232,931	2,092,605
Interest Receivable	58,006	18,482	76,488
Due from Other Governments	4,767,261	183,837	4,951,098
Internal Balances	746,712	(746,712)	-
Special Assessments Receivable		2,907,173	2,907,173
Loans Receivable	2,617,162		2,617,162
Prepaid Items	546,925		546,925
Investment in Joint Venture		1,989,348	1,989,348
Debt Issuance Costs	1,433,620	205,694	1,639,314
Restricted Assets:			
Cash with Fiscal Agent	49,815,084	1,818,304	51,633,388
Capital Assets, Not Being Depreciated:			
Land	96,976,741	385,744	97,362,485
Construction in Progress	14,624,846		14,624,846
Capital Assets, Net of Accumulated Deprecation:			
Buildings and Improvement	52,184,482	115,706	52,300,188
Machinery and Equipment	1,023,180	92,746	1,115,926
Trucks and Automobiles	486,171	255,502	741,673
Collector Lines		35,451,925	35,451,925
Infrastructure	232,663,285		232,663,285
Total Assets	<u>499,036,110</u>	<u>56,078,586</u>	<u>555,114,696</u>
<b>LIABILITIES</b>			
Accounts Payable	4,546,636	631,470	5,178,106
Accrued Liabilities	694,465	89,209	783,674
Interest Payable	386,012	78,430	464,442
Due to Other Governments	1,228	230,326	231,554
Unearned Revenue	526,823	554,691	1,081,514
Amounts Due Bondholders		44,595	44,595
Noncurrent Liabilities			
Due Within One Year	2,047,429	618,625	2,666,054
Due in More Than One Year, Net of Unamortized Premium	69,594,662	5,433,613	75,028,275
Total Liabilities	<u>77,797,255</u>	<u>7,680,959</u>	<u>85,478,214</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	381,677,955	32,459,593	414,137,548
Restricted for:			
Transportation	4,793,119		4,793,119
Culture and Recreation	103,774		103,774
Community Development	34,190,832		34,190,832
Capital Projects		1,106,925	1,106,925
Debt Service	1,883,553	711,379	2,594,932
Unrestricted	(1,410,378)	14,119,730	12,709,352
Total Net Assets	<u>\$ 421,238,855</u>	<u>\$ 48,397,627</u>	<u>\$ 469,636,482</u>

The accompanying notes are an integral part of this statement.



**Town of Apple Valley  
Statement of Activities  
Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 3,351,071	\$ 301,671	\$ 23,627	\$
Public Safety	11,783,023	163,165	136,222	
Transportation	14,238,533	39,773	2,689,065	4,879,539
Culture and Recreation	5,827,113	938,167		1,517,450
Community Development	9,753,475	2,266,134	1,684,943	223,934
Interest on Long-Term Debt	3,203,143			
<b>Total Governmental Activities</b>	<b>48,156,358</b>	<b>3,708,910</b>	<b>4,533,857</b>	<b>6,620,923</b>
Business-type Activities:				
Sewer	5,593,652	2,994,301		586,969
Waste Management	8,825,868	9,827,664		
Apple Valley Golf Club	1,276,919	535,589		
<b>Total Business-type Activities</b>	<b>15,696,439</b>	<b>13,357,554</b>	<b>-</b>	<b>586,969</b>
<b>Total Primary Government</b>	<b>\$ 63,852,797</b>	<b>\$ 17,066,464</b>	<b>\$ 4,533,857</b>	<b>\$ 7,207,892</b>

General Revenues:

Taxes:

Property Taxes

Tax Increment

Franchise Taxes

Sales Taxes

Transient Occupancy Taxes

Motor Vehicle in-lieu (intergovernmental,  
unrestricted)

Sales Taxes in-lieu

Pass Through Tax Increment Revenues

Miscellaneous Revenues

Unrestricted Grants and Contributions

Investment Income

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement.



Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,025,773)	\$	\$ (3,025,773)
(11,483,636)		(11,483,636)
(6,630,156)		(6,630,156)
(3,371,496)		(3,371,496)
(5,578,464)		(5,578,464)
(3,203,143)		(3,203,143)
<u>(33,292,668)</u>	-	<u>(33,292,668)</u>
	(2,012,382)	(2,012,382)
	1,001,796	1,001,796
	(741,330)	(741,330)
-	<u>(1,751,916)</u>	<u>(1,751,916)</u>
<u>(33,292,668)</u>	<u>(1,751,916)</u>	<u>(35,044,584)</u>
4,190,359		4,190,359
9,469,194		9,469,194
1,461,374		1,461,374
3,668,463		3,668,463
10,960		10,960
6,670,204		6,670,204
1,167,513		1,167,513
563,609		563,609
105,846		105,846
9,686		9,686
1,090,479	332,704	1,423,183
499,652	(499,652)	-
<u>28,907,339</u>	<u>(166,948)</u>	<u>28,740,391</u>
(4,385,329)	(1,918,864)	(6,304,193)
<u>425,624,184</u>	<u>50,316,491</u>	<u>475,940,675</u>
<u>\$ 421,238,855</u>	<u>\$ 48,397,627</u>	<u>\$ 469,636,482</u>

The accompanying notes are an integral part of this statement.

**Town of Apple Valley  
Balance Sheet  
Governmental Funds  
June 30, 2009**

	<u>General</u>	<u>Article 8</u>	<u>Parks and Recreation</u>	<u>Low/Moderate Housing</u>	<u>RDA Debt Service</u>
<b>ASSETS</b>					
Cash and Investments	\$ 4,584,888	\$	\$ 700	\$ 8,323,883	\$ 6,786,201
Cash with Fiscal Agent				4,618,311	33,901,365
Accounts Receivable	703,095		26,125		
Interest Receivable	18,841			11,124	
Due from Other Funds	12,216,282				
Due from Other Governments	1,379,036		190,819	375,935	141,048
Loans Receivable					
Prepaid Items	546,925				
<b>Total Assets</b>	<b><u>\$ 19,449,067</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 217,644</u></b>	<b><u>\$ 13,329,253</u></b>	<b><u>\$ 40,828,614</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 545,401	\$	\$ 134,792	\$ 5,589	\$ 577,336
Accrued Liabilities	188,774	622	78,835	2,885	377,789
Due to Other Governments	40	1,188			
Due to Other Funds		139,386	2,814,550		3,979,041
Deferred Revenue	1,073,860		67,888	318,153	
<b>Total Liabilities</b>	<b><u>1,808,075</u></b>	<b><u>141,196</u></b>	<b><u>3,096,065</u></b>	<b><u>326,627</u></b>	<b><u>4,934,166</u></b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Debt Service					1,883,553
Prepaid Items	546,925				
<b>Unreserved, Reported In:</b>					
General Fund	17,094,067				
Special Revenue Funds		(141,196)	(2,878,421)	13,002,626	
Debt Service Funds					34,010,895
Capital Projects Funds					
<b>Total Fund Balances</b>	<b><u>17,640,992</u></b>	<b><u>(141,196)</u></b>	<b><u>(2,878,421)</u></b>	<b><u>13,002,626</u></b>	<b><u>35,894,448</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 19,449,067</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 217,644</u></b>	<b><u>\$ 13,329,253</u></b>	<b><u>\$ 40,828,614</u></b>

The accompanying notes are an integral part of this statement.

<u>Capital Projects</u>	<u>Development Impact Fees</u>	<u>RDA Capital Projects</u>	<u>Measure I</u>	<u>Project Manager Grants</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
\$ 11,612,196	\$ 1,494,873 10,978,762	\$ 919,948	\$ 3,548,512	\$	\$ 2,961,760 316,646 123,154 4,640	\$ 40,232,961 49,815,084 859,674 58,006 12,216,282
7,300 17,657			5,744			4,767,261
33,743			356,901	1,675,292	614,487 2,617,162	2,617,162 546,925
<u>\$ 11,670,896</u>	<u>\$ 12,473,635</u>	<u>\$ 919,948</u>	<u>\$ 3,911,157</u>	<u>\$ 1,675,292</u>	<u>\$ 6,637,849</u>	<u>\$ 111,113,355</u>
\$ 1,194,334	\$ 532,956 2,483,262	\$ 900,965 19,179	\$ 205,578	\$ 74,394 1,492,673 1,785,018	\$ 375,291 26,381 560,658 3,045,078	\$ 4,546,636 694,465 1,228 11,469,570 6,289,997
<u>1,194,334</u>	<u>3,016,218</u>	<u>920,144</u>	<u>205,578</u>	<u>3,352,085</u>	<u>4,007,408</u>	<u>23,001,896</u>
						1,883,553 546,925
						17,094,067 11,359,223 34,010,895 23,216,796
<u>10,476,562</u>	<u>9,457,417</u>	<u>(196)</u>	<u>3,705,579</u>	<u>(1,676,793)</u>	<u>1,254,227</u>	<u>88,111,459</u>
<u>10,476,562</u>	<u>9,457,417</u>	<u>(196)</u>	<u>3,705,579</u>	<u>(1,676,793)</u>	<u>2,630,441</u>	<u>88,111,459</u>
<u>\$ 11,670,896</u>	<u>\$ 12,473,635</u>	<u>\$ 919,948</u>	<u>\$ 3,911,157</u>	<u>\$ 1,675,292</u>	<u>\$ 6,637,849</u>	<u>\$ 111,113,355</u>

The accompanying notes are an integral part of this statement.

**Town of Apple Valley**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2009**

Fund balances of governmental funds	\$ 88,111,459
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	397,958,705
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	5,763,174
Long term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated Absences	(1,109,818)
Claims Payable	(45,000)
Certificates of Participation	(5,225,750)
Tax Allocation Bonds	(52,090,000)
Lease Revenue Bonds	(11,055,000)
Unamortized Premium	(157,928)
Unamortized Discount	347,173
Capital Lease Payable	(112,268)
CA Housing Loan	(250,000)
Pension-related Debt	(1,747,134)
Net OPEB Obligation	(196,366)
Issuance costs net of accumulated amortization were recorded as expenditures in the governmental funds.	1,433,620
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	<u>(386,012)</u>
Net assets of governmental activities	<u><u>\$ 421,238,855</u></u>

The accompanying notes are an integral part of this statement.

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

	General	Article 8	Parks and Recreation	Low/Moderate Housing	RDA Debt Service
<b>REVENUES</b>					
Taxes	\$ 15,683,740	\$ 831,107	\$ 2,275,408	\$ 2,616,169	\$ 6,822,067
Licenses & Permits	945,233				
Fines & Forfeitures	256,286				
Investment Income	401,950	9,212		277,833	385,988
Intergovernmental	145,908				
Charges for Services	1,137,359		938,167		
Other Revenue	151,537				
<b>Total Revenues</b>	<b>18,722,013</b>	<b>840,319</b>	<b>3,213,575</b>	<b>2,894,002</b>	<b>7,208,055</b>
<b>EXPENDITURES</b>					
Current:					
General Government	2,663,092				
Public Safety	11,618,591				
Transportation		3,199,507			
Culture and Recreation			3,790,822		
Community Development	4,055,172			145,236	7,842
Capital Outlay	186,567		33,255	591,678	
Debt Service:					
Principal	11,616			75,683	839,317
Interest & Fiscal Charges	6,470			217,697	2,307,646
Pass-Through Agreements					1,329,805
<b>Total Expenditures</b>	<b>18,541,508</b>	<b>3,199,507</b>	<b>3,824,077</b>	<b>1,030,294</b>	<b>4,484,610</b>
Excess (Deficiency) of Revenues over Expenditures	180,505	(2,359,188)	(610,502)	1,863,708	2,723,445
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In	499,652				
Transfer Out	(725,720)				(6,736,704)
Transfer to Agency Fund					
<b>Total Other Financing Sources (Uses)</b>	<b>(226,068)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,736,704)</b>
<b>Net Change in Fund Balances</b>	<b>(45,563)</b>	<b>(2,359,188)</b>	<b>(610,502)</b>	<b>1,863,708</b>	<b>(4,013,259)</b>
Fund Balances, Beginning	17,686,555	2,217,992	(2,267,919)	11,138,918	39,907,707
<b>Fund Balances, Ending</b>	<b>\$ 17,640,992</b>	<b>\$ (141,196)</b>	<b>\$ (2,878,421)</b>	<b>\$ 13,002,626</b>	<b>\$ 35,894,448</b>

The accompanying notes are an integral part of this statement.

Capital Projects	Development Impact Fees	RDA Capital Projects	Measure I	Project Manager Grants	Other Govern- mental Funds	Total Govern- mental Funds
\$ 762,635	\$ 90,179	\$	\$ 2,382,788	\$	\$ 328,491 89,070	\$ 30,939,770 1,887,117 256,286
327,611	77,509	15,696	95,023	505,803	86,097 4,807,584	1,676,919 5,459,295 2,075,526
110		384,307	1,376		35,722	573,052
<u>1,090,356</u>	<u>167,688</u>	<u>400,003</u>	<u>2,479,187</u>	<u>505,803</u>	<u>5,346,964</u>	<u>42,867,965</u>
					99,117	2,762,209
			2,695,980		3,047,800	11,618,591
		1,256,064		1,372,930	6,293	8,943,287
3,815,700	1,963,290	6,055,180			1,436,533	3,797,115
					58,145	8,273,777
		48,175			775,000	12,703,815
					586,843	1,701,616
						3,166,831
						1,329,805
<u>3,815,700</u>	<u>1,963,290</u>	<u>7,359,419</u>	<u>2,695,980</u>	<u>1,372,930</u>	<u>6,009,731</u>	<u>54,297,046</u>
<u>(2,725,344)</u>	<u>(1,795,602)</u>	<u>(6,959,416)</u>	<u>(216,793)</u>	<u>(867,127)</u>	<u>(662,767)</u>	<u>(11,429,081)</u>
(62,208)	(808,573)	6,960,876 (1,656)		137,208 (224,172)	1,460,949	9,058,685 (8,559,033)
					(261,717)	(261,717)
<u>(62,208)</u>	<u>(808,573)</u>	<u>6,959,220</u>	<u>-</u>	<u>(86,964)</u>	<u>1,199,232</u>	<u>237,935</u>
<u>(2,787,552)</u>	<u>(2,604,175)</u>	<u>(196)</u>	<u>(216,793)</u>	<u>(954,091)</u>	<u>536,465</u>	<u>(11,191,146)</u>
<u>13,264,114</u>	<u>12,061,592</u>	<u>-</u>	<u>3,922,372</u>	<u>(722,702)</u>	<u>2,093,976</u>	<u>99,302,605</u>
<u>\$ 10,476,562</u>	<u>\$ 9,457,417</u>	<u>\$ (196)</u>	<u>\$ 3,705,579</u>	<u>\$ (1,676,793)</u>	<u>\$ 2,630,441</u>	<u>\$ 88,111,459</u>

The accompanying notes are an integral part of this statement.

**Town of Apple Valley**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2009**

Net change in fund balances-total governmental funds \$ (11,191,146)

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

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

Excess Capital Outlay over Depreciation 5,134,055

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period. 403,412

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

Amortization of Premium 5,765  
Amortization of Discounts (12,427)  
Amortization of Issuance Costs (52,303)  
Principal Paid on Long-Term Debt 1,701,616  
Decrease in Pension-related Debt 1,580

The net OPEB Obligation reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following amount represents the net change in OPEB obligation. (196,366)

Accrued interest for long-term debt. This is the net change in accrued interest for the current period. 22,653

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 (202,168)  
Net Change in Claims Payable -

Change in Net Assets of Governmental Activities \$ (4,385,329)

The accompanying notes are an integral part of this statement.



**Town of Apple Valley  
Statement of Net Assets  
Proprietary Funds  
June 30, 2009**

	Sewer	Solid Waste Management	Apple Valley Golf Club	Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Investments	\$ 8,746,699	\$3,421,207	\$	\$12,167,906
Accounts Receivable	294,127	927,155	11,649	1,232,931
Interest Receivable	13,037	5,445		18,482
Due from Other Governments	149,644	34,193		183,837
Due from Other Funds		4,847		4,847
<b>Total Current Assets</b>	<b>9,203,507</b>	<b>4,392,847</b>	<b>11,649</b>	<b>13,608,003</b>
<b>Noncurrent Assets:</b>				
Special Assessments Receivable	2,907,173			2,907,173
Investment in Joint Venture (Net)		1,989,348		1,989,348
Debt Issuance Costs, Net of Accumulated Amortization	103,889	101,805		205,694
<b>Restricted Assets:</b>				
Cash with Fiscal Agent	1,818,304			1,818,304
<b>Capital Assets, Not Being Depreciated:</b>				
Land	385,744			385,744
Capital Assets, Net of Accumulated Depreciation	35,915,879			35,915,879
<b>Total Noncurrent Assets</b>	<b>41,130,989</b>	<b>2,091,153</b>	<b>-</b>	<b>43,222,142</b>
<b>Total Assets</b>	<b>50,334,496</b>	<b>6,484,000</b>	<b>11,649</b>	<b>56,830,145</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	403,742	227,305	423	631,470
Accrued Liabilities	65,880	22,332	997	89,209
Interest Payable	78,430			78,430
Due to Other Governments	230,326			230,326
Due to Other Funds			751,559	751,559
Unearned Revenue	163,179	391,512		554,691
Amounts Due Bondholders	44,595			44,595
Current Portion of Long-Term Debt	458,000	160,625		618,625
<b>Total Current Liabilities</b>	<b>1,444,152</b>	<b>801,774</b>	<b>752,979</b>	<b>2,998,905</b>
<b>Noncurrent Liabilities:</b>				
Noncurrent Portion of Long-Term Debt	3,384,030	2,049,583		5,433,613
<b>Total Noncurrent Liabilities</b>	<b>3,384,030</b>	<b>2,049,583</b>	<b>-</b>	<b>5,433,613</b>
<b>Total Liabilities</b>	<b>4,828,182</b>	<b>2,851,357</b>	<b>752,979</b>	<b>8,432,518</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	32,459,593			32,459,593
Restricted for Capital Projects	1,106,925			1,106,925
Restricted for Debt Service	711,379			711,379
Unrestricted	11,228,417	3,632,643	(741,330)	14,119,730
<b>Total Net Assets</b>	<b>\$45,506,314</b>	<b>\$3,632,643</b>	<b>\$ (741,330)</b>	<b>\$48,397,627</b>

The accompanying notes are an integral part of this statement.

**Town of Apple Valley**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2009**

	Sewer	Solid Waste Management	Apple Valley Golf Club	Total
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 2,994,301	\$ 9,827,664	\$ 535,589	\$ 13,357,554
Total Operating Revenue	2,994,301	9,827,664	535,589	13,357,554
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	564,113	8,687		572,800
Contract Services	105,241	7,552,217	462,800	8,120,258
Maintenance and Treatment	1,225,464		234,304	1,459,768
Depreciation	1,742,363			1,742,363
Other	1,662,103	1,030,621	480,595	3,173,319
Total Operating Expenses	5,299,284	8,591,525	1,177,699	15,068,508
Operating Income (Loss)	(2,304,983)	1,236,139	(642,110)	(1,710,954)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Change in Investment in Joint Venture		(67,561)		(67,561)
Investment Income	233,494	99,210		332,704
Assessment Income - Debt Service	586,969			586,969
Interest	(247,590)	(156,602)	(99,220)	(503,412)
Bond Issuance Costs	(46,778)	(10,180)		(56,958)
Total Nonoperating Revenues (Expenses)	526,095	(135,133)	(99,220)	291,742
Income Before Contributions and Transfers	(1,778,888)	1,101,006	(741,330)	(1,419,212)
Transfers In				-
Transfers Out	(3,866)	(495,786)		(499,652)
Change in Net Assets	(1,782,754)	605,220	(741,330)	(1,918,864)
Total Net Assets, Beginning	47,289,068	3,027,423	-	50,316,491
Total Net Assets, Ending	<u>\$ 45,506,314</u>	<u>\$ 3,632,643</u>	<u>\$ (741,330)</u>	<u>\$ 48,397,627</u>

The accompanying notes are an integral part of this statement.

**Town of Apple Valley  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2009**

	Sewer	Solid Waste Management	Apple Valley Golf Club	Total
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 2,933,203	\$ 9,952,167	\$ 523,940	\$13,409,310
Cash Paid to Suppliers	(2,713,529)	(8,361,737)	(1,176,279)	(12,251,545)
Cash Paid to Employees for Services	(863,113)	(120,953)		(984,066)
<b>Net Cash Provided by Operating Activities</b>	<u>(643,439)</u>	<u>1,469,477</u>	<u>(652,339)</u>	<u>173,699</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Cash Received from Other Governments				-
Cash Collected on Behalf of Other Governments (Paid to)	(170,718)			(170,718)
Advances (to) from Other Funds		(4,847)	751,559	746,712
Cash Paid to Other Funds	(3,866)	(495,786)		(499,652)
Principal Paid on Debt		(155,834)		(155,834)
Interest Paid on Debt		(156,602)	(99,220)	(255,822)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>(174,584)</u>	<u>(813,069)</u>	<u>652,339</u>	<u>(335,314)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital Asset Purchases	(60,447)			(60,447)
Special Assessments Collected for Debt Service	926,969			926,969
Principal Paid on Debt	(400,000)			(400,000)
Interest Paid on Debt	(255,410)			(255,410)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>211,112</u>	<u>-</u>	<u>-</u>	<u>211,112</u>
<b>Cash Flows from Investing Activities</b>				
Interest Received on Investments	262,267	106,898		369,165
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>262,267</u>	<u>106,898</u>	<u>-</u>	<u>369,165</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(344,644)	763,306		418,662
Cash and Cash Equivalents, Beginning of Fiscal Year	10,909,647	2,657,901		13,567,548
<b>Cash and Cash Equivalents, End of Fiscal Year</b>	<u>\$10,565,003</u>	<u>\$ 3,421,207</u>	<u>\$ -</u>	<u>\$13,986,210</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
<b>Cash Flows from Operating Activities</b>				
Operating income (loss)	\$(2,304,983)	\$ 1,236,139	\$ (642,110)	\$(1,710,954)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,742,363			1,742,363
(Increase) Decrease in Accounts Receivable	(63,582)	(31,190)	(11,649)	(106,421)
(Increase) Decrease in Due from Other Governments	(11,014)	150,840		139,826
Increase (Decrease) in Accounts Payable	279,279	221,101	423	500,803
Increase (Decrease) in Accrued Liabilities	(299,000)	(112,266)	997	(410,269)
Increase (Decrease) in Deferred Revenue	13,498	4,853		18,351
<b>Net Cash Provided By Operating Activities</b>	<u>\$ (643,439)</u>	<u>\$ 1,469,477</u>	<u>\$ (652,339)</u>	<u>\$ 173,699</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Bond Issuance/Refunding Cost Amortization	\$ 46,778	\$ 10,180	\$ -	\$ 56,958
Change in Investment in Joint Venture		67,561		67,561

The accompanying notes are an integral part of this statement.

**Town of Apple Valley**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2009**

**ASSETS**

Cash and Investments	\$ 18,951,024
Cash with Fiscal Agent	245,213
Accounts Receivable	70,400
Interest Receivable	670
Due from Other Governments	<u>1,588,971</u>

Total Assets

20,856,278

**LIABILITIES**

Accounts Payable	9,520
Accrued Liabilities	17,199,138
Deposits	3,403,767
Amounts Due to Bondholders	<u>243,853</u>

Total Liabilities

\$ 20,856,278

The accompanying notes are an integral part of this statement.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2009**

**D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Description of Reporting Entity**

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

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

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

**Redevelopment Agency of the Town of Apple Valley**

The Redevelopment Agency of the Town of Apple Valley ("Agency") was established pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law." Its purpose is to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the Town of Apple Valley. The governing board of the Agency is composed of the same individuals that serve as council members for the Town of Apple Valley. Separate financial statements are available at the Town of Apple Valley. The Agency's activities are reported as governmental funds.

**Apple Valley Public Financing Authority**

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

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

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2009**

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

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the enterprise fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

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

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

The Town reports the following major governmental funds:

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

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

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

The Low/Moderate Housing Fund accounts for 20% set aside of tax increment revenue..

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

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

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

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

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

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

The Town reports the following major proprietary funds:

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

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

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2009**

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

**C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - 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 and certain deposits in Agency funds.

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

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

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

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

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

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

**1) Cash and Investments**

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

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



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

**1) Cash and Investments - Continued**

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

**2) Receivables and Payables**

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

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

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

Lien Date	March 1	
Levy Year	July 1 to June 30	
Due Dates	November 1	1 <sup>st</sup> Installment
	February 1	2 <sup>nd</sup> Installment
Delinquent Dates	December 10	1 <sup>st</sup> Installment
	April 10	2 <sup>nd</sup> Installment

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

**3) Restricted Assets**

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

**4) Capital Assets**

Capital assets, which include land, structures, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Assets purchased in excess of \$5,000 are capitalized if they have an

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

**4) Capital Assets - Continued**

expected useful life of 2 years or more. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized

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

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

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

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

**5) Deferred/Unearned Revenue**

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2009**

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

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

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

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

**6) Use of Estimates**

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

**7) Compensated Absences**

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

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

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

**8) Claims and Judgments**

The Town records a liability for litigation, judgements and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. An estimate based upon historical data has been made for exposure to losses incurred but not yet reported. As of June 30, 2008 and 2009, the balance of accrued claims and judgments is \$45,000 and \$45,000, respectively. Expenditures related to claims and judgments are recorded in the General Fund.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2009**

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

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

**9) Long-Term Obligations**

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

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

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

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

**10) Fund Equity**

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

**11) Transfers**

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

**II) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$5,134,055 difference are as follows:

Capital Outlay	\$ 17,267,830
Depreciation Expense	<u>(12,133,775)</u>
Net adjustment to increase <i>net change in fund balances -total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i> .	<u>\$ 5,134,055</u>

**III) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A) Deficit Fund Balances/Net Assets**

The following non-major funds have deficit fund balances as of June 30, 2009:

	<u>Deficit Balance</u>
Special Revenue Funds:	
Street Maintenance	\$ (70,000)
CDBG	(119,432)
Neighborhood Stabilization Program	(80,062)
HOME	(14,102)

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

**IV) DETAILED NOTES ON ALL FUNDS**

**A) Cash and Investments**

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

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

**A) Cash and Investments - Continued**

Cash and Investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 71,351,891
Cash and Investments with Fiscal Agent	<u>51,878,601</u>
 Total Cash and Investments	 <u>\$ 123,230,492</u>

Cash and investments as of June 30, 2009 consist of the following:

Petty Cash	\$ 3,300
Deposits with Financial Institutions	959,184
Local Agency Investment Fund	57,403,719
U.S. Agency Securities	
Federal National MTG Association	3,000,000
Federal Home Loan Banks Bonds	3,000,000
Federal Home Loan MTG Corp Notes	5,986,000
Federal Farm Credit Banks	999,688
Held by Fiscal Agent:	
Federal Farm Credit Banks	537,680
Federal Home Loan Banks Discount Note	23,539,425
Federal Home Loan Banks	16,870,618
Mutual Fund	<u>10,930,878</u>
 Total Cash and Investments	 <u>\$ 123,230,492</u>

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

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

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

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, 2009

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

**A) Cash and Investments - Continued**

**Investments Authorized by Debt Agreements**

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

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

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2009 the Town had the following investments.

<u>Investment Type</u>	<u>Maturity Date</u>
State Investment Pool - LAIF	N/A
U.S. Agency Securities	2011
U.S. Agency Securities	2012
U.S. Agency Securities	2014
Held by Bond Trustee:	
Federal Farm Credit Banks	2011
Federal Home Loan Banks Discount Note	2010
Federal Home Loan Banks	2009
Mutual Fund	N/A
Total	<u>\$ 122,268,008</u>

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

**A) Cash and Investments - Continued**

**Disclosures Relating to Credit Risk**

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

Investment Type		Minimum Legal Rating	Rating as of Year End		
			Aaa	Aa	Not Rated
State Investment Pool - LAIF	\$ 57,403,719	N/A	\$	\$	\$ 57,403,719
U.S. Agency Securities					
Federal National MTG Association	3,000,000	N/A	3,000,000		
Federal Home Loan Banks Bonds	3,000,000	N/A	3,000,000		
Federal Home Loan MTG Corp Notes	5,986,000	N/A	5,986,000		
Federal Farm Credit Banks	999,688	N/A	999,688		
Held by Bond Trustee:					
Federal Farm Credit Banks	537,680	N/A	537,680		
Federal Home Loan Banks Discount Note	23,539,425	N/A	23,539,425		
Federal Home Loan Banks	16,870,618	N/A	16,870,618		
Mutual Fund	10,930,878	N/A	10,930,878		
<b>Total</b>	<b>\$ 122,268,008</b>		<b>\$ 64,864,289</b>	<b>\$ -</b>	<b>\$ 57,403,719</b>

**Concentration of Credit Risk**

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Banks Discount Note	U.S. Agency Securities	\$ 23,539,625
Federal Home Loan Banks	U.S. Agency Securities	\$ 19,870,618

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



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

**A) Cash and Investments - Continued**

**Custodial Credit Risk**

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

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The Town did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts. As of June 30, 2009, Agency investments in the following investment types were held by the broker-dealer that was used by the Town to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Banks	537,680
Federal Home Loan Banks Discount Note	23,539,425
Federal Home Loan Banks	16,870,618
U.S. Treasury Mutual Fund	10,930,878

**Investment in State Investment Pool**

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

Amounts due to/from other funds at June 30, 2009 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 12,216,282	\$
Article 8 Fund		139,386
Parks and Recreation		2,814,550
Nonmajor Funds		560,658
Development Impact Fees		2,483,262
RDA Debt Service		3,979,041
Project Manager Grants		1,492,673
Apple Valley Golf Club (Proprietary Fund)		746,712
<b>Total</b>	<b><u>\$ 12,216,282</u></b>	<b><u>\$ 12,216,282</u></b>

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

Interfund transfers for the year ended June 30, 2009 are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Development Impact Fees</u>	<u>RDA Capital Projects Fund</u>	<u>Project Manager Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
TRANSFERS OUT	General Fund	\$	\$	\$	\$ 75,000	\$ 650,720	\$ 725,720
	RDA Debt Service Fund			6,736,704			6,736,704
	Capital Projects Fund				62,208		62,208
	Development Impact Fees Fund					808,573	808,573
	RDA Capital Projects Fund					1,656	1,656
	Project Manager Grants Fund			224,172			224,172
	Non-Major Governmental Funds						-
	Sewer Fund	3,866					3,866
	Solid Waste Fund	495,786					495,786
<b>Total</b>	<b><u>\$ 499,652</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,960,876</u></b>	<b><u>\$ 137,208</u></b>	<b><u>\$ 1,460,949</u></b>	<b><u>\$ 9,058,685</u></b>

The General Fund transferred \$650,720 to various non-major funds to eliminate deficits in those funds. The RDA Debt Service Fund transferred \$6,736,704 of bond proceeds to the RDA Capital Projects Fund to be used for RDA projects. The Projects Manager Fund transferred \$224,172 to the RDA Capital Projects Fund for certain capital projects while the Development Impact Fee Fund transferred \$808,573 to the 2007 town Hall Revenue Bonds Debt Service Fund for expenditures relating to the construction of the Town Hall Annex.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

**C) Loans Receivable**

The Town administers a Residential Rehabilitation Loan Program and a down payment assistance program for low-to-moderate income families. The loans provided by the program have a 30-year term, and bear an interest rate of 0%. The notes may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2009, the outstanding loans receivable totaled \$2,617,162.

**D) Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 96,386,563	\$ 590,178	\$	\$ 96,976,741
Construction in Progress	8,563,543	16,857,544	(10,796,241)	14,624,846
Total Capital Assets Not Being Depreciated	<u>104,950,106</u>	<u>17,447,722</u>	<u>(10,796,241)</u>	<u>111,601,587</u>
Capital Assets Being Depreciated:				
Furniture and Equipment	1,024,990	48,724		1,073,714
Computer Equipment	739,889	421,005		1,160,894
Trucks and Automobiles	1,377,216	122,958	(65,470)	1,434,704
Structures and Improvements	64,302,966	15,114		64,318,080
Infrastructure	329,907,533	10,008,548		339,916,081
Total Capital Assets Being Depreciated	<u>397,352,594</u>	<u>10,616,349</u>	<u>(65,470)</u>	<u>407,903,473</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(808,586)	(63,680)		(872,266)
Computer Equipment	(191,079)	(148,083)		(339,162)
Trucks and Automobiles	(850,631)	(163,372)	65,470	(948,533)
Structures and Improvements	(10,018,551)	(2,115,047)		(12,133,598)
Infrastructure	(97,609,203)	(9,643,593)		(107,252,796)
Total Accumulated Depreciation	<u>(109,478,050)</u>	<u>(12,133,775)</u>	<u>65,470</u>	<u>(121,546,355)</u>
Total Capital Assets Being Depreciated, Net	<u>287,874,544</u>	<u>(1,517,426)</u>	<u>-</u>	<u>286,357,118</u>
Governmental Activities Capital Assets, Net	<u>\$ 392,824,650</u>	<u>\$ 15,930,296</u>	<u>\$ (10,796,241)</u>	<u>\$ 397,958,705</u>

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

**D) Capital Assets - Continued**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 385,744	\$	\$	\$ 385,744
Total Capital Assets Not Depreciated	385,871	-	-	385,744
Capital Assets Being Depreciated:				
Buildings and System	177,664			177,664
Machinery and Equipment	169,649	60,447		230,096
Trucks and Automobiles	350,892			350,892
Collector Lines	68,173,189			68,173,189
Total Capital Assets Being Depreciated	68,871,394	60,447	-	68,931,841
Less Accumulated Depreciation:				
Buildings and System	(56,148)	(5,810)		(61,958)
Machinery and Equipment	(109,042)	(28,308)		(137,350)
Trucks and Automobiles	(56,980)	(38,410)		(95,390)
Collector Lines	(31,051,429)	(1,669,835)		(32,721,264)
Total Accumulated Depreciation	(31,273,599)	(1,742,363)	-	(33,015,962)
Total Capital Assets Being Depreciated, Net	37,597,795	(1,681,916)	-	35,915,879
Business-type Activities Capital Assets, Net	\$ 37,983,539	\$ (1,681,916)	\$ -	\$ 36,301,623

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

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

<b>Governmental Activities:</b>	
General Government	\$ 321,498
Public Safety	81,065
Transportation	9,741,769
Parks and Recreation	1,989,443
Total Depreciation Expense – Governmental Activities	\$ 12,133,775
<b>Business-type Activities:</b>	
Sewer	\$ 1,742,363
Total Depreciation Expense – Business-type Activities	\$ 1,742,363

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

**E) Long-Term Debt**

Long term liabilities for the year ended June 30, 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Certificates of Participation:					
1999 Certificates of Participation	\$ 4,040,000	\$	\$ (295,000)	\$ 3,745,000	\$ 300,000
2001 Certificates of Participation	1,660,750		(180,000)	1,480,750	187,000
Total Certificates of Participation	5,700,750	-	(475,000)	5,225,750	487,000
2005 Tax Allocation Bonds	7,715,000		(165,000)	7,550,000	170,000
Unamortized Premium on Tax Allocation Bonds	44,778		(1,664)	43,114	-
2007 Tax Allocation Bonds VVEDA Project Area	8,840,000		(135,000)	8,705,000	140,000
Unamortized Discount on Tax Allocation Bonds VVEDA Project Area	(274,616)		9,497	(265,119)	-
2007 Tax Allocation Bonds Project Area 2	36,450,000		(615,000)	35,835,000	640,000
Unamortized Premium on Tax Allocation Bonds Project Area 2	118,915		(4,101)	114,814	-
Total Tax Allocation Bonds	52,894,077	-	(911,268)	51,982,809	950,000
2007 Lease Revenue Bonds Series A	11,355,000		(300,000)	11,055,000	390,000
Unamortized Discount on Lease Revenue Bonds	(84,984)		2,930	(82,054)	-
Total Lease Revenue Bonds	11,270,016	-	(297,070)	10,972,946	390,000
Capital Lease Payable	123,884		(11,616)	112,268	12,271
California Housing Loan	250,000			250,000	-
Compensated Absences	907,650	298,617	(96,449)	1,109,818	162,000
Claims Payable	45,000			45,000	40,000
Pension-related Debt	1,748,714		(1,580)	1,747,134	6,158
Net OPEB Obligation		196,366		196,366	-
Governmental Activities Long-term Liabilities	\$ 72,940,091	\$ 494,983	\$ (1,792,983)	\$ 71,642,091	\$ 2,047,429

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities:</b>					
2001 Certificates of Participation	\$ 534,250	\$	\$ (60,000)	\$ 474,250	\$ 63,000
Special Assessment Debt with Government Commitment:					
Special Assessment No. 2B-R	3,750,000		(340,000)	3,410,000	395,000
Less Deferred Amounts:					
On Refunding	(68,887)		26,667	(42,220)	-
Total Special Assessment Debt	3,681,113	-	(313,333)	3,367,780	395,000
Obligation Under Installment Purchase Agreement	2,366,042	-	(155,834)	2,210,208	160,625
Business-type Activity Long-term Liabilities	\$ 6,581,405	\$ -	\$ (529,167)	\$ 6,052,238	\$ 618,625

**1) Certificates of Participation**

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

The Certificates bear an interest rate of approximately 5.5% payable semi-annually on March 1 and September 1 of each year. The Certificates mature annually from September 1, 2001 through September 1, 2019 in amounts ranging from \$245,000 to \$385,000. The principal balance outstanding at June 30, 2009 is \$3,745,000. As of June 30, 2009, the future annual maturities are as follows:

Year Ending	Principal	Interest
2010	\$ 300,000	\$ 214,088
2011	305,000	197,725
2012	315,000	181,088
2013	325,000	164,037
2014	330,000	146,438
2015-2019	1,785,000	452,924
2020	385,000	42,076
	<u>\$ 3,745,000</u>	<u>\$ 1,398,376</u>

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

**1) Certificates of Participation - Continued**

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

The Certificates were executed and delivered in fully registered form without coupons in the minimum denominations of \$100,000 or any integral multiple of \$5,000 above \$100,000. After the Conversion Date, the Certificates were executed and delivered in denominations of \$5,000 or any integral multiple thereof. Interest is payable at an adjustable interest rate, on each Wednesday, or in the event any Wednesday is not a business day then on the next preceding business day (the "Interest Rate Calculation Date"), the Remarketing Agent will establish the adjustable interest rate for the period commencing the Thursday next following the Interest Rate Calculation Date to and including Wednesday of the following week (the "Interest Rate Period"), except that the final Interest Rate Period will end on September 1, 2015. The principal balance outstanding at June 30, 2009 is \$1,955,000, allocated \$1,480,750 and \$474,250 to governmental activities and business-type activities, respectively.

As of June 30, 2009, the future annual maturities are as follows:

Year Ending	Principal	Interest
2010	\$ 250,000	\$ 59,041
2011	260,000	51,491
2012	270,000	43,639
2013	280,000	35,485
2014	290,000	27,029
2015	295,000	18,271
2016	310,000	9,362
	\$ 1,955,000	\$ 244,318

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

**2) Tax Allocation Bonds**

2005 VVEDA Tax Allocation Bonds

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

The purpose of the bonds is to finance certain public capital improvements benefiting the portion of the Victor Valley Economic Development Authority (VVEDA) Project Area that is within the Jurisdiction of the Town. The VVEDA is a joint exercise of powers authority established in 1989 of which the Town is a member. The bonds are special obligations of the Agency and are payable exclusively from Pledged Tax Revenues. The bonds are not a debt of the Town of Apple Valley, the VVEDA or its members, the State of California or any of its political subdivisions, other than the Agency, and neither the Town of Apple Valley, the VVEDA or its members, the State of California nor any of its political subdivisions, other than the Agency, is liable therefore. In no event shall the bonds be payable out of any funds or properties other than those of the Agency. At June 30, 2009, the Bond Reserve Fund was \$424,278 which was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest
2010	\$ 170,000	\$ 343,935
2011	175,000	338,760
2012	175,000	333,095
2013	185,000	327,213
2014	190,000	320,448
2015-2019	1,075,000	1,483,315
2020-2024	1,320,000	1,231,455
2025-2029	1,660,000	897,115
2030-2034	2,115,000	444,799
2035	485,000	24,038
	<u>\$ 7,550,000</u>	<u>\$ 5,744,173</u>

2007 VVEDA Tax Allocation Bonds

In June of 2007, the Agency issued \$8,985,000 in Tax Allocation Bonds, which mature in amounts from \$145,000 to \$1,010,000 annually from 2009 to 2037 with interest payments of 4.00% to 4.750% payable semi-annually on June 1 and December 1 of each year.



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

**2) Tax Allocation Bonds - Continued**

The purpose of the bonds is to finance certain redevelopment projects benefiting the portion of the Victor Valley Economic Development Authority (VVEDA) Project Area within the jurisdiction of the Town of Apple Valley. The bonds are special obligations of the Agency and are payable exclusively from Pledged Tax Revenues. The bonds are not a debt of the Town of Apple Valley, the VVEDA or its members, State of California, or any of its political subdivisions, other than the Agency, and neither the Town of Apple Valley, the VVEDA or its members, the State of California nor any of its political subdivisions, other than the Agency, is liable therefore. In no event shall the bonds be payable out of any funds or properties other than those of the Agency. At June 30, 2009, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest
2010	\$ 140,000	\$ 401,982
2011	145,000	393,382
2012	160,000	390,582
2013	160,000	384,183
2014	170,000	377,783
2015-2019	955,000	1,774,822
2020-2024	1,195,000	1,545,513
2025-2029	1,495,000	1,237,375
2030-2034	1,875,000	847,637
2035-2037	2,410,000	256,263
	<u>\$ 8,705,000</u>	<u>\$ 7,609,522</u>

2007 Tax Allocation Bonds Project Area 2

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

**2) Tax Allocation Bonds - Continued**

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 640,000	\$ 1,744,400	\$ 2,384,400
2011	665,000	1,718,800	2,383,800
2012	695,000	1,690,700	2,385,700
2013	720,000	1,662,900	2,382,900
2014	750,000	1,632,300	2,382,300
2015	790,000	1,589,175	2,379,175
2016	840,000	1,543,750	2,383,750
2017	880,000	1,505,950	2,385,950
2018	920,000	1,466,350	2,386,350
2019	960,000	1,424,950	2,384,950
2020	1,005,000	1,381,750	2,386,750
2021	1,050,000	1,331,500	2,381,500
2022	1,105,000	1,279,000	2,384,000
2023	1,155,000	1,223,750	2,378,750
2024	1,220,000	1,166,000	2,386,000
2025	1,275,000	1,105,000	2,380,000
2026	1,340,000	1,041,250	2,381,250
2027	1,405,000	979,610	2,384,610
2028	1,470,000	914,980	2,384,980
2029	1,540,000	844,420	2,384,420
2030	1,615,000	770,500	2,385,500
2031	1,695,000	689,750	2,384,750
2032	1,780,000	605,000	2,385,000
2033	1,870,000	516,000	2,386,000
2034	1,960,000	422,500	2,382,500
2035	2,060,000	324,500	2,384,500
2036	2,160,000	221,500	2,381,500
2037	2,270,000	113,500	2,383,500
<b>Total</b>	<b>\$ 35,835,000</b>	<b>\$ 30,909,785</b>	<b>\$ 66,744,785</b>

**3) 2007 Lease Revenue Bonds**

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

**3) Lease Revenue Bonds - Continued**

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 390,000	\$ 493,143	\$ 883,143
2011	405,000	478,237	883,237
2012	420,000	462,243	882,243
2013	440,000	445,051	885,051
2014	455,000	427,143	882,143
2015	475,000	408,544	883,544
2016	490,000	388,018	878,018
2017	515,000	365,405	880,405
2018	535,000	341,781	876,781
2019	560,000	317,494	877,494
2020	585,000	292,447	877,447
2021	610,000	265,925	875,925
2022	640,000	237,800	877,800
2023	670,000	208,325	878,325
2024	700,000	175,750	875,750
2025	735,000	139,875	874,875
2026	770,000	102,250	872,250
2027	810,000	62,750	872,750
2028	850,000	21,250	871,250
<b>Total</b>	<b>\$ 11,055,000</b>	<b>\$ 5,633,431</b>	<b>\$ 16,688,431</b>

**4) Special Assessment Debt with Government Commitment**

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

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

**E) Lease Revenue Bonds - Continued**

**4) Special Assessment Debt with Government Commitment - Continued**

The limited obligation refunding bonds were issued as fully registered bonds in denominations of \$5,000 and bear interest ranging from 4.90% to 6.40%. Interest on the bonds is payable commencing March 2, 1996, and semi-annually thereafter on March 2 and September 2. Principal on the bonds is payable annually on September 2 of each year, commencing September 2, 1998. The outstanding balance on the bonds as of June 30, 2009 is \$3,410,000. The bonds are secured by the unpaid reassessments applicable to all properties within the Assessment District which had not previously prepaid their original assessments levied with respect to the Prior Assessment District, and said unpaid reassessments, together with interest thereon, constitute a trust fund for the redemption and payment of the principal of and interest on the bonds. The bond indenture requires a reserve fund to be held by the fiscal agent in an amount equal to \$701,960. The Town has \$711,261 on reserve with the fiscal agent at June 30, 2009. The future annual maturities as of June 30, 2009, are as follows:

Year Ending	Principal	Interest
2010	\$ 395,000	\$ 221,663
2011	425,000	193,372
2012	450,000	163,185
2013	480,000	131,100
2014	520,000	96,600
2015	550,000	59,685
2016	590,000	20,355
	\$ 3,410,000	\$ 885,960

**5) Capital Lease Payable**

On February 1, 2002, the Town entered into a lease agreement to acquire real property and the existing structures on the land for a public works facility. The Town is obligated to make monthly lease payments of \$1,512. The stated interest rate of the agreement is 5.5%. The lease qualifies as a capital lease for accounting purposes and is recorded in the sewer fund. As of June 30, 2009, future lease payments are as follows:

Year Ending	Principal	Interest
2010	\$ 12,271	\$ 5,868
2011	12,963	5,176
2012	13,694	4,445
2013	14,467	3,673
2014	15,283	2,857
2015	16,144	1,994
2016	17,055	1,084
2017	10,391	191
	\$ 112,268	\$ 25,288

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

**6) California Housing Loan**

The Town obtains loans from the California Housing Finance Agency for issuing down payment assistance loans to low-to-moderate income individuals. The interest associated with these loans (3%) and the principal is to be paid back in ten years from the date of issuance. The principal balance outstanding at June 30, 2009 is \$250,000. As of June 30, 2009, the future annual maturities are as follows:

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

**7) Obligation Under Installment Purchase Agreement**

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

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

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

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

The Town's liability for unpaid installment payments at June 30, 2009 is \$2,210,208. As of June 30, 2009, installment purchase payment requirements to maturity are as follows:

Year Ended	Principal	Interest
2010	\$ 160,625	\$ 104,443
2011	167,917	98,370
2012	173,333	91,457
2013	183,125	83,973
2014	190,625	75,701
2015	198,542	66,725
2016	210,833	57,178
2017	220,833	46,828
2018	231,042	35,787
2019	243,333	24,214
2020	230,000	11,804
	\$ 2,210,208	\$ 696,480

**8) Pension-Related Debt**

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

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

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

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

Year Ending June 30,	Pension-related Debt		Total
	Principal	Interest	
2010	\$ 6,158	\$ 130,217	\$ 136,375
2011	11,236	129,571	140,807
2012	16,857	128,526	145,383
2013	23,068	127,040	150,108
2014	29,920	125,067	154,987
2015	37,467	122,557	160,024
2016	45,770	119,455	165,225
2017	54,891	115,704	170,595
2018	64,900	111,239	176,139
2019	75,872	105,991	181,863
2020	87,887	99,887	187,774
2021	101,033	92,843	193,876
2022	115,404	84,774	200,178
2023	131,101	75,582	206,683
2024	148,234	65,167	213,401
2025	166,922	53,415	220,337
2026	187,291	40,206	227,497
2027	209,481	25,410	234,891
2028	233,642	8,883	242,525
<b>Total</b>	<b>\$ 1,747,134</b>	<b>\$ 1,761,534</b>	<b>\$ 3,508,668</b>

**9) Debt Issuance Costs**

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

	Sewer Fund Certificates of Participation	Assessment District 2B-R	Tax Allocation Bonds	Lease Revenue Bonds	Installment Purchase Agreement	Total
Debt issuance costs	\$ 51,686	\$ 311,840	\$ 1,224,777	\$ 344,297	\$ 152,708	\$ 2,214,578
Less:						
Accumulated Amortization	(41,349)	(218,288)	(112,500)	(22,954)	(50,903)	(575,264)
Unamortized portion of debt issuance costs	\$ 10,337	\$ 93,552	\$ 1,112,277	\$ 321,343	\$ 101,805	\$ 1,639,314
Current amortization	\$ 3,446	\$ 15,592	\$ 40,826	\$ 11,477	\$ 10,181	\$ 81,522

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

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

**F) Debt Issued Without Governmental Commitment**

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

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

On May 1, 2001, the Town issued Health Facility Revenue Certificates of Participation (Apple Valley Christian Centers) Series 2001 in the amount of \$9,525,000. The certificates were issued in order to advance refund the \$8,500,000 Insured Health Facility Revenue Certificates of Participation Series 1990A. The certificates were issued in denominations of \$5,000 and mature June 1, 2003 through June 1, 2026 with interest rates ranging from 3.65% to 5.5%. As of June 30, 2009, the outstanding balance is \$7,780,000.

The Apple Valley Water District issued Special Assessment District 98-1, 1915 Improvement Act Bonds. These bonds were issued to finance the construction and acquisition of sewer improvements within the area commonly known as Jess Ranch, located within the Assessment District. The Town is in no way liable for repayments of these bonds, but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, when necessary. The bonds mature on September 2, 1999 through 2023. As of June 30, 2009 the outstanding balance is \$2,385,000.

**G) Fund Balance**

The Town has established the following fund balance reserves and designations at June 30, 2009:

	General Fund	Special Revenue	Debt Service	Capital Projects
Reserved for:				
Debt Service	\$	\$	\$ 1,883,553	\$
Prepaid Items	546,925			
Total Reserved	546,925	-	1,883,553	-
Undesignated	17,094,067	11,359,223	34,010,895	23,216,796
Total Unreserved	17,094,067	11,359,223	34,010,895	23,216,796
Total Fund Balance	\$ 17,640,992	\$ 11,359,223	\$ 35,894,448	\$ 23,216,796



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
**Year Ended June 30, 2009**

**V) OTHER INFORMATION**

**A) Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 89 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has a representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$20,000 of each occurrence is charged directly to the city; costs from \$20,001 to \$500,000 are pooled based on a member's share of costs under \$20,000; costs from \$500,001 to \$5,000,000 are pooled based on payroll. Costs of covered claims above \$5,000,000 are currently paid by reinsurance. The protection for the City is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

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

The Town participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Town property is currently insured according to a schedule of covered property submitted by the Town to the Authority. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

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

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

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2009, the amount of these liabilities was \$45,000. This liability is the Town's best estimate based on available information.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

**V) OTHER INFORMATION - Continued**

**A) Risk Management - Continued**

Changes in Claims Payable were as follows:

	<u>2008-2009</u>	<u>2007-2008</u>
Claims payable, beginning of fiscal year	\$ 45,000	\$ 45,000
Current year claims and changes in estimates		
Claim payments		
Claims payable, end of fiscal year	\$ 45,000	\$ 45,000

**H) Participation in Joint Ventures**

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

The Town makes monthly payments to VWRA for sewer treatment and connection fee services. During the 2008-2009 fiscal year, the Town remitted approximately \$2,280,419 to VWRA.

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

**Mojave Desert and Mountain Integrated Waste Management Authority** - The Town of Apple Valley is a member of the Mojave Desert and Mountain Integrated Waste Management Authority ("Authority"), a joint powers agreement between local governments for the purpose of studying and planning ways and means to develop source reduction and recycling elements for their respective boundaries pursuant to Public Resources Code Section 40950 (A.B. 939). The governing body of the Authority is made up of representatives from each significant participants in the Authority. Budgeting and financing are the responsibility of the Authority. Contribution rates from member agencies are based on each member's current population as a percentage of the total population of the Authority. The Town of Apple Valley maintains a 50% interest in the Materials Recovery Facility (MRF). The Town's net investment in the Joint Venture at June 30, 2009 was \$1,989,348. The remaining 50% interest is maintained by the City of Victorville.

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

**V) OTHER INFORMATION - Continued**

**B) Participation in Joint Ventures - Continued**

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

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

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

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

**C) City Employees Retirement Plan (Defined Benefit Pension Plan)**

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

**Funding Policy** - Participants are required to contribute 8% of their annual covered salary. The Town makes the contributions required of Town employees on their behalf and for their account. The Town is also required to make an additional contribution at an actuarially determined rate. The current rate is 14.103% of annual covered payroll for non-safety employees. The contribution requirements of plan members and the Town are established and may be amended by PERS.

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percent Contributed</u>
6/30/07	827,306	100%
6/30/08	892,223	100%
6/30/09	1,010,394	100%

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

**V) OTHER INFORMATION - Continued**

**D) POST EMPLOYMENT BENEFITS**

**Plan Description**

The Town's defined benefit postemployment healthcare plan, (Town of Apple Valley Retiree Healthcare Plan, AVRHP), provides medical benefits to eligible retired Town employees and spouses. AVRHP is part of the Public Agency portion of the California Employers' Retiree Benefit Trust Fund (CERBT), an agent multiple-employer plan administered by California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statute within the Public Employees' Retirement Law. AVRHP selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Town resolution. CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

**Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended by the Council. The Town contributes the medical insurances premiums until age 66.

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

**Annual OPEB Cost**

For 2009, the Town's annual OPEB cost (expense) of \$214,794 for AVRHP was equal to the ARC. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

THREE-YEAR TREND INFORMATION FOR CERBT

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 214,794	9%	196,366
6/30/08	*	*	*
6/30/07	*	*	*

\*The information for the two preceding years is unavailable. GASB 45 was implemented in fiscal year 2009.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

**V) OTHER INFORMATION - Continued**

**D) POST EMPLOYMENT BENEFITS - Continued**

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial Accrued Liability (AAL)	\$	852,200
Actuarial Value of Plan Assets	\$	0
Unfunded Actuarial Accrued Liability (UAAL)	\$	852,200
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0%
Covered Payroll (Active Plan Members)	\$	6,602,216
UAAL as a Percentage of Covered Payroll		12.908%

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

**Actuarial Methods and Assumptions**

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

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

Valuation Date	June 30, 2009			
Actuarial Cost Method	Frozen Attained Age			
Mortality	1994 Group Annuity Mortality Table w/ Scale AA for future mortality improvement to 1999			
Age at Retirement	Age 55 with 10 years of service or age +1 if eligible to retire.			
Termination Prior to Retirement				
Attained Age:	20 – 29	30 – 39	40 – 49	50+
Rate of Termination:	6%	3%	1%	0%
Health Care Trend Rate	.50%			
Investment Rate of Return	5.50%			

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2009

**V) OTHER INFORMATION - Continued**

**E) Contingent Liabilities**

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

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

**F) Contingencies/Subsequent Events**

Subsequent to June 30, 2009, the State of California passed legislation to divert approximately \$2.05 billion of local redevelopment funds to use for State purposes, as part of the 2009-10 State budget. This includes \$1.7 billion in fiscal year 2009-10 and another \$350 million in fiscal year 2010-11. The California Redevelopment Association (CRA) has filed a lawsuit in Sacramento Superior Court to challenge the constitutionality of this legislation. Currently, the effect that this legislation and resulting lawsuit will have on the Agency's future revenues is unknown.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Apple Valley, California**  
**Notes to Required Supplementary Information**  
**Year Ended June 30, 2009**

**1. BUDGETS AND BUDGETARY ACCOUNTING**

The Town adopts an annual budget on a basis consistent with generally accepted accounting principles. All governmental funds where revenues and expenditures can be estimated or anticipated have legally adopted annual budgets except for debt service funds for which activity is controlled by means of debt agreements. The Town Manager is required to prepare and submit to the Town Council the annual budget of the Town and administer it after adoption. Town Council approval is required for budget revisions affecting capital improvement projects, any expenditures from budgeted contingency reserve funds and for budget revisions that increase total Town appropriations. Town Manager approval is required for transfers between departments in the General Fund. Only Department Head approval is required for transfers within the Department, as long as total budgeted appropriations for that Department is not exceeded. Prior appropriations lapse unless they are reappropriated through the formal budget process. Total expenditures may not legally exceed total appropriations at the fund level. No supplemental appropriations were made during the year.

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

Air Pollution Control District, Assessment District L-1, ADDI Down Payment Assistance, Help Down Payment Assistance, HUD ADDI, HCD State Program Income, CDBG Program Income, Road Bond Projects, and Storm Drains.

The following funds had an excess of expenditures over appropriations:

General Fund, Article 8, Parks and Recreation, RDA Debt Service, and Quimby Fees Fund



**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 16,240,000	\$ 15,800,000	\$ 15,683,740	\$ (116,260)
Licenses & Permits	1,207,400	1,207,400	945,233	(262,167)
Fines & Forfeitures	237,000	237,000	256,286	19,286
Investment Income	631,000	631,000	401,950	(229,050)
Intergovernmental	808,200	808,200	145,908	(662,292)
Charges for Services	1,032,638	1,032,638	1,137,359	104,721
Other Revenue	20,000	20,000	151,537	131,537
Total Revenues	<u>20,176,238</u>	<u>19,736,238</u>	<u>18,722,013</u>	<u>(1,014,225)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,498,272	2,179,543	2,663,092	(483,549)
Public Safety	11,157,035	11,157,035	11,618,591	(461,556)
Community Development	4,232,331	4,559,910	4,055,172	504,738
Capital Outlay	415,000	415,000	186,567	228,433
Debt Service:				
Principal	8,850		11,616	(11,616)
Interest and Fiscal Charges	6,150	6,150	6,470	(320)
Total Expenditures	<u>18,317,638</u>	<u>18,317,638</u>	<u>18,541,508</u>	<u>(223,870)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,858,600</u>	<u>1,418,600</u>	<u>180,505</u>	<u>(1,238,095)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		440,000	499,652	59,652
Transfers Out	(1,858,600)	(1,858,600)	(725,720)	1,132,880
Total Other Financing Sources (Uses)	<u>(1,858,600)</u>	<u>(1,418,600)</u>	<u>(226,068)</u>	<u>1,192,532</u>
Net Change in Fund Balances	-	-	(45,563)	(45,563)
Fund Balances, Beginning	<u>17,686,555</u>	<u>17,686,555</u>	<u>17,686,555</u>	
Fund Balances, Ending	<u>\$ 17,686,555</u>	<u>\$ 17,686,555</u>	<u>\$ 17,640,992</u>	<u>\$ (45,563)</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Article 8 Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,350,000	\$ 1,350,000	\$ 831,107	\$ (518,893)
Investment Income	100,000	100,000	9,212	(90,788)
Total Revenues	<u>1,450,000</u>	<u>1,450,000</u>	<u>840,319</u>	<u>(609,681)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	<u>2,449,868</u>	<u>2,449,868</u>	<u>3,199,507</u>	<u>(749,639)</u>
Total Expenditures	<u>2,449,868</u>	<u>2,449,868</u>	<u>3,199,507</u>	<u>(749,639)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(999,868)</u>	<u>(999,868)</u>	<u>(2,359,188)</u>	<u>(1,359,320)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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 Balance	(999,868)	(999,868)	(2,359,188)	(1,359,320)
Fund Balances, Beginning	<u>2,217,992</u>	<u>2,217,992</u>	<u>2,217,992</u>	
Fund Balances, Ending	<u>\$ 1,218,124</u>	<u>\$ 1,218,124</u>	<u>\$ (141,196)</u>	<u>\$ (1,359,320)</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Parks and Recreation Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,990,000	\$ 1,990,000	\$ 2,275,408	\$ 285,408
Charges for Services	848,160	852,320	938,167	85,847
Other Revenue	130,000	130,000		(130,000)
Total Revenues	<u>2,968,160</u>	<u>2,972,320</u>	<u>3,213,575</u>	<u>241,255</u>
<b>EXPENDITURES</b>				
Current:				
Culture and Recreation	3,565,784	3,446,043	3,790,822	(344,779)
Capital Outlay	90,500	149,400	33,255	116,145
Total Expenditures	<u>3,656,284</u>	<u>3,595,443</u>	<u>3,824,077</u>	<u>(228,634)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(688,124)</u>	<u>(623,123)</u>	<u>(610,502)</u>	<u>12,621</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(688,124)	(623,123)	(610,502)	12,621
Fund Balance, Beginning	<u>(2,267,919)</u>	<u>(2,267,919)</u>	<u>(2,267,919)</u>	<u></u>
Fund Balance, Ending	<u>\$ (2,956,043)</u>	<u>\$ (2,891,042)</u>	<u>\$ (2,878,421)</u>	<u>\$ 12,621</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Low/Moderate Housing Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,200,000	\$ 2,200,000	\$ 2,616,169	\$ 416,169
Investment Income	220,000	220,000	277,833	57,833
Total Revenues	<u>2,420,000</u>	<u>2,420,000</u>	<u>2,894,002</u>	<u>474,002</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	5,066,574	5,066,574	145,236	4,921,338
Capital Outlay			591,678	(591,678)
Debt Service:				
Principal	95,940	95,940	75,683	20,257
Interest	217,587	217,587	217,697	(110)
Total Expenditures	<u>5,380,101</u>	<u>5,380,101</u>	<u>1,030,294</u>	<u>4,349,807</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,960,101)</u>	<u>(2,960,101)</u>	<u>1,863,708</u>	<u>4,823,809</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,960,101)	(2,960,101)	1,863,708	4,823,809
Fund Balance, Beginning	<u>11,138,918</u>	<u>11,138,918</u>	<u>11,138,918</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 8,178,817</u>	<u>\$ 8,178,817</u>	<u>\$ 13,002,626</u>	<u>\$ 4,823,809</u>

**Town of Apple Valley, California**  
**Schedule of Funding Progress for AVRHP**  
Year Ended June 30, 2009

**Schedule of Funding Progress for AVRHP**

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

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

**SUPPLEMENTARY INFORMATION**

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

### Capital Projects Funds:

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

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

**NONMAJOR GOVERNMENTAL FUNDS - Continued**

**Debt Service Funds:**

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

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

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



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**Town of Apple Valley  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2009**

	Special Revenue			
	Street Maintenance	CDBG	Air Pollution Control District	Neighborhood Stabilization Program
<b>ASSETS</b>				
Cash and Investments	\$ 36,772	\$	\$ 67,335	\$
Cash with Fiscal Agent				
Accounts Receivable	653			
Interest Receivable			95	
Due from Other Funds				
Due from Other Governments	232,601	167,941	182	80,062
Loans Receivable				
<b>Total Assets</b>	<b>\$ 270,026</b>	<b>\$ 167,941</b>	<b>\$ 67,612</b>	<b>\$ 80,062</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 219,255	\$ 31,276	\$	\$ 14,891
Accrued Liabilities	14,619	3,508		7,117
Due to Other Funds	14,334	133,157		58,054
Deferred Revenue	91,818	119,432		80,062
<b>Total Liabilities</b>	<b>340,026</b>	<b>287,373</b>	<b>-</b>	<b>160,124</b>
<b>Fund Balances:</b>				
<b>Reserved:</b>				
<b>Reserved for Debt Service</b>				
<b>Unreserved:</b>				
Undesignated	(70,000)	(119,432)	67,612	(80,062)
<b>Total Fund Balances</b>	<b>(70,000)</b>	<b>(119,432)</b>	<b>67,612</b>	<b>(80,062)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 270,026</b>	<b>\$ 167,941</b>	<b>\$ 67,612</b>	<b>\$ 80,062</b>

Special Revenue

Assessment District L-1	HOME	Prop 1B	ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees
\$ 400,427	\$	\$ 1,090,797	\$ 1	\$	\$ 103,349
576		2,045			146
3,668	122,450 1,228,257	3,908		250,000	279
<u>\$ 404,671</u>	<u>\$ 1,350,707</u>	<u>\$ 1,096,750</u>	<u>\$ 1</u>	<u>\$ 250,000</u>	<u>\$ 103,774</u>
\$ 17,814	\$ 82,845 1,137 38,467 1,242,360	\$ 9,210	\$	\$ 250,000	\$
<u>17,814</u>	<u>1,364,809</u>	<u>9,210</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
<u>386,857</u>	<u>(14,102)</u>	<u>1,087,540</u>	<u>1</u>		<u>103,774</u>
<u>386,857</u>	<u>(14,102)</u>	<u>1,087,540</u>	<u>1</u>	<u>-</u>	<u>103,774</u>
<u>\$ 404,671</u>	<u>\$ 1,350,707</u>	<u>\$ 1,096,750</u>	<u>\$ 1</u>	<u>\$ 250,000</u>	<u>\$ 103,774</u>

Continued

**Town of Apple Valley  
Combining Balance Sheet  
Non-Major Governmental Funds - Continued  
June 30, 2009**

	Special Revenue			
	HUD ADDI	HCD State Program Income	CDBG Program Income	Village PBID
<b>ASSETS</b>				
Cash and Investments	\$	\$ 2	\$ 13,961	\$
Cash with Fiscal Agent				
Accounts Receivable			122,501	
Interest Receivable		5	17	
Due from Other Funds				
Due from Other Governments		9	32	
Loans Receivable		839,176	299,729	
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 839,192</b>	<b>\$ 436,240</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$	\$	\$	\$
Accrued Liabilities				
Due to Other Funds				
Deferred Revenue		839,176	422,230	
<b>Total Liabilities</b>	<b>-</b>	<b>839,176</b>	<b>422,230</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Reserved:</b>				
<b>Reserved for Debt Service</b>				
<b>Unreserved:</b>				
Undesignated		16	14,010	
<b>Total Fund Balances</b>	<b>-</b>	<b>16</b>	<b>14,010</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 839,192</b>	<b>\$ 436,240</b>	<b>\$ -</b>

Capital Projects		Debt Service			Total
Road Bond Projects	Storm Drains	2007 Town Hall Revenue Bonds	1999 COPS	2001 COPS	Nonmajor Governmental Funds
\$	\$ 1,249,116	\$	\$	\$	\$ 2,961,760
		8	118,021	198,617	316,646
	1,756				123,154
	3,355				4,640
					-
					614,487
					2,617,162
<u>\$</u>	<u>\$ 1,254,227</u>	<u>\$ 8</u>	<u>\$ 118,021</u>	<u>\$ 198,617</u>	<u>\$ 6,637,849</u>
\$	\$	\$	\$	\$	\$ 375,291
		8	118,021	198,617	26,381
					560,658
					3,045,078
		8	118,021	198,617	4,007,408
					-
	1,254,227				2,630,441
	1,254,227	-	-	-	2,630,441
<u>\$</u>	<u>\$ 1,254,227</u>	<u>\$ 8</u>	<u>\$ 118,021</u>	<u>\$ 198,617</u>	<u>\$ 6,637,849</u>

**Town of Apple Valley**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**Year Ended June 30, 2009**

	Special Revenue			
	Street Maintenance	CDBG	Air Pollution Control District	Neighborhood Stabilization Program
<b>REVENUES</b>				
Taxes	\$	\$	\$ 48,747	\$
Licenses and Permits				
Investment Income			1,415	
Intergovernmental	1,693,834	853,219		
Other Revenue	22,144			
	<u>1,715,978</u>	<u>853,219</u>	<u>50,162</u>	<u>-</u>
Total Revenues				
<b>EXPENDITURES</b>				
Current:				
General Government				
Public Safety				
Transportation	1,729,489		50,000	
Culture and Recreation				
Community Development		546,111		80,062
Capital Outlay	56,489			
Debt Service:				
Principal				
Interest and Fiscal Charges				
	<u>1,785,978</u>	<u>546,111</u>	<u>50,000</u>	<u>80,062</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	(70,000)	307,108	162	(80,062)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In				
Transfers Out				
Transfer to Agency Fund				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(70,000)	307,108	162	(80,062)
Fund Balances - Beginning	-	(426,540)	67,450	-
Fund Balances - Ending	<u>\$ (70,000)</u>	<u>\$ (119,432)</u>	<u>\$ 67,612</u>	<u>\$ (80,062)</u>

Special Revenue

Assessment District L-1	HOME	Prop 1B	ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees
\$ 279,744	\$	\$	\$	\$	\$
7,346	143 1,205,569	41,549 1,045,059			2,869
<u>287,090</u>	<u>1,205,712</u>	<u>1,086,608</u>	<u>-</u>	<u>-</u>	<u>2,869</u>
140,341	763,483	1,127,970			6,293
<u>140,341</u>	<u>763,483</u>	<u>1,127,970</u>	<u>-</u>	<u>-</u>	<u>6,293</u>
146,749	442,229	(41,362)			(3,424)
<u>146,749</u>	<u>442,229</u>	<u>(41,362)</u>	<u>-</u>	<u>-</u>	<u>(3,424)</u>
-	-		-	-	-
146,749	442,229	(41,362)	-	-	(3,424)
<u>240,108</u>	<u>(456,331)</u>	<u>1,128,902</u>	<u>1</u>	<u>-</u>	<u>107,198</u>
<u>\$ 386,857</u>	<u>\$ (14,102)</u>	<u>\$ 1,087,540</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 103,774</u>

Continued

**Town of Apple Valley**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Non-Major Governmental Funds - Continued**  
**Year Ended June 30, 2009**

	Special Revenue			
	HUD ADDI	HCD State Program Income	CDBG Program Income	Village PBID
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$
Licenses and Permits				
Investment Income			284	
Intergovernmental	9,903			
Other Revenue		10,175	3,403	
<b>Total Revenues</b>	<u>9,903</u>	<u>10,175</u>	<u>3,687</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General Government				
Public Safety				
Transportation				
Culture and Recreation				
Community Development		46,877		
Capital Outlay				
Debt Service:				
Principal				
Interest and Fiscal Charges				
<b>Total Expenditures</b>	<u>-</u>	<u>46,877</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,903</u>	<u>(36,702)</u>	<u>3,687</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In				
Transfers Out				
Transfer to Agency Fund				(261,717)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(261,717)</u>
<b>Net Change in Fund Balances</b>	9,903	(36,702)	3,687	(261,717)
Fund Balances - Beginning	(9,903)	36,718	10,323	261,717
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ 14,010</u>	<u>\$ -</u>



Capital Projects		Debt Service			Total
Road Bond Projects	Storm Drains	2007 Town Hall Revenue Bonds	1999 COPS	2001 COPS	Nonmajor Governmental Funds
\$	\$	\$	\$	\$	\$ 328,491
	89,070				89,070
	30,824	50	620	997	86,097
					4,807,584
					35,722
-	119,894	50	620	997	5,346,964
		2,730	59,550	36,837	99,117
					-
					3,047,800
					6,293
1,656					1,436,533
					58,145
		300,000	295,000	180,000	775,000
		505,893	55,779	25,171	586,843
1,656	-	808,623	410,329	242,008	6,009,731
(1,656)	119,894	(808,573)	(409,709)	(241,011)	(662,767)
1,656		808,573	409,709	241,011	1,460,949
					-
					(261,717)
1,656	-	808,573	409,709	241,011	1,199,232
-	119,894	-	-	-	536,465
-	1,134,333	-	-	-	2,093,976
\$ -	\$ 1,254,227	\$ -	\$ -	\$ -	\$ 2,630,441

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - RDA Debt Service Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,800,000	\$ 5,800,000	\$ 6,822,067	\$ 1,022,067
Investment Income	310,000	310,000	385,988	1,333,965
Total Revenues	<u>6,110,000</u>	<u>6,110,000</u>	<u>7,208,055</u>	<u>2,356,032</u>
<b>EXPENDITURES</b>				
Current:				
Community Development			7,842	(7,842)
Debt Service:				
Principal	989,060	989,060	839,317	149,743
Interest and Fiscal Charges	2,156,855	2,156,855	2,307,646	(150,791)
Pass-Through Agreements	900,000	900,000	1,329,805	(429,805)
Total Expenditures	<u>4,045,915</u>	<u>4,045,915</u>	<u>4,484,610</u>	<u>(438,695)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,064,085</u>	<u>2,064,085</u>	<u>2,723,445</u>	<u>659,360</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In				-
Transfers Out	(29,809,088)	(29,809,088)	(6,736,704)	23,072,384
Total Other Financing Sources (Uses)	<u>(29,809,088)</u>	<u>(29,809,088)</u>	<u>(6,736,704)</u>	<u>23,072,384</u>
Net Change in Fund Balances	(27,745,003)	(27,745,003)	(4,013,259)	23,731,744
Fund Balance, Beginning	<u>39,907,707</u>	<u>39,907,707</u>	<u>39,907,707</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 12,162,704</u>	<u>\$ 12,162,704</u>	<u>\$ 35,894,448</u>	<u>\$ 23,731,744</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Capital Projects Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and Permits	\$ 1,500,000	\$ 1,500,000	\$ 762,635	\$ (737,365)
Investment Income	200,000	200,000	327,611	127,611
Other Revenue			110	110
Total Revenues	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,090,356</u>	<u>(609,644)</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>4,457,800</u>	<u>4,071,100</u>	<u>3,815,700</u>	<u>255,400</u>
Total Expenditures	<u>4,457,800</u>	<u>4,071,100</u>	<u>3,815,700</u>	<u>255,400</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,757,800)</u>	<u>(2,371,100)</u>	<u>(2,725,344)</u>	<u>(354,244)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out			<u>(62,208)</u>	<u>(62,208)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(62,208)</u>	<u>(62,208)</u>
Net Change in Fund Balances	<u>(2,757,800)</u>	<u>(2,371,100)</u>	<u>(2,787,552)</u>	<u>(416,452)</u>
Fund Balance, Beginning	<u>13,264,114</u>	<u>13,264,114</u>	<u>13,264,114</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 10,506,314</u>	<u>\$ 10,893,014</u>	<u>\$ 10,476,562</u>	<u>\$ (416,452)</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Development Impact Fees**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses & Permits	\$ 17,000	\$ 17,000	\$ 90,179	\$ 90,179
Investment Income	150,000	150,000	77,509	77,509
Total Revenues	<u>167,000</u>	<u>167,000</u>	<u>167,688</u>	<u>167,688</u>
<b>EXPENDITURES</b>				
Capital Outlay	11,306,093	11,306,093	1,963,290	9,342,803
Debt Service				
Interest and Fiscal Charges				-
Total Expenditures	<u>11,306,093</u>	<u>11,306,093</u>	<u>1,963,290</u>	<u>9,342,803</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(11,139,093)</u>	<u>(11,139,093)</u>	<u>(1,795,602)</u>	<u>9,343,491</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In				-
Transfers Out			(808,573)	(808,573)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(808,573)</u>	<u>(808,573)</u>
Net Change in Fund Balances	(11,139,093)	(11,139,093)	(2,604,175)	8,534,918
Fund Balance, Beginning	<u>12,061,592</u>	<u>12,061,592</u>	<u>12,061,592</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 922,499</u>	<u>\$ 922,499</u>	<u>\$ 9,457,417</u>	<u>\$ 8,534,918</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - RDA Capital Projects Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 15,696	\$ 15,696
Other Revenue			384,307	384,307
Total Revenues	-	-	400,003	400,003
<b>EXPENDITURES</b>				
Current:				
Community Development	1,309,088	1,309,088	1,256,064	53,024
Capital Outlay	28,500,000	29,234,700	6,055,180	23,179,520
Debt Service				
Interest			48,175	(48,175)
Total Expenditures	29,809,088	30,543,788	7,359,419	23,184,369
Excess (Deficiency) of Revenues over Expenditures	(29,809,088)	(30,543,788)	(6,959,416)	23,584,372
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	29,809,088	29,809,088	6,960,876	(22,848,212)
Transfers Out			(1,656)	(1,656)
Total Other Financing Sources (Uses)	29,809,088	29,809,088	6,959,220	(22,849,868)
Net Change in Fund Balances	-	(734,700)	(196)	734,504
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ (734,700)	\$ (196)	\$ 734,504

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Measure I Fund**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 2,260,000	\$ 2,260,000	\$ 2,382,788	\$ 122,788
Investment Income	113,000	113,000	95,023	(17,977)
Other Revenue			1,376	1,376
Total Revenues	<u>2,373,000</u>	<u>2,373,000</u>	<u>2,479,187</u>	<u>106,187</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	<u>2,852,268</u>	<u>5,252,000</u>	<u>2,695,980</u>	<u>2,556,020</u>
Total Expenditures	<u>2,852,268</u>	<u>5,252,000</u>	<u>2,695,980</u>	<u>2,556,020</u>
Excess (Deficiency) of Revenues over Expenditures	(479,268)	(2,879,000)	(216,793)	2,662,207
Fund Balance, Beginning	<u>3,922,372</u>	<u>3,922,372</u>	<u>3,922,372</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 3,443,104</u>	<u>\$ 1,043,372</u>	<u>\$ 3,705,579</u>	<u>\$ 2,662,207</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Project Manager Grants**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,653,303	\$ 2,419,303	\$ 505,803	\$ (1,913,500)
Total Revenues	<u>1,653,303</u>	<u>2,419,303</u>	<u>505,803</u>	<u>(1,913,500)</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	<u>1,653,303</u>	<u>2,494,303</u>	<u>1,372,930</u>	<u>1,121,373</u>
Total Expenditures	<u>1,653,303</u>	<u>2,494,303</u>	<u>1,372,930</u>	<u>1,121,373</u>
Excess (Deficiency) of Revenues over Expenditures		<u>(75,000)</u>	<u>(867,127)</u>	<u>(792,127)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		75,000	137,208	62,208
Transfers Out			<u>(224,172)</u>	<u>(224,172)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>75,000</u>	<u>(86,964)</u>	<u>(161,964)</u>
Net Change in Fund Balances	-	-	(954,091)	(954,091)
Fund Balances, Beginning	<u>(722,702)</u>	<u>(722,702)</u>	<u>(722,702)</u>	
Fund Balances, Ending	<u>\$ (722,702)</u>	<u>\$ (722,702)</u>	<u>\$ (1,676,793)</u>	<u>\$ (954,091)</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Street Maintenance Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,499,500	\$ 1,570,500	\$ 1,693,834	\$ 123,334
Other Revenue			22,144	22,144
Total Revenues	<u>1,499,500</u>	<u>1,570,500</u>	<u>1,715,978</u>	<u>145,478</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	1,377,500	2,324,300	1,729,489	594,811
	122,000	99,000	56,489	42,511
Total Expenditures	<u>1,499,500</u>	<u>2,423,300</u>	<u>1,785,978</u>	<u>637,322</u>
Excess (Deficiency) of Revenues over Expenditures	-	(852,800)	(70,000)	782,800
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ (852,800)</u>	<u>\$ (70,000)</u>	<u>\$ 782,800</u>



**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - CDBG**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,108,889	\$ 1,108,889	\$ 853,219	\$ (255,670)
Total Revenues	<u>1,108,889</u>	<u>1,108,889</u>	<u>853,219</u>	<u>(255,670)</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	<u>1,108,889</u>	<u>1,108,889</u>	<u>546,111</u>	<u>562,778</u>
Total Expenditures	<u>1,108,889</u>	<u>1,108,889</u>	<u>546,111</u>	<u>562,778</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>307,108</u>	<u>307,108</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	307,108	307,108
Fund Balance, Beginning	<u>(426,540)</u>	<u>(426,540)</u>	<u>(426,540)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (426,540)</u>	<u>\$ (426,540)</u>	<u>\$ (119,432)</u>	<u>\$ 307,108</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Neighborhood Stabilization Program Fund**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$	\$ 3,064,836	\$	\$(3,064,836)
Total Revenues	-	3,064,836	-	(3,064,836)
<b>EXPENDITURES</b>				
Community Development		3,064,836	80,062	2,984,774
Total Expenditures	-	3,064,836	80,062	2,984,774
Excess (Deficiency) of Revenues over Expenditures	-	-	(80,062)	(80,062)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$	\$	\$ (80,062)	\$ (80,062)

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - HOME Fund**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 143	\$ 476
Intergovernmental	629,584	1,853,442	1,205,569	(647,873)
Total Revenues	<u>629,584</u>	<u>1,853,442</u>	<u>1,205,712</u>	<u>(647,397)</u>
<b>EXPENDITURES</b>				
Current:				
Community Development	754,068	1,977,926	763,483	1,214,443
Total Expenditures	<u>754,068</u>	<u>1,977,926</u>	<u>763,483</u>	<u>1,214,443</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(124,484)</u>	<u>(124,484)</u>	<u>442,229</u>	<u>567,046</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	124,484	124,484		124,484
Transfers Out				-
Total Other Financing Sources (Uses)	<u>124,484</u>	<u>124,484</u>	<u>-</u>	<u>124,484</u>
Net Change in Fund Balance	-	-	442,229	691,530
Fund Balance, Beginning	<u>(456,331)</u>	<u>(456,331)</u>	<u>(456,331)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (456,331)</u>	<u>\$ (456,331)</u>	<u>\$ (14,102)</u>	<u>\$ 691,530</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Proposition 1B**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$ 15,000	\$ 15,000	\$ 41,549	\$ 41,549
Intergovernmental	1,109,500	1,045,000	1,045,059	59
Total Revenues	<u>1,124,500</u>	<u>1,060,000</u>	<u>1,086,608</u>	<u>41,608</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	1,124,500	2,169,500	1,127,970	1,041,530
Total Expenditures	<u>1,124,500</u>	<u>2,169,500</u>	<u>1,127,970</u>	<u>1,041,530</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(1,109,500)</u>	<u>(41,362)</u>	<u>1,083,138</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(1,109,500)	(41,362)	1,083,138
Fund Balance, Beginning	1,128,902	1,128,902	1,128,902	-
Fund Balance, Ending	<u>\$ 1,128,902</u>	<u>\$ 19,402</u>	<u>\$ 1,087,540</u>	<u>1,083,138</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Quimby Fees Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and Permits	\$ 120,000	\$ 120,000	\$	\$ (120,000)
Investment Income			2,869	2,869
Total Revenues	<u>120,000</u>	<u>120,000</u>	<u>2,869</u>	<u>(117,131)</u>
<b>EXPENDITURES</b>				
Culture and Recreation			6,293	(6,293)
Capital Outlay				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>6,293</u>	<u>(6,293)</u>
Excess (Deficiency) of Revenues over Expenditures	120,000	120,000	(3,424)	(123,424)
Fund Balance, Beginning	<u>107,198</u>	<u>107,198</u>	<u>107,198</u>	
Fund Balance, Ending	<u>\$ 227,198</u>	<u>\$ 227,198</u>	<u>\$ 103,774</u>	<u>\$ (123,424)</u>

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - 2007 Town Hall Revenue Bonds**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 50	\$ 50
Total Revenues	-	-	50	50
<b>EXPENDITURES</b>				
Current:				
General Government	60,000	60,000	2,730	57,270
Debt Service				
Principal	300,000	300,000	300,000	-
Interest and Fiscal Charges	593,712	534,000	505,893	28,107
Total Expenditures	953,712	894,000	808,623	85,377
Excess (Deficiency) of Revenues over Expenditures	(953,712)	(894,000)	(808,573)	85,427
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	953,712	894,000	808,573	(85,427)
Total Other Financing Sources (Uses)	953,712	894,000	808,573	(85,427)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - 1999 COPS Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 620	\$ 620
Total Revenues	-	-	620	620
<b>EXPENDITURES</b>				
Current:				
General Government	60,000	60,000	59,550	450
Debt Service				
Principal	295,000	295,000	295,000	
Interest and Fiscal Charges	245,575	240,600	55,779	184,821
Total Expenditures	600,575	595,600	410,329	185,271
Excess (Deficiency) of Revenues over Expenditures	(600,575)	(595,600)	(409,709)	185,891
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	600,575	595,600	409,709	(185,891)
Total Other Financing Sources (Uses)	600,575	595,600	409,709	(185,891)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - 2001 COPS Fund**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment Income	\$	\$	\$ 997	\$ 997
Total Revenues	-	-	997	997
<b>EXPENDITURES</b>				
Current:				
General Government	60,000	60,000	36,837	23,163
Debt Service				
Principal	240,000	240,000	180,000	60,000
Interest and Fiscal Charges	66,300	69,000	25,171	43,829
Total Expenditures	366,300	369,000	242,008	126,992
Excess (Deficiency) of Revenues over Expenditures	(366,300)	(369,000)	(241,011)	127,989
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	366,300	369,000	241,011	(127,989)
Total Other Financing Sources (Uses)	366,300	369,000	241,011	(127,989)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -



## **AGENCY FUNDS**

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

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

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

**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.

**Town of Apple Valley**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2009**

	Trust and Fiduciary	Victor Valley Transit Authority	Assessment District 98-1	Village PBID	Victor Valley Economic Dev. Authority	Total
<b>ASSETS</b>						
Cash and Investments	\$ 748,442	\$ 1,170	\$	\$ 483,429	\$ 17,717,983	\$ 18,951,024
Cash with Fiscal Agent			245,213			245,213
Accounts Receivable				70,400		70,400
Interest Receivable				670		670
Due from Other Governments				2,558	1,586,413	1,588,971
<b>Total Assets</b>	<b>\$ 748,442</b>	<b>\$ 1,170</b>	<b>\$ 245,213</b>	<b>\$ 557,057</b>	<b>\$ 19,304,396</b>	<b>\$ 20,856,278</b>
<b>LIABILITIES</b>						
Accounts Payable	\$	\$ 1,170	\$ 1,360	\$ 6,990	\$	\$ 9,520
Accrued Liabilities					17,199,138	17,199,138
Deposits	748,442			550,067	2,105,258	3,403,767
Amounts Due Bondholders			243,853			243,853
<b>Total Liabilities</b>	<b>\$ 748,442</b>	<b>\$ 1,170</b>	<b>\$ 245,213</b>	<b>\$ 557,057</b>	<b>\$ 19,304,396</b>	<b>\$ 20,856,278</b>

**Town of Apple Valley**  
**Statement of Changes in Fiduciary Net Assets**  
**Agency Funds**  
**Year Ended June 30, 2009**

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
<b><u>TRUST AND FIDUCIARY FUND</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 927,761	\$	\$ 179,319	\$ 748,442
Total Assets	<u>\$ 927,761</u>	<u>\$ -</u>	<u>\$ 179,319</u>	<u>\$ 748,442</u>
<b>LIABILITIES</b>				
Deposits	\$ 927,761	\$	\$ 179,319	\$ 748,442
Total Liabilities	<u>\$ 927,761</u>	<u>\$ -</u>	<u>\$ 179,319</u>	<u>\$ 748,442</u>
<b><u>VICTOR VALLEY TRANSIT AUTHORITY FUND</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 4,945	\$	\$ 3,775	\$ 1,170
Due From Other Governments	-	-	-	-
Total Assets	<u>\$ 4,945</u>	<u>\$ -</u>	<u>\$ 3,775</u>	<u>\$ 1,170</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 4,945	\$	\$ 3,775	\$ 1,170
Due to Other Funds	-	-	-	-
Total Liabilities	<u>\$ 4,945</u>	<u>\$ -</u>	<u>\$ 3,775</u>	<u>\$ 1,170</u>
<b><u>ASSESSMENT DISTRICT 98-1</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$	\$	\$	\$ -
Cash with Fiscal Agent	244,330	883	-	245,213
Total Assets	<u>\$ 244,330</u>	<u>\$ 883</u>	<u>\$ -</u>	<u>\$ 245,213</u>
<b>LIABILITIES</b>				
Amount Due Bondholders	\$ 153,785	\$ 330,830	\$ 240,762	\$ 243,853
Accounts Payable	848	1,360	848	1,360
Due to Other Funds	89,697	-	89,697	-
Total Liabilities	<u>\$ 244,330</u>	<u>\$ 332,190</u>	<u>\$ 331,307</u>	<u>\$ 245,213</u>
<b><u>VILLAGE PBID</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$	\$ 483,429	\$	\$ 483,429
Accounts Receivable	-	70,400	-	70,400
Interest Receivable	-	670	-	670
Due From Other Governments	-	2,558	-	2,558
Total Assets	<u>\$ -</u>	<u>\$ 557,057</u>	<u>\$ -</u>	<u>\$ 557,057</u>
<b>LIABILITIES</b>				
Accounts Payable	\$	\$ 6,990	\$	\$ 6,990
Deposits	-	550,067	-	550,067
Total Liabilities	<u>\$ -</u>	<u>\$ 557,057</u>	<u>\$ -</u>	<u>\$ 557,057</u>

**Town of Apple Valley**  
**Statement of Changes in Fiduciary Net Assets**  
**Agency Funds - Continued**  
**Year Ended June 30, 2009**

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
<b><u>VICTOR VALLEY ECONOMIC DEVELOPMENT</u></b>				
<b><u>AUTHORITY</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$	\$ 17,717,983	\$	\$ 17,717,983
Due From Other Governments		1,586,413		1,586,413
Total Assets	<u>\$ -</u>	<u>\$ 19,304,396</u>	<u>\$ -</u>	<u>\$ 19,304,396</u>
<b>LIABILITIES</b>				
Accrued Liabilities	\$	\$ 17,199,138	\$	\$ 17,199,138
Deposits		2,105,258		2,105,258
Total Liabilities	<u>\$ -</u>	<u>\$ 19,304,396</u>	<u>\$ -</u>	<u>\$ 19,304,396</u>
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 932,706	\$ 18,201,412	\$ 183,094	\$ 18,951,024
Cash with Fiscal Agent	244,330	883		245,213
Accounts Receivable		70,400		70,400
Interest Receivable		670		670
Due From Other Governments		1,588,971		1,588,971
Total Assets	<u>\$ 1,177,036</u>	<u>\$ 19,862,336</u>	<u>\$ 183,094</u>	<u>\$ 20,856,278</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,793	\$ 8,350	\$ 4,623	\$ 9,520
Accrued Liabilities		17,199,138		17,199,138
Deposits	927,761	2,655,325	179,319	3,403,767
Amounts Due Bondholders	153,785	330,830	240,762	243,853
Due to Other Funds	89,697		89,697	-
Total Liabilities	<u>\$ 1,177,036</u>	<u>\$ 20,193,643</u>	<u>\$ 514,401</u>	<u>\$ 20,856,278</u>

**Town of Apple Valley**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Source<sup>1</sup>**  
**June 30, 2009**

**GOVERNMENTAL FUNDS CAPITAL ASSETS**

Land	\$ 96,976,741
Furniture and Equipment	1,073,714
Computer Equipment	1,160,894
Auto Equipment	1,434,704
Structures and Improvements	64,318,080
Infrastructure	339,916,081
Construction in Progress	<u>14,624,846</u>

Total Governmental Funds Capital Assets \$ 519,505,060

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

General Fund	\$ 215,937,097
Special Revenue Funds	135,507,262
Capital Project Funds	<u>168,060,701</u>

Total Governmental Funds Capital Assets \$ 519,505,060

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

**Town of Apple Valley**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity<sup>1</sup>**  
**June 30, 2009**

	<u>Land</u>	<u>Furniture and Equipment</u>	<u>Computer Equipment</u>
<b>FUNCTION AND ACTIVITY</b>			
General Government	\$ 2,114,277	\$ 751,804	\$ 1,105,309
Public Safety	1,375,585	57,366	44,335
Transportation	86,070,047		
Culture and Recreation	6,826,654	264,544	11,250
Cumminity Development	590,178		
Total Governmental Funds			
Capital Assets	<u>\$ 96,976,741</u>	<u>\$ 1,073,714</u>	<u>\$ 1,160,894</u>

<u>Auto Equipment</u>	<u>Structures and Improvements</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Totals</u>
\$ 86,797	\$ 4,749,193	\$	\$ 7,956,934	\$ 16,764,314
86,123	1,924,546			3,487,955
807,213		339,916,081	6,576,609	433,369,950
454,571	57,644,341		91,303	65,292,663
				590,178
<u>\$ 1,434,704</u>	<u>\$ 64,318,080</u>	<u>\$ 339,916,081</u>	<u>\$ 14,624,846</u>	<u>\$ 519,505,060</u>

**Town of Apple Valley**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity<sup>1</sup>**  
**Year Ended June 30, 2009**

	Governmental Funds Capital Assets July 1, 2008	Additions	Deletions	Governmental Funds Capital Assets June 30, 2009
<b>FUNCTION AND ACTIVITY</b>				
General Government	\$ 9,904,347	\$ 6,895,041	\$ (35,074)	\$ 16,764,314
Public Safety	3,396,642	91,313		3,487,955
Transportation	423,838,179	9,562,167	(30,396)	433,369,950
Culture and Recreation	65,163,532	129,131		65,292,663
Community Development		590,178		590,178
	<u>\$ 502,302,700</u>	<u>\$ 17,267,830</u>	<u>\$ (65,470)</u>	<u>\$ 519,505,060</u>

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



**STATISTICAL SECTION**

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

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

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

**Town of Apple Valley  
Net Assets by Component  
Last Seven Fiscal Years**

(accrual basis of accounting)

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 44,949,377	\$ 384,061,630	\$ 387,123,900	\$ 381,677,955
24,316,125	25,102,142	51,867,938	40,971,278
10,467,168	10,418,490	(13,367,654)	(1,410,378)
<u>\$ 79,732,670</u>	<u>\$ 419,582,262</u>	<u>\$ 425,624,184</u>	<u>\$ 421,238,855</u>
\$ 5,311,877	\$ 33,492,509	\$ 33,768,176	\$ 32,459,593
1,740,000	1,792,823	1,816,804	1,818,304
14,021,426	16,231,747	14,731,511	14,119,730
<u>\$ 21,073,303</u>	<u>\$ 51,517,079</u>	<u>\$ 50,316,491</u>	<u>\$ 48,397,627</u>
\$ 50,261,254	\$ 417,554,139	\$ 420,892,076	\$ 414,137,548
26,056,125	26,894,965	53,684,742	42,789,582
24,488,594	26,650,237	1,363,857	12,709,352
<u>\$ 100,805,973</u>	<u>\$ 471,099,341</u>	<u>\$ 475,940,675</u>	<u>\$ 469,636,482</u>

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

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Expenses</b>							
<b>Governmental activities:</b>							
General government	\$ 3,456,533	\$ 4,021,314	\$ 4,589,971	\$ 3,353,017	\$ 3,347,001	\$ 3,533,678	\$ 3,351,071
Public safety	5,352,003	5,825,048	6,918,109	7,690,948	9,119,965	10,430,291	11,783,023
Transportation	1,584,217	2,092,417	5,206,120	6,247,368	8,279,686	9,854,747	14,238,533
Culture and recreation	1,718,816	2,162,080	2,075,242	3,029,203	5,122,716	5,188,538	5,827,113
Community development	3,082,190	3,539,601	4,880,605	6,337,878	7,534,045	8,805,564	9,753,475
Health	19,410	36,409	-	-	-	3,539,966	-
Interest on long-term debt	196,101	195,487	166,708	555,475	635,095	-	3,203,143
<b>Total governmental activities expenses</b>	<u>15,409,270</u>	<u>17,872,356</u>	<u>23,836,755</u>	<u>27,213,889</u>	<u>34,038,508</u>	<u>41,352,784</u>	<u>48,156,358</u>
<b>Business-type activities:</b>							
Sewer	1,968,979	2,106,083	2,397,868	3,261,816	4,322,383	4,977,119	5,593,652
Waste Management	5,144,538	5,469,778	5,741,487	6,919,321	7,582,185	8,817,281	8,825,868
Apple Valley Golf Club	-	-	-	-	-	-	1,276,919
<b>Total business-type activities expenses</b>	<u>7,113,517</u>	<u>7,575,861</u>	<u>8,139,355</u>	<u>10,181,137</u>	<u>11,904,568</u>	<u>13,794,400</u>	<u>15,696,439</u>
<b>Total primary government expenses</b>	<u>\$ 22,522,787</u>	<u>\$ 25,448,217</u>	<u>\$ 31,976,110</u>	<u>\$ 37,395,026</u>	<u>\$ 45,943,076</u>	<u>\$ 55,147,184</u>	<u>\$ 63,852,797</u>
<b>Program Revenues</b>							
<b>Governmental activities:</b>							
<b>Charges for services:</b>							
General government	236,440	267,842	284,055	533,383	418,186	388,483	301,671
Public safety	276,316	299,352	276,734	203,130	287,931	243,106	163,165
Transportation	58,035	89,649	178,529	197,867	228,453	88,491	39,773
Culture and recreation	333,956	383,969	459,414	602,915	827,385	919,425	938,167
Community development	2,152,251	2,441,845	3,805,029	4,683,154	3,205,184	1,699,164	2,266,134
Operating grants and contributions	3,378,546	3,401,284	4,441,304	8,200,337	5,116,858	7,034,992	4,533,857
Capital grants and contributions	4,521,524	4,552,971	8,487,126	11,547,363	8,396,253	7,719,437	6,620,923
<b>Total governmental activities program revenues</b>	<u>10,957,068</u>	<u>11,436,912</u>	<u>17,932,191</u>	<u>25,968,149</u>	<u>18,480,250</u>	<u>18,093,098</u>	<u>14,863,690</u>
<b>Business-type activities:</b>							
<b>Charges for services:</b>							
Sewer	1,687,270	2,233,120	3,275,423	3,343,651	3,247,042	2,852,961	2,994,301
Waste Management	6,383,560	6,711,171	7,109,629	8,171,421	9,529,788	9,124,792	9,827,664
Apple Valley Golf Club	-	-	-	-	-	-	535,589
Capital grants and contributions	718,828	317,141	1,109,372	620,351	7,787,415	1,173,704	586,969
<b>Total business-type activities program revenues</b>	<u>8,789,658</u>	<u>9,261,432</u>	<u>11,494,424</u>	<u>12,135,423</u>	<u>20,564,245</u>	<u>13,151,457</u>	<u>13,944,523</u>
<b>Total primary government program revenues</b>	<u>\$ 19,746,726</u>	<u>\$ 20,698,344</u>	<u>\$ 29,426,615</u>	<u>\$ 38,103,572</u>	<u>\$ 39,044,495</u>	<u>\$ 31,244,555</u>	<u>\$ 28,808,213</u>
<b>Net (expense)/revenue</b>							
Governmental activities	\$ (4,452,202)	\$ (6,435,444)	\$ (5,904,564)	\$ (1,245,740)	\$ (15,558,258)	\$ (23,259,686)	\$ (33,292,668)
Business-type activities	1,676,141	1,685,571	3,355,069	1,954,286	8,659,677	(642,943)	(1,751,916)
<b>Total primary government net expense</b>	<u>\$ (2,776,061)</u>	<u>\$ (4,749,873)</u>	<u>\$ (2,549,495)</u>	<u>\$ 708,546</u>	<u>\$ (6,898,581)</u>	<u>\$ (23,902,629)</u>	<u>\$ (35,044,584)</u>

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

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>General Revenues and Other Changes in Net Assets</b>							
<b>Governmental activities:</b>							
<b>Taxes</b>							
Property taxes	2,659,056	2,877,102	3,196,875	4,310,247	5,035,277	4,825,727	4,190,359
Tax increment	239,570	656,283	2,431,898	3,364,320	7,350,520	10,097,187	9,469,194
Franchise taxes	805,889	797,818	890,573	943,162	1,215,293	1,128,946	1,461,374
Sales taxes	2,568,169	2,801,931	2,409,148	2,904,475	3,458,264	3,424,928	3,668,463
Transient occupancy taxes	8,957	10,125	13,367	13,252	21,600	15,175	10,960
Motor vehicle in-lieu	3,288,941	2,875,445	4,436,541	4,820,766	5,616,051	6,493,901	6,670,204
Sales tax in-lieu	-	-	682,603	787,964	1,075,221	1,220,476	1,167,513
Pass through revenues	91,825	192,790	135,094	164,673	189,851	417,770	563,609
Miscellaneous revenues	133,406	148,981	237,545	595,429	386,446	169,328	105,846
Unrestricted grants and contributions	165,231	12,353	16,342	16,399	23,094	19,310	9,686
Investment income	221,059	12,438	246,687	1,117,643	1,555,032	2,442,247	1,090,479
Transfers	881,026	960,264	1,245,089	-	284,036	792,788	499,652
<b>Total governmental activities</b>	<u>11,063,129</u>	<u>11,345,530</u>	<u>15,941,762</u>	<u>19,038,330</u>	<u>26,210,685</u>	<u>31,047,783</u>	<u>28,907,339</u>
<b>Business-type activities:</b>							
Investment income	72,516	73,509	137,973	356,099	477,888	613,328	332,704
Transfers	(881,026)	(960,264)	(1,245,089)	(155,249)	(284,036)	(792,788)	(499,652)
<b>Total business-type activities</b>	<u>(808,510)</u>	<u>(886,755)</u>	<u>(1,107,116)</u>	<u>200,850</u>	<u>193,852</u>	<u>(179,460)</u>	<u>(166,948)</u>
<b>Total primary government</b>	<u>\$ 10,254,619</u>	<u>\$ 10,458,775</u>	<u>\$ 14,834,646</u>	<u>\$ 19,239,180</u>	<u>\$ 26,404,537</u>	<u>\$ 30,868,323</u>	<u>\$ 28,740,391</u>
<b>Change in Net Assets</b>							
Governmental activities	\$ 6,610,927	\$ 4,910,086	\$ 10,037,198	\$ 17,792,590	\$ 10,652,427	\$ 7,788,097	\$ (4,385,329)
Business-type activities	867,631	798,816	2,247,953	2,155,136	8,853,529	(822,403)	(1,918,864)
<b>Total primary government</b>	<u>\$ 7,478,558</u>	<u>\$ 5,708,902</u>	<u>\$ 12,285,151</u>	<u>\$ 19,947,726</u>	<u>\$ 19,505,956</u>	<u>\$ 6,965,694</u>	<u>\$ (6,304,193)</u>

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

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

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund							
Reserved	\$ 6,714,294	\$ 6,422,735	\$ 2,110,156	\$ 2,197,378	\$ -	\$ -	\$ 546,925
Unreserved	<u>2,667,685</u>	<u>4,277,267</u>	<u>9,546,039</u>	<u>12,435,177</u>	<u>17,021,153</u>	<u>17,686,555</u>	<u>17,094,067</u>
Total general fund	<u>\$ 9,381,979</u>	<u>\$ 10,700,002</u>	<u>\$ 11,656,195</u>	<u>\$ 14,632,555</u>	<u>\$ 17,021,153</u>	<u>\$ 17,686,555</u>	<u>\$ 17,640,992</u>
All other governmental funds							
Reserved	\$ 524,022	\$ 1,383,845	\$ 6,672,544	\$ 6,089,259	\$ 14,470,360	\$ 1,255,854	\$ 1,883,553
Unreserved, reported in:							
Special revenue funds	7,180,798	7,481,395	8,300,277	10,095,398	3,004,014	12,048,634	11,359,223
Debt service funds	(690,941)	(1,946,929)	(313,308)	(289,670)	(304,156)	38,651,853	34,010,895
Capital projects funds	<u>6,084,646</u>	<u>5,978,948</u>	<u>9,809,894</u>	<u>7,351,812</u>	<u>12,365,664</u>	<u>29,659,709</u>	<u>23,216,796</u>
Total all other governmental funds	<u>\$ 13,098,525</u>	<u>\$ 12,897,259</u>	<u>\$ 24,469,407</u>	<u>\$ 23,246,799</u>	<u>\$ 29,535,882</u>	<u>\$ 81,616,050</u>	<u>\$ 70,470,467</u>

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

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

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>							
Taxes	\$ 9,170,108	\$ 10,157,037	\$ 15,470,448	\$ 20,032,577	\$ 26,950,090	\$ 33,501,685	\$ 30,939,770
Licenses & permits	3,074,520	3,590,372	8,114,884	10,854,816	6,854,873	3,206,675	1,887,117
Fines & forfeitures	330,868	347,979	344,442	270,221	332,520	304,502	256,286
Investment income	348,456	170,726	491,966	1,339,294	1,748,713	3,870,731	1,676,919
Intergovernmental	6,400,125	5,265,911	4,154,501	4,691,900	3,991,008	6,361,818	5,459,295
Charges for services	1,664,178	2,156,871	2,279,639	2,850,938	2,854,451	1,880,474	2,075,526
Other revenue	89,807	148,981	310,416	1,740,403	850,299	288,102	573,052
<b>Total revenues</b>	<u>21,078,062</u>	<u>21,837,877</u>	<u>31,166,296</u>	<u>41,780,149</u>	<u>43,581,954</u>	<u>49,413,987</u>	<u>42,867,965</u>
<b>Expenditures</b>							
General government	2,958,168	3,453,804	4,049,347	2,737,172	2,902,773	3,321,030	2,762,209
Public safety	5,331,411	5,783,864	6,914,374	7,686,653	9,109,124	10,352,133	11,618,591
Transportation	1,357,089	2,028,771	5,195,394	6,229,216	6,329,832	4,516,941	8,943,287
Culture and recreation	1,537,699	1,962,789	1,896,733	2,793,204	3,439,782	3,686,296	3,797,115
Community development	3,266,462	3,511,421	4,850,538	6,235,437	6,472,588	7,458,977	8,273,777
Health	19,269	36,409	-	-	-	-	-
Capital outlay	3,464,232	4,049,891	4,132,944	13,321,512	13,512,547	9,589,502	12,703,815
Debt service							
Principal	403,750	417,500	435,577	578,602	587,956	1,557,245	1,701,616
Interest	196,101	195,487	137,311	556,878	603,772	3,220,495	3,166,831
Pass-Through Agreements	-	-	444,207	-	1,012,494	1,036,953	-
Debt issue costs	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>18,534,181</u>	<u>21,439,936</u>	<u>28,056,425</u>	<u>40,138,674</u>	<u>43,970,868</u>	<u>46,081,308</u>	<u>54,297,046</u>
<b>Excess of revenues over (under) expenditures</b>	2,543,881	397,941	3,109,871	1,641,475	(388,914)	3,332,679	(11,429,081)
<b>Other financing sources (uses)</b>							
Transfers in	2,569,397	2,602,026	4,921,278	453,347	6,268,509	12,682,479	9,058,685
Transfers out	(1,688,371)	(1,641,762)	(3,682,716)	(453,347)	(5,984,473)	(11,889,691)	(8,559,033)
Transfer to Agency Fund	-	-	-	-	-	-	(261,717)
Payment to refunding escrow agent	-	(241,448)	-	-	-	-	-
Bond proceeds	-	-	8,130,000	-	9,067,464	48,585,000	-
Premium on bonds	-	-	49,908	-	(284,905)	35,102	-
<b>Total other financing sources (uses)</b>	<u>881,026</u>	<u>718,816</u>	<u>9,418,470</u>	<u>-</u>	<u>9,066,595</u>	<u>49,412,890</u>	<u>237,935</u>
<b>Net change in fund balances</b>	<u>\$ 3,424,907</u>	<u>\$ 1,116,757</u>	<u>\$ 12,528,341</u>	<u>\$ 1,641,475</u>	<u>\$ 8,677,681</u>	<u>\$ 52,745,569</u>	<u>\$ (11,191,146)</u>
<b>Debt service as a percentage of noncapital expenditures</b>	4.1%	3.7%	2.5%	4.4%	5.4%	17.5%	15.1%

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

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Vacant Land	Unsecured	Other	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2000	1,675,953,162	99,504,529	20,442,125	203,542,418	56,712,621	81,928,338	4,889	2,138,078,304	0.22829%
2001	1,746,611,595	139,824,281	20,467,935	197,011,147	59,612,367	38,194,345	-	2,201,721,670	0.22533%
2002	1,842,836,036	143,951,456	21,598,176	185,319,289	57,177,576	35,496,959	-	2,286,379,492	0.22064%
2003	1,963,938,010	155,359,932	21,996,016	183,817,121	76,080,930	37,443,275	-	2,438,635,284	0.11473%
2004	2,151,040,174	163,267,677	22,153,414	189,747,260	69,937,222	42,982,316	-	2,639,128,063	0.12547%
2005	2,489,828,082	169,228,003	78,946,979	209,898,269	84,339,473	46,415,956	-	3,078,656,762	0.12541%
2006	2,431,343,790	84,812,639	80,479,255	223,451,323	109,350,991	20,726,984	-	2,950,164,982	0.14732%
2007	3,715,870,200	228,689,170	90,791,486	422,738,195	119,931,513	157,788,008	-	4,735,808,572	0.17514%
2008	4,415,309,208	254,634,564	96,019,118	510,332,489	129,824,706	167,961,523	-	5,574,081,608	0.19410%
2009	4,443,731,217	383,946,156	107,240,826	528,013,176	154,970,660	194,476,573	-	5,812,378,608	0.19515%

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

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

Source: HdL Curen & Cone, San Bernardino County Assessor 2008/2009 Combined Tax Rolls



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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>City Direct Rates:</b>										
City Basic Rate	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438
Redevelopment Agency	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
<b>Total Direct Rate</b>	<b>0.22829</b>	<b>0.22533</b>	<b>0.22064</b>	<b>0.11473</b>	<b>0.12547</b>	<b>0.12541</b>	<b>0.14732</b>	<b>0.17514</b>	<b>0.19410</b>	<b>0.19515</b>
<b>Overlapping Rates:</b>										
A V Fire Protection District	*	*	*	*	*	*	0.09302	0.09263	0.09263	0.09263
Apple Valley Unified	*	*	*	*	*	*	0.34330	0.31078	0.31079	0.31079
County Free Library	*	*	*	*	*	*	**	0.01431	0.01431	0.01431
San Bernardino County	*	*	*	*	*	*	0.18465	0.14778	0.14778	0.14778
County Superintendent	*	*	*	*	*	*	**	0.01006	0.01006	0.01006
Csa 60 Victorville	*	*	*	*	*	*	**	0.01024	0.01024	0.01024
Education Revenue Aug Fund	*	*	*	*	*	*	**	0.22378	0.22378	0.22378
Flood Control Admin 3-6	*	*	*	*	*	*	0.02446	0.00089	0.00089	0.00089
Flood Control Zone 4	*	*	*	*	*	*	**	0.02335	0.02335	0.02335
Mojave Desert Resource Conservation District	*	*	*	*	*	*	**	0.00013	0.00013	0.00013
Mojave Water Agency	*	*	*	*	*	*	**	0.00526	0.00526	0.00526
Victor Valley Com. College	*	*	*	*	*	*	0.06728	0.06641	0.06641	0.06641
Other	*	*	*	*	*	*	0.24177	-	-	-
<b>Total Prop. 13 Rate</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>1.04886</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>
Apple Valley Unified	*	*	*	*	*	*	*	0.03030	0.02470	0.02550
Mojave Water Agency - Land Only	*	*	*	*	*	*	*	0.11250	0.11250	0.11250
Morongo Water Agency	*	*	*	*	*	*	*	0.05500	0.05500	0.05500
<b>Total Voter Approved Rate</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>0.19871</b>	<b>0.19780</b>	<b>0.19220</b>	<b>0.19300</b>
<b>Total Tax Rate</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>1.24757</b>	<b>1.19780</b>	<b>1.19220</b>	<b>1.19300</b>

**NOTE:**

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

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

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

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

Source: San Bernardino County Assessor 1999/00 - 2008/09 Tax Rate Table as summarized by HdL Coren & Cone

\* Information not available

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

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

<u>Taxpayer</u>	<u>2009</u>		<u>2000</u>	
	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>
Wal Mart Store East Limited Partnership	\$ 106,499,309	1.83%	\$ -	
Apple Valley Commons LLC	37,219,674	0.64%	-	
Apple Valley Rancho Water Company	33,803,738	0.58%	19,068,397	0.89%
WRI Alliance riley Venture	25,672,873	0.44%	-	
Cambridge Homes Inc.	22,763,403	0.39%	-	
Pulte Home Corporation	20,746,474	0.36%	-	
Lowes H/W INC	20,542,534	0.35%	-	
Watson Land Company	16,911,012	0.29%	-	
Apple Valley Acquisitions LLC	16,711,485	0.29%	-	
Carl E Ross Living Trust	14,802,432	0.25%	-	
Department of Housing & Urban Development			8,208,762	0.38%
Deutsch GAV			8,189,826	0.38%
Dayton Hudson Corporation			7,988,924	0.37%
Wal Mart			7,101,757	0.33%
Apple Valley Shopping Center LLC			7,057,124	0.33%
Jess Ranch Marketplace			6,914,200	0.32%
Jess Ledford Watt			6,439,887	0.30%
American Stores Properties, Inc.			5,806,508	0.27%
Son of Caduceus			5,326,129	0.25%
	<u>\$ 315,672,934</u>	<u>5.43%</u>	<u>\$ 82,101,514</u>	<u>3.84%</u>

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

Source: San Bernardino County Assessor 1999/00 and 2008/09 Combined Tax Rolls as summarized by HdL Coren & Cone

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

<b>Fiscal Year Ended June 30</b>	<b>Taxes Levied (2) for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date (1)</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2009	4,120,024	4,120,024	100.00%	-	4,120,024	100.00%

Source: HdL Coren & Cone, San Bernardino County Assessor 2008/09 Combined Tax Rolls

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

(2) Note: Taxes Levied does not include RDA revenue of 6,322,276

Note: The Town has elected to show only one year of data for this schedule.

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

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Capital Lease Payable	Certificates of Participation	Special Assessment Bonds	Capital Lease Payable	Installment Purchase Agreement			
2003	7,897,000	-	-	813,000	7,012,778	173,294	2,882,500	18,778,572	*	329
2004	7,479,500	-	-	760,500	6,089,445	164,466	2,955,000	17,448,911	1.52%	296
2005	7,053,250	8,130,000	155,139	706,750	5,636,112	-	2,808,125	24,489,376	1.96%	384
2006	6,614,500	8,000,000	145,287	650,500	5,265,000	-	2,665,208	23,340,495	1.69%	346
2007	6,162,000	16,860,000	134,879	593,000	4,715,000	-	2,518,958	30,983,837	2.10%	441
2008	17,065,750	53,005,000	123,884	534,250	3,750,000	-	2,366,250	76,845,134	4.40%	955
2009	16,280,750	52,090,000	112,268	474,250	3,410,000	-	2,210,205	74,577,473	4.40%	1,004

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

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

\* Data unavailable

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

<u>General Bonded Debt Outstanding</u>				
<u>Fiscal Year</u>	<u>Tax Allocation Bonds</u>	<u>Total</u>	<u>Percent of Assessed Value</u>	<u>Per Capita</u>
2005	8,130,000	8,130,000	0.26%	127
2006	8,000,000	8,000,000	0.27%	119
2007	16,860,000	16,860,000	0.36%	240
2008	53,005,000	53,005,000	0.95%	658
2009	52,090,000	52,090,000	0.90%	701

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

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

**Town of Apple Valley  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2009**

City Assessed Valuation	\$ 5,666,303,332
Redevelopment Agency Incremental Valuation	<u>1,312,938,095</u>
Total Assessed Valuation	<u>\$ 4,353,365,237</u>

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Overlapping Tax and Assessment Debt:</b>			
Mojave Water Agency	\$ 20,205,000	17.8870%	\$ 3,614,068
Victor Valley joint Community College District	\$ 136,022,028	21.3340%	\$ 29,018,939
Victor Valley Union High School District	20,020,878	0.0002%	40
Apple Valley Unified School District	34,278,758	78.4980%	26,908,139
Oro Grande School District	740,000	0.0130%	96
Town of Apple Valley 1915 Act Bonds	6,135,000	100.0000%	6,135,000
<b>Direct and Overlapping General Fund Debt:</b>			
San Bernardino County General Fund Obligations	741,470,000	3.4540%	25,610,374
San Bernardino County Pension Obligations	688,325,591	3.4540%	23,774,766
San Bernardino County Flood Control General Fund Obligations	117,495,000	3.4540%	4,058,277
Victor Valley Joint Community College District Certificates of Participation	52,050,000	21.3340%	11,104,347
Victor Valley Union High School District Certificates of Participation	8,805,000	0.0002%	18
Apple Valley Unified School District Certificates of Participation	5,690,000	78.4980%	4,466,536
Hesperia Unified School District Certificates of Participation	105,000,000	0.0030%	<u>3,150</u>
Subtotal, overlapping debt			134,693,750
City direct debt			<u>16,755,000</u>
<b>Total direct and overlapping debt</b>			<u><b>\$ 151,448,750</b></u>

**Notes:**

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

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

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

Source: San Bernardino County Assessor and Auditor

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Assessed valuation	\$ 3,078,656,762	3,649,295,318	4,610,716,666	5,445,989,305	5,670,597,064
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 769,664,191	912,323,830	1,152,679,167	1,361,497,326	1,417,649,266
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	115,449,629	136,848,574	172,901,875	204,224,599	212,647,390
Total net debt applicable to limit: Certificates of Participation	<u>7,760,000</u>	<u>7,265,000</u>	<u>6,755,000</u>	<u>17,590,000</u>	<u>16,755,000</u>
Legal debt margin	<u>\$ 107,689,629</u>	<u>129,583,574</u>	<u>166,146,875</u>	<u>186,634,599</u>	<u>195,892,390</u>
Total debt applicable to the limit as a percentage of debt limit	6.7%	5.3%	3.9%	8.6%	7.9%

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

Source: San Bernardino County Assessor's Office 2008/2009 Combined Tax Rolls

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

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

**Special Assessment Bonds**

<b>Fiscal Year</b>	<b>Gross Revenues (1)</b>	<b>Gross Expenses (2)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2000	2,559,795	2,792,304	(232,509)	436,000	854,368	1,290,368	-18.02%
2001	2,145,421	2,528,665	(383,244)	478,000	764,508	1,242,508	-30.84%
2002	2,910,478	2,589,854	320,624	509,750	690,632	1,200,382	26.71%
2003	2,466,716	1,435,673	1,031,043	501,250	555,926	1,057,176	97.53%
2004	2,623,577	1,570,861	1,052,716	546,328	507,780	1,054,108	99.87%
2005	4,522,768	1,862,646	2,660,122	542,778	449,535	992,313	268.07%
2006	4,273,523	2,716,227	1,557,296	576,250	422,108	998,358	155.99%
2007	4,231,588	2,705,872	1,525,716	607,500	386,338	993,838	153.52%
2008	3,474,982	3,332,796	142,186	1,023,750	301,310	1,325,060	10.73%
2009	3,814,764	3,607,565	207,199	400,000	247,590	647,590	32.00%

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

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

Source: Town of Apple Valley Finance Department.



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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (2)</u>
2000	56,980	962,392,200	16,890	5.20%
2001	58,553	988,960,170	16,890	5.30%
2002	54,239	1,178,559,231	21,729	6.10%
2003	57,109	*	*	6.80%
2004	58,883	1,150,632,703	19,541	6.70%
2005	63,853	1,252,412,742	19,614	5.80%
2006	67,507	1,379,505,545	20,435	5.20%
2007	70,297	1,474,479,575	20,975	6.20%
2008	80,500	1,748,218,500	21,717	9.30%
2009	74,266	1,696,829,568	22,848	15.00%

Source 1: State Department of Finance

Source 2: Economic Development Department

\* Data unavailable

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

<u>Employer</u>	<u>2009</u>		<u>2000</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Apple Valley Unified School District	1,705	6.36%	*	*
St. Mary Regional Medical Center	1,575	5.88%	*	*
Wal-Mart Distribution Center	1,035	3.86%	*	*
Target Stores, Inc. (2 stores)	433	1.62%	*	*
Stater Bros. (2 stores)	335	1.25%	*	*
Wal-Mart	300	1.12%	*	*
High Desert Law & Justice Center	250	0.93%	*	*
WinCo Foods	220	0.82%	*	*
Lowe's Home (2 stores)	201	0.75%	*	*
Town of Apple Valley	170	0.63%	*	*

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

Source: Town of Apple Valley Economic Development Department

\* Data unavailable

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

<u>Function</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government	31	32	52	53	46	47	57	33	34	33
Public safety	47	47	48	49	49	53	55	40	39	35
Economic Development	3	3	4	5	4	4	4	7	7	9
Public Works/Wastewater	6	6	4	5	6	6	9	14	13	14
Community Development	4	4	4	6	4	6	6	9	8	12
Parks & Recreation (1)	*	*	69	64	47	65	75	124	118	109
<b>Total</b>	<b>91</b>	<b>92</b>	<b>181</b>	<b>182</b>	<b>156</b>	<b>181</b>	<b>206</b>	<b>227</b>	<b>219</b>	<b>212</b>

Source: Town of Apple Valley

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

\* Data unavailable

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Police:</b>										
Arrests	1,020	982	1,060	1,083	1,152	1,317	1,544	1,996	2,009	1,952
Parking citations issued			126	245	345	249	97	57	78	78
<b>Public works:</b>										
Street resurfacing (miles)	9.80	4.09	28.37	68.37	29.50	97.08	31.13	52.92	48.10	65.28
<b>Parks and recreation:</b>										
Number of recreation classes	*	*	120	193	195	230	227	499	483	552
Number of facility rentals (1)	*	*	13,250	3,467	3,873	4,172	3,764	4,713	4,086	3,925
<b>Sewer:</b>										
New connections	331	416	398	486	563	1,181	1464	829	576	327
Average daily sewage treatment (thousands of gallons)	1331	1402	1524	1271	1380	2044	1971	1567	1930	1919

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

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

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Public works:</b>					
Streets (miles)	411.07	414.57	417.17	422.71	422.71
Streetlights	621	625	628	628	628
Traffic signals	17	17	17	21	22
<b>Parks and recreation:</b>					
Parks	13	13	14	13	13
Community centers	2	2	2	2	2
<b>Wastewater:</b>					
Sanitary sewers (miles)	*	*	140	142	142
Storm drains (miles)	*	*	1	2	2
Number of Service Connections	*	*	12,313	13,179	13,506

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

Source: Town of Apple Valley

\* Data unavailable