

*Comprehensive  
Annual*

*Financial Report*

Fiscal Year

July 1, 2006 through June 30, 2007



Town of Apple Valley, California

*A Better Way of Life*

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

Year Ended June 30, 2007

Prepared by  
Finance Department

William Pattison  
Director of Finance



**Town of Apple Valley, California**  
**Comprehensive Annual Financial Report**  
 Year Ended June 30, 2007

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## **INTRODUCTORY SECTION**



December 28, 2007

*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, 2007.

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, 2007, 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 stems from the 1940's when the Apple Valley Building and Development Company (also known as Apple Valley Ranchos) began developing the area. The company leaders, Newt Bass and Bud Westlund, planned and developed the area and sold property they had developed. They also made Apple Valley their home and continued to guide Apple Valley's growth for the rest of their lives.

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

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

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

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

### **Budget**

The Town of Apple Valley maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town's governing body. Activities of the general fund, special revenue funds, debt service fund and capital

projects funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level. Appropriations lapse at year end. However, appropriations generally are re-appropriated as part of the following year's budget.

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

From a historical perspective, growth in the area which became known as the Town of Apple Valley proceeded at a fairly slow, but steady pace. Early development consisted primarily of custom-built single family homes on one acre lots. In the later half of the 1980's, however, the pace quickened as residents of the Inland Empire and Greater East Los Angeles area became aware of the moderate cost of housing, amenities and quality of life offered by the area. Tract development began to occur. Various types of businesses began to locate in the Town to serve the basic needs of the new residents. Apple Valley's population grew from approximately 16,000 in 1980 to over 50,000 in the 90's. The three major industries within Apple Valley became the building of single family homes, real estate sales and the medical industry.

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

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

Apple Valley had been experiencing a marketing challenge in the area of commercial development. The current economy is tending to encourage consumers to patronize larger discount chains rather than smaller retail outlets. Until recently, the larger discount chains have chosen to meet the greater Victor Valley market and have generally located along major freeway access in neighboring cities. As a result, retail sales per capita in Apple Valley were well below those of a neighboring city with significant freeway access. However, this trend is presently changing. One factor is that Apple Valley's continued population growth and significantly increased buying demand is creating a large consumer population that is ready to spend its dollars in Apple Valley (a recent commercial market study indicated that 75 percent of the lost sales revenue could be captured by specific commercial retailers). Another factor is that increasing traffic congestion along routes to the freeway retailers is encouraging Apple Valley consumers to look in Apple Valley for their needs. Evidence of that trend was the 2005 opening of a Lowe's Home Improvement Warehouse, a second location for Stater Bros., and Wal-Greens at the northeast corner of Bear Valley and Apple Valley Roads. California's first Super Target opened in July 2007 to long lines of enthusiastic customers. Today over 2.1 million square feet of retail development is under construction or recently opened.

The 1.3 million square foot Wal-Mart Distribution Facility continues to be a major revenue source and has been instrumental in pioneering infrastructure development to the industrial northern section of Apple Valley. In October 2006 the Town Council approved the North Apple Valley Industrial Specific Plan (NAVISP) to drive industrial development opportunities. In July 2007, Fresenius Medical Care, the world's leading kidney dialysis product and equipment manufacturer, opened a 70,000 square foot distribution center in the newly adopted NAVISP area.

Other economic bright spots for Apple Valley are the continued expansion in the Jess Ranch area of Apple Valley. The Jess Ranch development has been successfully marketing homes to retirees. Additionally, Apple Valley is recognized as the major medical center in the Victor Valley. The expansion of Saint Mary Desert Valley Hospital created additional job opportunities through increased services and significant spin-off industries. Further, the same attractions which brought people into Apple Valley in the 1980's, moderate cost of housing, amenities and quality of life offered by the area, continues 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. Recently opened or confirmed tenants include Cinemark Theater, UltraStar Cinema, Best Buy, Mervyn's, PetSmart, Kirklands, Ross Dress For Less, 24 Hour Fitness, AAA, Staples, Walgreens, a second Lowe's Home Improvement Center, Home Depot, Winco Foods, a second Stater Bros., Red Robin, Applebee's, Office Max, Oggi's Pizza and Brewery, PFF Bank & Trust, and Wells Fargo Bank.

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. At NAVISP area build-out, over 30 million square feet of industrial facilities will stand, employing 38,000 regional residents and influencing subsidiary services, including housing and commercial markets.

The Economic Development team continues to target other industries, including the automobile sector, general merchandise, building materials, full-service restaurants, apparel, home furnishings and appliances.

#### *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 in each direction and a center divider lane for left hand turns). This expansion has markedly enhanced traffic flow between two major commercial areas and two partially segmented population centers. During the last two years, the Town funded major road improvements to the Apple Valley Road corridor, including widening, installation of landscaped medians, signal light installations, infrastructure extensions, and surface improvements. In anticipation of Apple Valley's northerly growth trend, Apple Valley Road, a major 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 is currently involved in the update of the General Plan, to make recommendations to update land use patterns. Once completed, the Town will initiate an update to the Sewer Master Plan to address specific changes subsequently adopted by the General Plan Update. The Sewer Master Plan provides the technical detail necessary to allow developers and civil design consultants to properly design and build sewer system improvements that will provide capacity, not only for their specific project, but capacities necessary for a regional development area at build-out based on the land use designations. This document allows staff to provide developers with sufficient information necessary to evaluate and prepare detailed cost projection and estimate for system improvements associated with their respective development needs.

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

- 1-2 years: A significant project during this time period will be the completion of preliminary engineering and environmental studies for the proposed Yuca Loma Bridge. The Yuca 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/Falehion 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 Yuca Loma Bridge over the Mojave River linking Yuca 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 Yuca 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, 2006, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

##### ***Acknowledgments***

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

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

Sincerely,

William B. Partison Jr.  
Director of Finance



## **-Town Officials-**

*June 30, 2007<sup>1</sup>*

### Town Council

*Tim Jasper, Mayor*

*Bob Sagona, Mayor Pro Tem*

*Peter Allan*

*Scott Nassif*

*Rick Roelle*

### Town Staff

*James L. Cox, Interim Town Manager*

*Patty Saady, Deputy Town Manager*

*Bart Belknap, Chief of Police*

*LaVonda Pearson, Town Clerk*

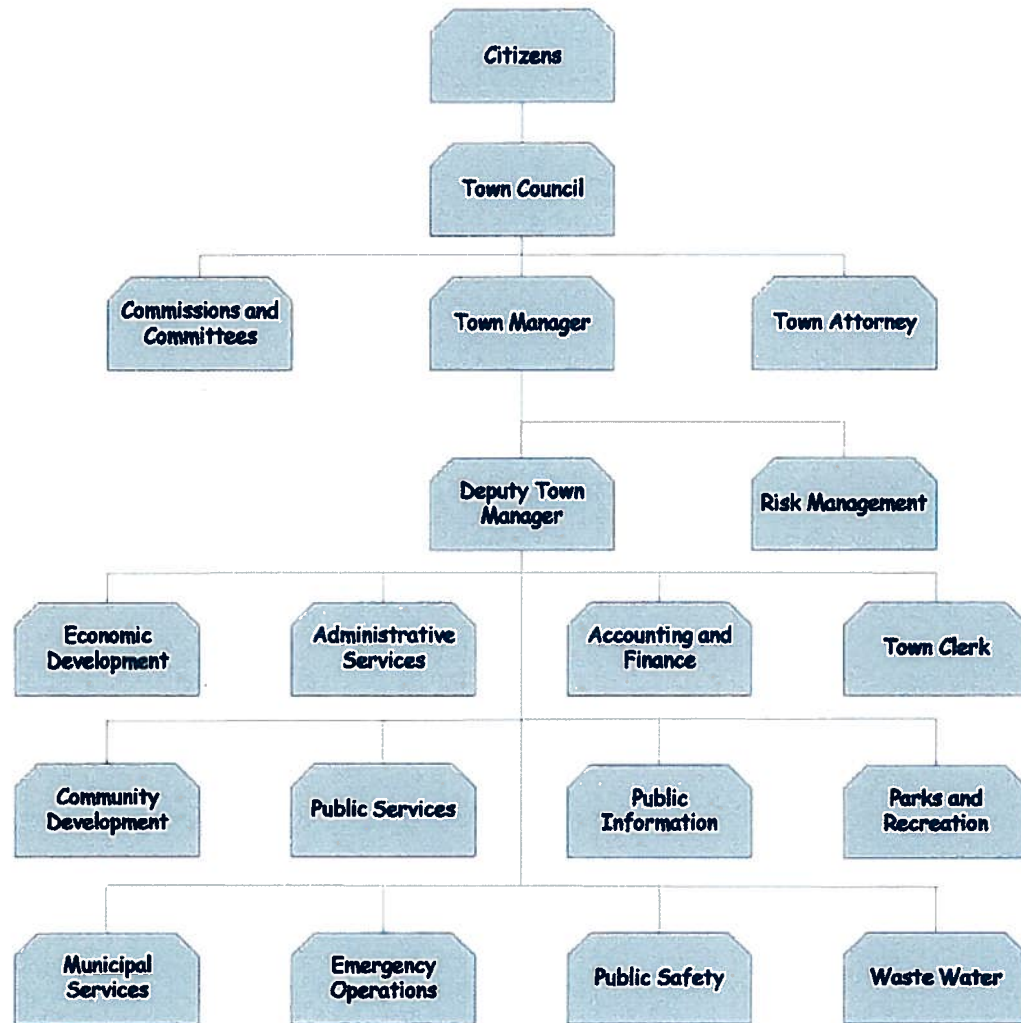
*Neil Singer, Town Attorney, Coffin and Singer*

*William Pattison, Finance Director/Treasurer*

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<sup>1</sup> As of December 11, 2007

# TOWN OF APPLE VALLEY - ORGANIZATION CHART -



**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, 2006

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.



President



Executive Director



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**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, 2007, 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.

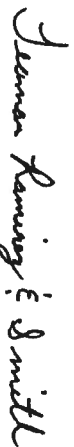
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2007, 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 26, 2007 on our consideration of the Town of Apple Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 11 and 54 through 58 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.



December 26, 2007

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## Town of Apple Valley Management Discussion and Analysis

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The management of the Town of Apple Valley provides this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007. Please consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi, 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 2006-07 by \$471,099,341 (*net assets*). Of this amount, \$26,650,237 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's total net assets increased by \$370,293,368. The increase is due mostly to the implementation of GASB Statement No. 34. Specifically, the retroactive recording of the Town's infrastructure..

As of FY 2006-07 year end, the Town of Apple Valley's governmental funds reported combined ending fund balances of \$46,557,035, an increase of \$8,677,681 in comparison with the prior year. Nearly 69% of this total amount, \$32,086,675, 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 \$17,021,153, or 98 percent of total general fund expenditures.

The Town of Apple Valley's total debt increased by \$7,725,806 (33 percent) during the current fiscal year. This increase was due to the issuance of Tax Allocation Bonds in June, 2007.

### **Overview of the Financial Statements**

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

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

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

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

The Apple Valley Redevelopment Agency and the Apple Valley Public Financing Authority are legally separate for which the Town is financially accountable. They both function for all practical purposes as departments of the Town of Apple Valley, and therefore have been included in the governmental activities of the Town. Separate financial statements for the Redevelopment Agency can be obtained at the Town Hall.

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

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

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

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

The Town maintains 30 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, Capital Projects 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 sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-53 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 \$471,099,341 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (89 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 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$26,650,237) 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, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$370,293,368 during the current fiscal year. Most of this increase is due to the implementation of GASB Statement No. 34. Specifically, the retroactive recording of the Town's infrastructure.



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

|   | <i>Governmental Activities</i> |                             | <i>Business-Type Activities</i> |                            | <i>Total</i>                |                             |
|---|--------------------------------|-----------------------------|---------------------------------|----------------------------|-----------------------------|-----------------------------|
|   | 2007                           | 2006                        | 2007                            | 2006                       | 2007                        | 2006                        |
| Current and other assets                        | \$56,914,406                   | \$48,450,229                | \$21,950,454                    | \$20,565,995               | \$78,864,860                | \$69,016,224                |
| Capital assets                                  | <u>390,358,509</u>             | <u>511,709,164</u>          | <u>38,704,955</u>               | <u>11,105,156</u>          | <u>429,063,464</u>          | <u>62,814,320</u>           |
| <b>Total assets</b>                             | <b><u>\$447,272,915</u></b>    | <b><u>\$100,159,393</u></b> | <b><u>\$60,655,409</u></b>      | <b><u>\$31,671,151</u></b> | <b><u>\$507,928,324</u></b> | <b><u>\$131,830,544</u></b> |
| Long-term liabilities outstanding               | 24,109,514                     | 15,854,929                  | 7,731,404                       | 8,458,487                  | 31,840,918                  | 24,313,416                  |
| Other liabilities                               | <u>3,581,139</u>               | <u>4,571,794</u>            | <u>1,406,926</u>                | <u>2,139,361</u>           | <u>4,988,065</u>            | <u>6,711,155</u>            |
| <b>Total liabilities</b>                        | <b><u>\$27,690,653</u></b>     | <b><u>\$20,426,723</u></b>  | <b><u>\$9,138,330</u></b>       | <b><u>\$10,597,848</u></b> | <b><u>\$36,828,983</u></b>  | <b><u>\$31,024,571</u></b>  |
| Net assets:                                     |                                |                             |                                 |                            |                             |                             |
| Invested in capital assets, net of related debt | 384,061,630                    | 44,949,377                  | 33,492,509                      | 5,311,877                  | 417,554,139                 | 50,261,254                  |
| Restricted                                      | 25,102,142                     | 24,316,125                  | 1,792,823                       | 1,740,000                  | 26,894,965                  | 26,056,125                  |
| Unrestricted                                    | <u>10,418,490</u>              | <u>10,467,168</u>           | <u>16,231,747</u>               | <u>14,021,426</u>          | <u>26,650,237</u>           | <u>24,488,594</u>           |
| <b>Total net assets</b>                         | <b><u>\$419,582,262</u></b>    | <b><u>\$79,732,670</u></b>  | <b><u>\$51,517,079</u></b>      | <b><u>\$21,073,303</u></b> | <b><u>\$471,099,341</u></b> | <b><u>\$100,805,973</u></b> |

**Governmental activities.** Governmental activities increased the Town's net assets by \$339,849,592, thereby accounting for 92 percent of the total growth in the net assets of the Town. Key elements of this increase are as follows:

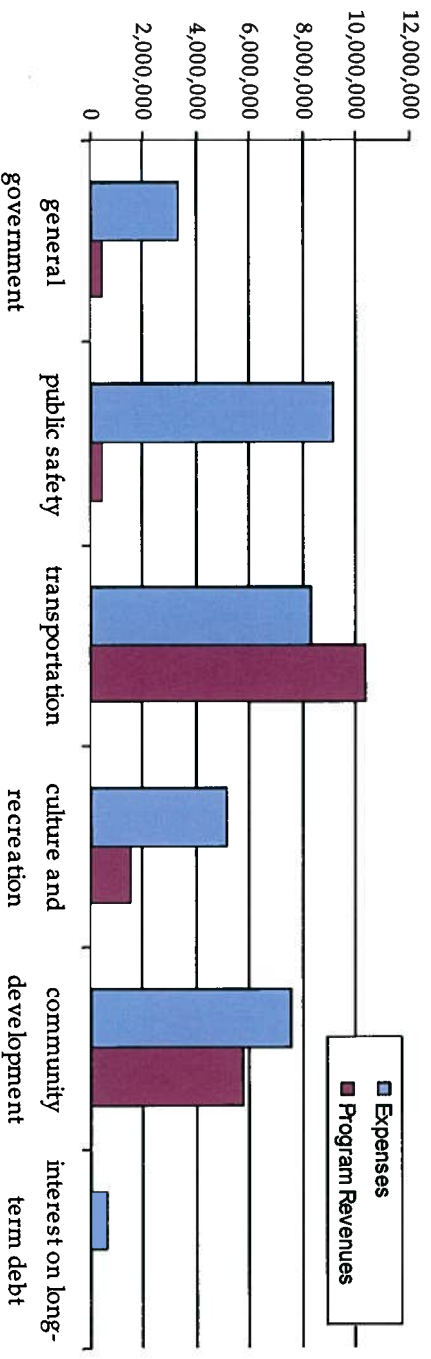
- Prior Period Adjustments accounted for \$329,197,165 of the \$339,849,592 increase. This was due to the implementation of GASB Statement No. 34 which required the retroactive recording of the Town's infrastructure.
- Tax Increment increased \$3,986,200 (118 percent). This is due to the recent increase in property tax values.

For the most part, increases in expenses closely paralleled inflation and the demand for services. One noteworthy exception, however, was the Town's transportation function. In that instance, for the 2<sup>nd</sup> year in a row, the growth in expenses of \$2,032,318 (33 percent) reflects the cost of increased road programs.

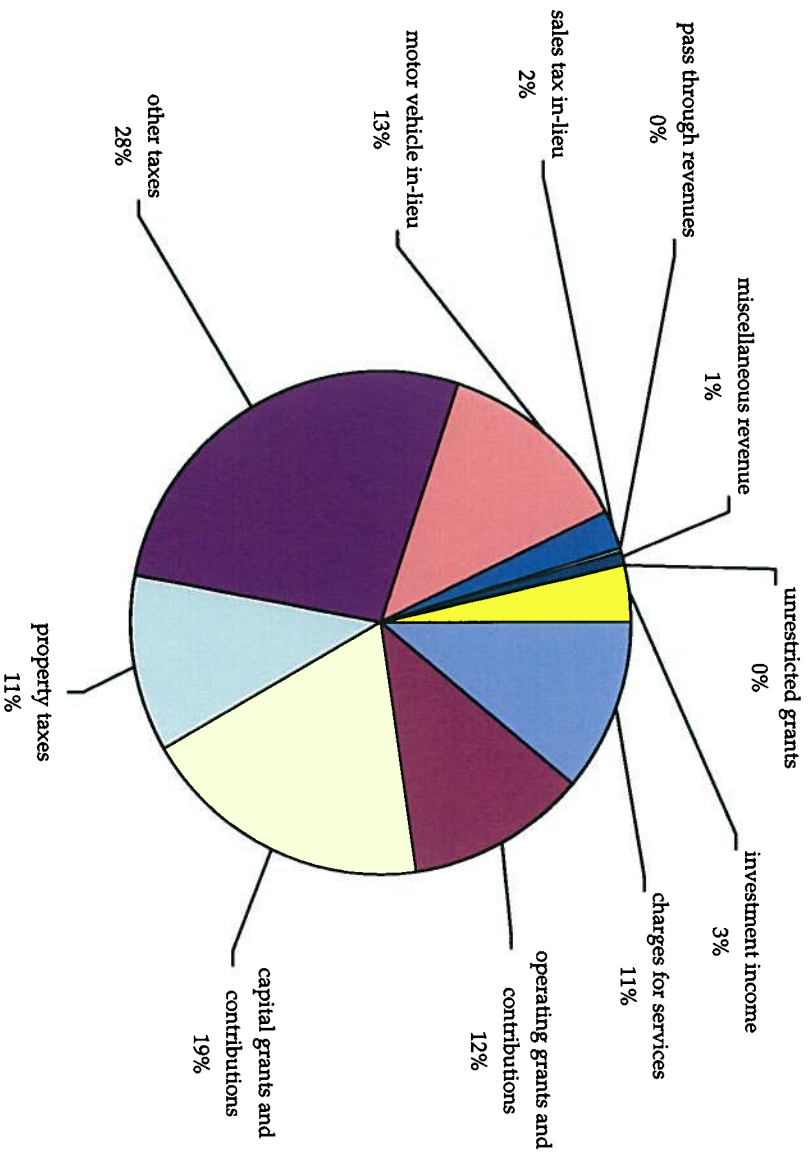
Town of Apple Valley's Changes in Net Assets

|   | Governmental Activities |              | Business-type Activities |              | Total         |               |
|---|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
|   | 2007                    | 2006         | 2007                     | 2006         | 2007          | 2006          |
| <b>Revenues</b>   |                         |              |                          |              |               |               |
| Program revenues:   |                         |              |                          |              |               |               |
| Charges for service   | \$4,967,139             | \$6,220,449  | \$12,776,830             | \$11,515,072 | 17,743,969    | \$17,795,521  |
| Operating grants and contributions                          | 5,116,858               | 8,200,337    |                          |              | 5,116,858     | 8,200,337     |
| Capital grants and contributions                            | 8,396,253               | 11,547,363   | 7,787,415                | 620,351      | 16,183,668    | 12,167,714    |
| General revenues:   |                         |              |                          |              |               |               |
| Property taxes  | 5,035,277               | 4,310,247    |                          |              | 5,035,277     | 4,310,247     |
| Other taxes   | 12,045,677              | 7,225,209    |                          |              | 12,045,677    | 7,225,209     |
| Motor Vehicle in-Lieu                                       | 5,616,051               | 4,820,766    |                          |              | 5,616,051     | 4,820,766     |
| Sales Tax in-Lieu   | 1,075,221               | 787,964      |                          |              | 1,075,221     | 787,964       |
| Pass Through Revenues                                       | 189,851                 | 164,673      |                          |              | 189,851       | 164,673       |
| Miscellaneous Revenues                                      | 386,446                 | 595,429      |                          |              | 386,446       | 595,429       |
| Grants and contribution not restricted to specific programs | 23,094                  | 16,399       |                          |              | 23,094        | 16,399        |
| Investment Income   | 1,555,032               | 1,117,643    | 477,888                  | 356,099      | 2,032,920     | 1,473,742     |
| <b>Total revenues</b>                                       | 44,406,899              | 45,006,479   | 21,042,133               | 12,491,522   | 65,449,032    | 57,498,001    |
| <b>Expenses</b>   |                         |              |                          |              |               |               |
| General government  | 3,347,001               | 3,353,017    |                          |              | 3,347,001     | 3,353,017     |
| Public safety   | 9,119,965               | 7,690,948    |                          |              | 9,119,965     | 7,690,948     |
| Transportation  | 8,279,686               | 6,247,368    |                          |              | 8,279,686     | 6,247,368     |
| Culture and recreation                                      | 5,122,716               | 3,029,203    |                          |              | 5,122,716     | 3,029,203     |
| Community Development                                       | 7,534,045               | 6,337,878    |                          |              | 7,534,045     | 6,337,878     |
| Interest on long-term debt                                  | 635,095                 | 555,475      | 4,322,383                | 3,261,816    | 635,095       | 555,475       |
| Sewer   |                         |              | 7,582,185                | 6,919,321    | 7,582,185     | 6,919,321     |
| Waste Management  |                         |              |                          |              |               |               |
| <b>Total expenses</b>                                       | 34,038,508              | 27,213,889   | 11,904,568               | 10,181,137   | 45,943,076    | 37,395,026    |
| Increase in net assets before transfers                     | 10,368,391              | 17,792,590   | 9,137,565                | 2,310,385    | 19,505,956    | 20,102,975    |
| Transfers   | 284,036                 | 0            | (284,036)                | (155,249)    | 0             | (155,249)     |
| Increase in net assets                                      | 10,652,427              | 17,792,590   | 8,853,529                | 2,155,136    | 19,505,956    | 19,947,726    |
| Net assets (beginning)                                      | 79,732,670              | 61,621,920   | 21,073,303               | 18,918,167   | 100,805,973   | 80,540,087    |
| Prior Period Adjustment                                     | 329,197,165             | 318,160      | 21,590,247               |              | 350,787,412   | 318,160       |
| <b>Net assets (ending)</b>                                  | \$419,582,262           | \$79,732,670 | \$51,517,079             | \$21,073,303 | \$471,099,341 | \$100,805,973 |

### Expenses and Program Revenues - Governmental Activities



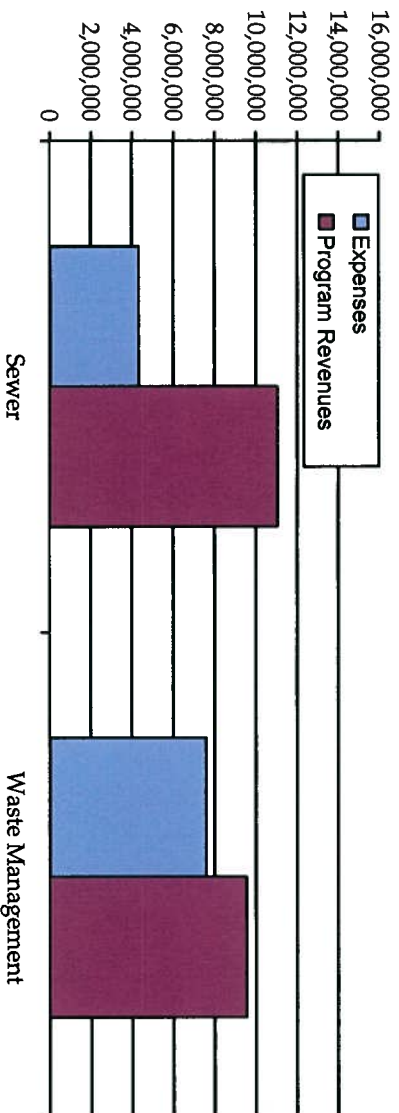
### Revenues by Source - Governmental Activities



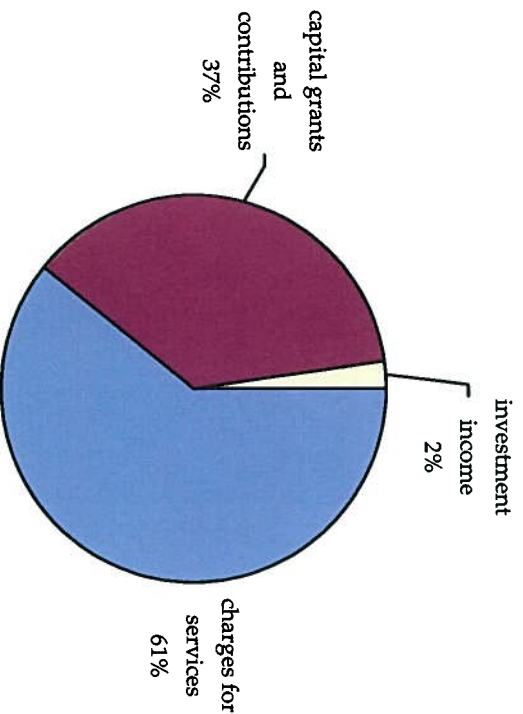
**Business-type activities.** Business-type activities increased the Town's net assets by \$30,443,776, accounting for 8 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- In compliance with GASB Statement No. 34 all infrastructure was recorded

### 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 \$46,557,035, an increase of \$8,677,681 in comparison with the prior year. Approximately 69% of this total

amount (\$32,086,675) 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 1) to pay debt service (\$1,431,642), 2) to low and moderate income housing (\$3,262,286), or 3) for redevelopment (\$9,776,432).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, 100% of the total fund balance (\$17,021,153) 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 98 percent of total general fund expenditures.

The fund balance of the Town's general fund increased by \$2,388,598 during the current fiscal year. Key factors in this growth are as follows:

- An increase in retail stores led to an increase in sales tax revenues by \$553,789.
- As a result of an increase in population and housing prices, property tax revenue increased \$725,030.

The Article 8 fund has as a total fund balance of \$3,722,515, all of which is reported as unreserved. The net decrease in fund balance during the current year in the Article 8 fund was \$3,472,932. 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 \$(1,525,829), which is reported as unreserved. The net decrease in fund balance during the current year in the Parks and Recreation fund was \$958,136. This is primarily due to the increase in operation costs for the new Civic Center Park and Aquatic Center.

The RDA Debt Service Fund has a total fund balance of \$10,903,918. This is mainly due to \$8,985,000 received from a bond issue in June, 2007.

The Measure I fund has a fund balance of \$1,917,636, all of which is unreserved. The net decrease in the fund during the current year for the Measure I fund was \$185,437. The decrease is due to the use of fund balance to fund various projects. This represents the use of local sales tax revenue received in prior years.

***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 \$13,202,357 and \$3,029,390 for the Solid Waste Management fund as of June 30, 2007. The total growth in net assets for the Solid Waste Management fund was \$2,026,390 while the increase in the Sewer fund was \$28,417,386. The increase in the Sewer fund was mainly due to the capitalization of infrastructure as required by GASB Statement No. 34. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

### **General Fund Budgetary Highlights**

The original budget approved by the Town Council projected that fund balance would be reduced by \$1,099,879 at year end. Final numbers resulted in a \$2,388,598 positive change in fund balance. Actual revenues exceeded the budget by \$3,568,947. Property taxes and sales taxes increased due to an increase in property values and population, respectively. The biggest reason for the increase in revenues this year was due to the increase in property tax vehicle license fees backfill (received from the County of San Bernardino) which were \$1,120,460 over budget. Actual expenditures were very close to the amended budget; they came in under budget by \$162,925 (1%).

**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, 2007, amounts to \$429,063,464 (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 \$366,249,144 (a \$338,649,345 increase for governmental activities and a \$27,599,799 increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Adjustments of \$350,787,398 (a \$329,197,165 increase for governmental activities and a \$21,590,233 increase for business-type activities) as a result of the implementation of provisions in GASB 34.

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

| Asset Category                              | Governmental Activities |                      | Business-type Activities |                      | Total                 |                      |
|---|-------------------------|----------------------|--------------------------|----------------------|-----------------------|----------------------|
|   | 2007                    | 2006                 | 2007                     | 2006                 | 2007                  | 2006                 |
| Land  | \$ 93,189,576           | \$ 19,319,087        | \$ 385,871               | \$ 35,763            | \$ 93,575,447         | \$ 19,354,850        |
| Construction in Progress                    | 12,724,386              | 16,382,940           |                          |                      | 12,724,386            | 16,382,940           |
| Furniture and Equipment                     | 160,816                 | 145,266              |                          |                      | 160,816               | 145,266              |
| Computer Equipment                          | 119,277                 | 70,631               |                          |                      | 119,277               | 70,631               |
| Trucks and Automobiles                      | 528,525                 | 522,953              | 20,747                   | 29,592               | 549,272               | 552,545              |
| Structures and Improvements Infrastructure  | 47,501,750              | 9,268,954            | 127,326                  | 149,998              | 47,501,750            | 9,268,954            |
| Building and System Machinery and Equipment | 236,134,179             | 5,999,333            | 65,119                   | 63,019               | 236,134,179           | 5,999,333            |
|   |                         |                      | 38,105,892               | 10,826,784           | 127,326               | 149,998              |
| Collector Lines                             |                         |                      |                          |                      | 65,119                | 63,019               |
|   |                         |                      | 38,105,892               | 10,826,784           | 38,105,892            | 10,826,784           |
| <b>Total Capital Assets</b>                 | <b>\$ 390,358,509</b>   | <b>\$ 51,709,164</b> | <b>\$ 38,704,955</b>     | <b>\$ 11,105,156</b> | <b>\$ 429,063,464</b> | <b>\$ 62,814,320</b> |

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

**Long-term debt.** At the end of the current fiscal year, the Town had total bonded debt outstanding of \$28,330,000. Of this amount, \$23,615,000 comprises debt backed by the full faith and credit of the government and \$4,715,000 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 debt increased by \$7,725,806 during the current fiscal year.

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value. The computation of the legal debt limit reflect a conversion of assessed valuation data from the current full valuation perspective to

the 25% level. The current debt limitation for the Town is \$177,592,821, which is significantly in excess of the Town's outstanding general obligation debt.

|  | Town of Apple Valley's Outstanding Debt |                      |                          |                     |                      |                      |
|--|---|----------------------|--------------------------|---------------------|----------------------|----------------------|
|  | Governmental Activities                 |                      | Business-type Activities |                     | Total                |                      |
|  | 2007                                    | 2006                 | 2007                     | 2006                | 2007                 | 2006                 |
| Certificates of Participation                        | \$ 6,162,000                            | \$ 6,614,500         | \$ 593,000               | \$ 650,500          | \$ 6,755,000         | \$ 7,265,000         |
| Tax Allocation Bonds                                 | 16,860,000                              | 8,000,000            |                          |                     | 16,860,000           | 8,000,000            |
| Claims Payable                                       | 45,000                                  | 45,000               |                          |                     | 45,000               | 45,000               |
| Special assessment debt with Governmental commitment |   |                      | 4,715,000                | 5,265,000           | 4,715,000            | 5,265,000            |
| California Housing Loan                              | 250,000                                 | 167,536              |                          |                     | 250,000              | 167,536              |
| Capital Lease Payable                                | 134,879                                 | 145,287              |                          |                     | 134,879              | 145,287              |
| Installation Purchase Agreement                      |   |                      | 2,518,958                | 2,665,208           | 2,518,958            | 2,665,208            |
| Total  | <u>\$ 23,451,879</u>                    | <u>\$ 14,972,323</u> | <u>\$ 7,826,958</u>      | <u>\$ 8,580,708</u> | <u>\$ 31,278,837</u> | <u>\$ 23,553,031</u> |

Additional information of the Town of Apple Valley's long-term debt can be found in note IV.F on page 41 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, 2007**

|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>   |                            |                             |                       |
| Cash and Investments                                  | \$ 36,220,193              | \$ 11,856,141               | \$ 48,076,334         |
| Accounts Receivable                                   | 819,408                    | 1,512,331                   | 2,331,739             |
| Interest Receivable                                   | 72,023                     | 16,250                      | 88,273                |
| Due from Other Governments                            | 8,528,190                  | 263,198                     | 8,791,388             |
| Special Assessments Receivable                        | 1,403,741                  | 4,113,573                   | 4,113,573             |
| Loans Receivable                                      |                            |                             | 1,403,741             |
| Investment in Joint Venture                           |                            | 2,124,470                   | 2,124,470             |
| Debt Issuance Costs                                   | 413,359                    | 271,668                     | 685,027               |
| Restricted Assets:                                    |                            |                             |                       |
| Cash with Fiscal Agent                                | 9,457,492                  | 1,792,823                   | 11,250,315            |
| Capital Assets, Not Being Depreciated:                |                            |                             |                       |
| Land  | 93,189,576                 | 385,871                     | 93,575,447            |
| Construction in Progress                              | 12,724,386                 |                             | 12,724,386            |
| Capital Assets Net of Accumulated Depreciation:       |                            |                             |                       |
| Buildings and Improvement                             | 47,501,750                 | 127,326                     | 47,629,076            |
| Machinery and Equipment                               | 280,093                    | 65,119                      | 345,212               |
| Trucks and Automobiles                                | 528,525                    | 20,747                      | 549,272               |
| Collector Lines                                       |                            | 38,105,892                  | 38,105,892            |
| Infrastructure  | 236,134,179                |                             | 236,134,179           |
| Total Assets  | <u>447,272,915</u>         | <u>60,655,409</u>           | <u>507,928,324</u>    |
| <b>LIABILITIES</b>                                    |                            |                             |                       |
| Accounts Payable                                      | 1,190,569                  | 245,834                     | 1,436,403             |
| Accrued Liabilities                                   | 1,875,944                  | 383,838                     | 2,259,782             |
| Interest Payable                                      | 62,784                     | 110,278                     | 173,062               |
| Due to Other Governments                              |                            | 570,021                     | 570,021               |
| Deferred Revenue                                      | 451,842                    |                             | 451,842               |
| Deferred Connection Fees Payable                      |                            | 52,360                      | 52,360                |
| Amounts Due Bondholders                               |                            | 44,595                      | 44,595                |
| Noncurrent Liabilities                                |                            |                             |                       |
| Due Within One Year                                   | 1,094,790                  | 836,458                     | 1,931,248             |
| Due in More Than One Year, Net of Unamortized Premium | 23,014,724                 | 6,894,946                   | 29,909,670            |
| Total Liabilities                                     | <u>27,690,653</u>          | <u>9,138,330</u>            | <u>36,828,983</u>     |
| <b>NET ASSETS</b>                                     |                            |                             |                       |
| Invested in Capital Assets,<br>Net of Related Debt    | 384,061,630                | 33,492,509                  | 417,554,139           |
| Restricted for:                                       |                            |                             |                       |
| Transportation  | 5,835,850                  |                             | 5,835,850             |
| Culture and Recreation                                | 350,250                    |                             | 350,250               |
| Community Development                                 | 17,484,400                 |                             | 17,484,400            |
| Capital Projects                                      |                            | 1,067,456                   | 1,067,456             |
| Debt Service  | 1,431,642                  | 725,367                     | 2,157,009             |
| Unrestricted  | 10,418,490                 | 16,231,747                  | 26,650,237            |
| Total Net Assets                                      | <u>\$ 419,582,262</u>      | <u>\$ 51,517,079</u>        | <u>\$ 471,099,341</u> |

The accompanying notes are an integral part of this statement.



**Town of Apple Valley  
Statement of Activities  
Year Ended June 30, 2007**

| Functions/Programs             | Expenses             | Program Revenues  |                                    |                                  |
|--------------------------------|----------------------|---|------------------------------------|----------------------------------|
|                                |                      | Charges for Services                                    | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government:            |                      |   |                                    |                                  |
| Governmental Activities:       |                      |   |                                    |                                  |
| General Government             | \$ 3,347,001         | \$ 418,186  | \$ 18,480                          | \$                               |
| Public Safety                  | 9,119,965            | 287,931   | 186,226                            |                                  |
| Transportation                 | 8,279,686            | 228,453   | 2,999,209                          | 7,099,937                        |
| Culture and Recreation         | 5,122,716            | 827,385   |                                    | 688,239                          |
| Community Development          | 7,534,045            | 3,205,184   | 1,860,989                          | 608,077                          |
| Health                         |                      |   | 51,954                             |                                  |
| Interest on Long-Term Debt     | 635,095              |   |                                    |                                  |
| Total Governmental Activities  | <u>34,038,508</u>    | <u>4,967,139</u>  | <u>5,116,858</u>                   | <u>8,396,253</u>                 |
| Business-type Activities:      |                      |   |                                    |                                  |
| Sewer                          | 4,322,383            | 3,247,042   |                                    | 7,787,415                        |
| Waste Management               | 7,582,185            | 9,529,788   |                                    |                                  |
| Total Business-type Activities | <u>11,904,568</u>    | <u>12,776,830</u>                                       | <u>-</u>                           | <u>7,787,415</u>                 |
| Total Primary Government       | <u>\$ 45,943,076</u> | <u>\$ 17,743,969</u>                                    | <u>\$ 5,116,858</u>                | <u>\$ 16,183,668</u>             |
|                                |                      | General Revenues:                                       |                                    |                                  |
|                                |                      | Taxes:  |                                    |                                  |
|                                |                      | Property Taxes  |                                    |                                  |
|                                |                      | Tax Increment   |                                    |                                  |
|                                |                      | Franchise Taxes   |                                    |                                  |
|                                |                      | Sales Taxes   |                                    |                                  |
|                                |                      | Transient Occupancy Taxes                               |                                    |                                  |
|                                |                      | Motor Vehicle in-lieu (intergovernmental, unrestricted) |                                    |                                  |
|                                |                      | Sales Tax in-lieu                                       |                                    |                                  |
|                                |                      | Pass Through Tax Increment Revenues                     |                                    |                                  |
|                                |                      | Miscellaneous Revenues                                  |                                    |                                  |
|                                |                      | Unrestricted Grants and Contributions                   |                                    |                                  |
|                                |                      | Investment Income                                       |                                    |                                  |
|                                |                      | Transfers   |                                    |                                  |
|                                |                      | Total General Revenues and Transfers                    |                                    |                                  |
|                                |                      | Change in Net Assets                                    |                                    |                                  |
|                                |                      | Net Assets - Beginning                                  |                                    |                                  |
|                                |                      | Prior Period Adjustment                                 |                                    |                                  |
|                                |                      | Net Assets - Ending                                     |                                    |                                  |

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Assets

| Governmental<br>Activities | Business-type<br>Activities | Total                 |
|----------------------------|-----------------------------|-----------------------|
| \$ (2,910,335)             | \$ -                        | \$ (2,910,335)        |
| (8,645,808)                |                             | (8,645,808)           |
| 2,047,913                  |                             | 2,047,913             |
| (3,607,092)                |                             | (3,607,092)           |
| (1,859,795)                |                             | (1,859,795)           |
| 51,954                     |                             | 51,954                |
| (635,095)                  |                             | (635,095)             |
| <u>(15,558,258)</u>        | <u>-</u>                    | <u>(15,558,258)</u>   |
|                            | 6,712,074                   | 6,712,074             |
|                            | 1,947,603                   | 1,947,603             |
| -                          | 8,659,677                   | 8,659,677             |
| <u>(15,558,258)</u>        | <u>8,659,677</u>            | <u>(6,898,581)</u>    |
| 5,035,277                  |                             | 5,035,277             |
| 7,350,520                  |                             | 7,350,520             |
| 1,215,293                  |                             | 1,215,293             |
| 3,458,264                  |                             | 3,458,264             |
| 21,600                     |                             | 21,600                |
| 5,616,051                  |                             | 5,616,051             |
| 1,075,221                  |                             | 1,075,221             |
| 189,851                    |                             | 189,851               |
| 386,446                    |                             | 386,446               |
| 23,094                     |                             | 23,094                |
| 1,555,032                  | 477,888                     | 2,032,920             |
| 284,036                    | (284,036)                   | -                     |
| <u>26,210,685</u>          | <u>193,852</u>              | <u>26,404,537</u>     |
| 10,652,427                 | 8,853,529                   | 19,505,956            |
| 79,732,670                 | 21,073,303                  | 100,805,973           |
| 329,197,165                | 21,590,247                  | 350,787,412           |
| <u>\$ 419,582,262</u>      | <u>\$ 51,517,079</u>        | <u>\$ 471,099,341</u> |

The accompanying notes are an integral part of this statement.

**Town of Apple Valley  
Balance Sheet  
Governmental Funds  
June 30, 2007**

|  | General                    | Article 8                  | Parks and<br>Recreation   | Home                     |
|--|----------------------------|----------------------------|---------------------------|--------------------------|
| <b>ASSETS</b>                                  |                            |                            |                           |                          |
| Cash and Investments                           | \$12,779,893               | \$ 2,122,849               | \$                        | \$ 20,551                |
| Cash with Fiscal Agent                         |                            |                            |                           |                          |
| Accounts Receivable                            | 637,990                    |                            | 42,280                    |                          |
| Interest Receivable                            | 52,231                     | 3,772                      |                           | 38                       |
| Due from Other Funds                           | 3,526,720                  |                            | 19,893                    |                          |
| Due from Other Governments                     | 1,205,331                  | 1,595,894                  | 394,221                   | 484,283                  |
| Loans Receivable                               |                            |                            |                           | 456,975                  |
| <b>Total Assets</b>                            | <b><u>\$18,202,165</u></b> | <b><u>\$ 3,722,515</u></b> | <b><u>\$ 456,394</u></b>  | <b><u>\$ 961,847</u></b> |
| <b>LIABILITIES AND FUND BALANCES</b>           |                            |                            |                           |                          |
| <b>Liabilities:</b>                            |                            |                            |                           |                          |
| Accounts Payable                               | \$ 302,862                 | \$                         | \$ 353,760                | \$ 287                   |
| Accrued Liabilities                            | 249,796                    |                            | 102,571                   | 6,156                    |
| Due to Other Governments                       |                            |                            |                           |                          |
| Due to Other Funds                             |                            |                            | 1,265,238                 | 477,634                  |
| Deferred Revenue                               | 628,354                    |                            | 260,654                   | 933,966                  |
| <b>Total Liabilities</b>                       | <b><u>1,181,012</u></b>    | <b><u>-</u></b>            | <b><u>1,982,223</u></b>   | <b><u>1,418,043</u></b>  |
| <b>Fund Balances:</b>                          |                            |                            |                           |                          |
| Reserved for:                                  |                            |                            |                           |                          |
| Low/Moderate Income Housing                    |                            |                            |                           |                          |
| Debt Service                                   |                            |                            |                           |                          |
| Redevelopment                                  |                            |                            |                           |                          |
| Unreserved, Reported In:                       |                            |                            |                           |                          |
| General Fund                                   | 17,021,153                 |                            |                           |                          |
| Special Revenue Funds                          |                            | 3,722,515                  | (1,525,829)               | (456,196)                |
| Debt Service Funds                             |                            |                            |                           |                          |
| Capital Projects Funds                         |                            |                            |                           |                          |
| <b>Total Fund Balances</b>                     | <b><u>17,021,153</u></b>   | <b><u>3,722,515</u></b>    | <b><u>(1,525,829)</u></b> | <b><u>(456,196)</u></b>  |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b><u>\$18,202,165</u></b> | <b><u>\$ 3,722,515</u></b> | <b><u>\$ 456,394</u></b>  | <b><u>\$ 961,847</u></b> |

The accompanying notes are an integral part of this statement.

| RDA<br>Debt Service | Capital<br>Projects | RDA<br>Capital<br>Projects | Measure I           | Project<br>Manager<br>Grants | Other<br>Govern-<br>mental<br>Funds | Total<br>Govern-<br>mental<br>Funds |
|---------------------|---------------------|----------------------------|---------------------|------------------------------|-------------------------------------|-------------------------------------|
| \$ 1,996,720        | \$10,957,649        | \$ 18,475                  | \$ 1,766,640        | \$                           | \$ 6,557,416                        | \$36,220,193                        |
| 9,153,336           |                     |                            |                     | 7,100                        | 304,156                             | 9,457,492                           |
| 2,272               |                     |                            | 4,816               |                              | 132,038                             | 819,408                             |
| 1,324,415           | 37,475              | 841                        | 211,721             | 1,452,782                    | 8,894                               | 72,023                              |
|                     |                     |                            |                     |                              | 1,821,227                           | 3,546,613                           |
|                     |                     |                            |                     |                              | 946,766                             | 8,528,190                           |
| <u>\$12,476,743</u> | <u>\$10,995,124</u> | <u>\$ 19,316</u>           | <u>\$ 1,983,177</u> | <u>\$ 1,459,882</u>          | <u>\$ 9,770,497</u>                 | <u>\$60,047,660</u>                 |
| \$                  | \$                  | \$                         | \$                  | \$                           | \$                                  | \$                                  |
| 559,244             | 113,614             | 3,374                      | 34,831              | 77,805                       | 304,036                             | 1,190,569                           |
|                     | 729,421             | 15,101                     | 30,710              | 143,551                      | 39,394                              | 1,875,944                           |
| 42,680              |                     |                            |                     | 1,085,996                    | 675,065                             | 3,546,613                           |
| 970,901             | 37,475              | 841                        |                     | 1,502,095                    | 2,543,213                           | 6,877,499                           |
| 1,572,825           | 880,510             | 19,316                     | 65,541              | 2,809,447                    | 3,561,708                           | 13,490,625                          |
|                     |                     |                            |                     |                              |                                     |                                     |
| 1,127,486           |                     |                            |                     | 3,262,286                    | 304,156                             | 3,262,286                           |
| 9,776,432           |                     |                            |                     |                              |                                     | 1,431,642                           |
|                     |                     |                            |                     |                              |                                     | 9,776,432                           |
|                     |                     |                            |                     |                              |                                     |                                     |
|                     | 10,114,614          |                            | 1,917,636           | (1,349,565)                  | 1,263,524                           | 17,021,153                          |
|                     |                     |                            |                     |                              | (304,156)                           | 3,004,014                           |
|                     |                     |                            |                     |                              | 1,682,979                           | (304,156)                           |
| 10,903,918          | 10,114,614          | -                          | 1,917,636           | (1,349,565)                  | 6,208,789                           | 12,365,664                          |
|                     |                     |                            |                     |                              |                                     |                                     |
| <u>\$12,476,743</u> | <u>\$10,995,124</u> | <u>\$ 19,316</u>           | <u>\$ 1,983,177</u> | <u>\$ 1,459,882</u>          | <u>\$ 9,770,497</u>                 | <u>\$60,047,660</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, 2007**

Fund balances of governmental funds \$ 46,557,035

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. 390,358,509

Other long-term assets are not available to pay for current period expenditures and are deferred in the funds. 6,425,657

Long term liabilities are not due and payable in the current period and are not reported in the funds.

|                               |              |
|-------------------------------|--------------|
| Compensated Absences          | (895,306)    |
| Claims Payable                | (45,000)     |
| Certificates of Participation | (6,162,000)  |
| Tax Allocation Bonds          | (16,860,000) |
| Unamortized Premium           | (46,442)     |
| Unamortized Discount          | 284,113      |
| Capital Lease Payable         | (134,879)    |
| CA Housing Loan               | (250,000)    |

Issuance costs net of accumulated amortization were recorded as expenditures in the governmental funds. 413,359

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds. (62,784)

Net assets of governmental activities \$ 419,582,262

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**Town of Apple Valley**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2007**

|  | General             | Article 8           | Parks and<br>Recreation | Home                |
|--|---------------------|---------------------|-------------------------|---------------------|
| <b>REVENUES</b>                                      |                     |                     |                         |                     |
| Taxes  | \$13,931,342        | \$ 1,575,619        | \$ 1,922,722            | \$                  |
| Licenses & Permits                                   | 1,775,856           |                     |                         |                     |
| Fines & Forfeitures                                  | 332,520             |                     |                         |                     |
| Investment Income                                    | 1,111,439           | 183,358             |                         | 795                 |
| Intergovernmental                                    | 871,311             |                     |                         | 24,418              |
| Charges for Services                                 | 2,029,381           |                     | 825,070                 |                     |
| Other Revenue  | 386,448             |                     | 2,315                   |                     |
| Total Revenues                                       | <u>20,438,297</u>   | <u>1,758,977</u>    | <u>2,750,107</u>        | <u>25,213</u>       |
| <b>EXPENDITURES</b>                                  |                     |                     |                         |                     |
| Current:   |                     |                     |                         |                     |
| General Government                                   | 2,804,725           |                     |                         |                     |
| Public Safety  | 9,109,124           |                     |                         |                     |
| Transportation                                       |                     | 4,849,042           |                         |                     |
| Culture and Recreation                               |                     |                     | 2,210,300               |                     |
| Community Development                                | 4,543,659           |                     |                         | 481,409             |
| Capital Outlay                                       | 852,657             |                     | 1,495,618               |                     |
| Debt Service:  |                     |                     |                         |                     |
| Principal  | 10,456              |                     |                         |                     |
| Interest & Fiscal Charges                            | 7,683               |                     |                         |                     |
| Pass-Through Agreements                              |                     |                     |                         |                     |
| Total Expenditures                                   | <u>17,328,304</u>   | <u>4,849,042</u>    | <u>3,705,918</u>        | <u>481,409</u>      |
| Excess (Deficiency) of Revenues<br>over Expenditures | <u>3,109,993</u>    | <u>(3,090,065)</u>  | <u>(955,811)</u>        | <u>(456,196)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                     |                         |                     |
| Debt Proceeds  | 39,803              |                     |                         |                     |
| Discount on Bonds                                    | (761,198)           | (382,867)           | (2,325)                 |                     |
| Transfer In  |                     |                     |                         |                     |
| Transfer Out   | (721,395)           | (382,867)           | (2,325)                 | -                   |
| Total Other Financing Sources (Uses)                 | <u>2,388,598</u>    | <u>(3,472,932)</u>  | <u>(958,136)</u>        | <u>(456,196)</u>    |
| Net Change in Fund Balances                          | <u>14,632,555</u>   | <u>7,195,447</u>    | <u>(567,693)</u>        | <u>-</u>            |
| Fund Balances, Beginning                             |                     |                     |                         |                     |
| Fund Balances, Ending                                | <u>\$17,021,153</u> | <u>\$ 3,722,515</u> | <u>\$ (1,525,829)</u>   | <u>\$ (456,196)</u> |

The accompanying notes are an integral part of this statement.

|              | RDA<br>Debt Service | Capital<br>Projects | RDA<br>Capital<br>Projects | Measure I      | Project<br>Manager<br>Grants | Other<br>Govern-<br>mental<br>Funds | Total<br>Govern-<br>mental<br>Funds |
|--------------|---------------------|---------------------|----------------------------|----------------|------------------------------|-------------------------------------|-------------------------------------|
| \$ 4,794,341 | \$ 3,743,785        | \$                  | \$ 2,724,713               | \$             | \$ 2,001,353                 | \$26,950,090                        |                                     |
|              |                     |                     |                            |                | 1,335,232                    | 6,854,873                           |                                     |
| 92,765       |                     |                     | 161,775                    |                | 332,520                      | 332,520                             |                                     |
|              |                     |                     |                            |                | 198,581                      | 1,748,713                           |                                     |
|              |                     |                     |                            |                | 1,433,311                    | 3,991,008                           |                                     |
|              |                     |                     |                            |                | 1,661,968                    | 2,854,451                           |                                     |
|              |                     |                     |                            |                | 461,536                      | 850,299                             |                                     |
| 4,887,106    | 3,743,785           | -                   | 2,886,488                  | 1,433,311      | 5,658,670                    | 43,581,954                          |                                     |
|              |                     |                     |                            |                |                              | 98,048                              |                                     |
|              |                     |                     | 134,350                    |                |                              | 2,902,773                           |                                     |
| 41,841       |                     | 533,074             |                            |                |                              | 9,109,124                           |                                     |
| 1,309,498    | 1,796,447           | 2,237,976           | 3,348,445                  |                |                              | 6,329,832                           |                                     |
|              |                     |                     |                            |                |                              | 3,439,782                           |                                     |
| 125,000      |                     |                     |                            |                |                              | 1,229,482                           |                                     |
| 357,560      |                     | 14,083              |                            |                |                              | 839,614                             |                                     |
| 1,012,494    |                     |                     |                            |                |                              | 2,471,906                           |                                     |
|              |                     |                     |                            |                |                              | 13,512,547                          |                                     |
| 2,846,393    | 1,796,447           | 2,785,133           | 3,482,795                  | 32,991         | 6,662,436                    | 43,970,868                          |                                     |
| 2,040,713    | 1,947,338           | (2,785,133)         | (596,307)                  | 1,400,320      | (1,003,766)                  | (388,914)                           |                                     |
| 8,985,000    |                     |                     |                            |                |                              | 82,464                              |                                     |
| (284,905)    |                     |                     |                            |                |                              | 9,067,464                           |                                     |
| 210,132      |                     | 4,458,969           | 410,870                    | 14,265         | 1,134,470                    | (284,905)                           |                                     |
| (4,458,969)  | (154,717)           | (210,132)           |                            |                | (14,265)                     | 6,268,509                           |                                     |
| 4,451,258    | (154,717)           | 4,248,837           | 410,870                    | 14,265         | 1,202,669                    | (5,984,473)                         |                                     |
|              |                     |                     |                            |                |                              | 9,066,595                           |                                     |
| 6,491,971    | 1,792,621           | 1,463,704           | (185,437)                  | 1,414,585      | 198,903                      | 8,677,681                           |                                     |
| 4,411,947    | 8,321,993           | (1,463,704)         | 2,103,073                  | (2,764,150)    | 6,009,886                    | 37,879,354                          |                                     |
| \$10,903,918 | \$10,114,614        | \$                  | \$ 1,917,636               | \$ (1,349,565) | \$ 6,208,789                 | \$46,557,035                        |                                     |

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, 2007**

Net change in fund balances-total governmental funds \$ 8,677,681

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

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

Excess Depreciation over Capital Outlay 9,456,668

The net effect of disposals of capital assets is to decrease net assets. (4,488)

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. 824,945

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.

|                                  |             |
|----------------------------------|-------------|
| Debt Proceeds                    | (9,067,464) |
| Discount on Bonds                | 284,905     |
| Amortization of Premium          | 1,664       |
| Amortization of Discounts        | (792)       |
| Amortization of Issuance Costs   | (14,807)    |
| Principal Paid on Long-Term Debt | 587,908     |

Accrued interest for long-term debt. This is the net change in accrued interest for the current period. (32,987)

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 | (60,806) |
| Net Change in Claims Payable       | -        |

Change in Net Assets of Governmental Activities \$ 10,652,427

The accompanying notes are an integral part of this statement.

**Town of Apple Valley  
Statement of Net Assets  
Proprietary Funds  
June 30, 2007**

|  | Sewer                | Solid<br>Waste<br>Management | Total                |
|--|----------------------|------------------------------|----------------------|
| <b>ASSETS</b>  |                      |                              |                      |
| Current Assets:                                      |                      |                              |                      |
| Cash and Investments                                 | \$ 9,614,113         | \$ 2,242,028                 | \$ 11,856,141        |
| Accounts Receivable                                  | 281,014              | 1,231,317                    | 1,512,331            |
| Interest Receivable                                  | 12,452               | 3,798                        | 16,250               |
| Due from Other Governments                           | 121,151              | 142,047                      | 263,198              |
| Total Current Assets                                 | <u>10,028,730</u>    | <u>3,619,190</u>             | <u>13,647,920</u>    |
| Noncurrent Assets:                                   |                      |                              |                      |
| Special Assessments Receivable                       | 4,113,573            | 2,124,470                    | 4,113,573            |
| Investment in Joint Venture (Net)                    |                      | 122,166                      | 2,124,470            |
| Debt Issuance Costs, Net of Accumulated Amortization | 149,502              |                              | 271,668              |
| Restricted Assets:                                   |                      |                              |                      |
| Cash with Fiscal Agent                               | 1,792,823            |                              | 1,792,823            |
| Capital Assets, Not Being Depreciated:               |                      |                              |                      |
| Land   | 385,871              |                              | 385,871              |
| Capital Assets, Net of Accumulated Depreciation      | 38,319,084           |                              | 38,319,084           |
| Total Noncurrent Assets                              | <u>44,760,853</u>    | <u>2,246,636</u>             | <u>47,007,489</u>    |
| Total Assets   | <u>54,789,583</u>    | <u>5,865,826</u>             | <u>60,655,409</u>    |
| <b>LIABILITIES</b>                                   |                      |                              |                      |
| Current Liabilities:                                 |                      |                              |                      |
| Accounts Payable                                     | 240,736              | 5,098                        | 245,834              |
| Accrued Liabilities                                  | 71,458               | 312,380                      | 383,838              |
| Interest Payable                                     | 110,278              |                              | 110,278              |
| Due to Other Governments                             | 570,021              |                              | 570,021              |
| Deferred Connection Fees Payable                     | 52,360               |                              | 52,360               |
| Amounts Due Bondholders                              | 44,595               |                              | 44,595               |
| Current Portion of Long-Term Debt                    | 683,750              | 152,708                      | 836,458              |
| Total Current Liabilities                            | <u>1,773,198</u>     | <u>470,186</u>               | <u>2,243,384</u>     |
| Noncurrent Liabilities:                              |                      |                              |                      |
| Noncurrent Portion of Long-Term Debt                 | 4,528,696            | 2,366,250                    | 6,894,946            |
| Total Noncurrent Liabilities                         | <u>4,528,696</u>     | <u>2,366,250</u>             | <u>6,894,946</u>     |
| Total Liabilities                                    | <u>6,301,894</u>     | <u>2,836,436</u>             | <u>9,138,330</u>     |
| <b>NET ASSETS</b>                                    |                      |                              |                      |
| Invested in Capital Assets, Net of Related Debt      | 33,492,509           |                              | 33,492,509           |
| Restricted for Capital Projects                      | 1,067,456            |                              | 1,067,456            |
| Restricted for Debt Service                          | 725,367              |                              | 725,367              |
| Unrestricted   | 13,202,357           | 3,029,390                    | 16,231,747           |
| Total Net Assets                                     | <u>\$ 48,487,689</u> | <u>\$ 3,029,390</u>          | <u>\$ 51,517,079</u> |

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, 2007**

|   | Sewer         | Solid<br>Waste<br>Management | Total         |
|---|---------------|------------------------------|---------------|
| <b>OPERATING REVENUES</b>                 |               |                              |               |
| Charges for Services                      | \$ 3,247,042  | \$ 9,529,788                 | \$ 12,776,830 |
| Total Operating Revenue                   | 3,247,042     | 9,529,788                    | 12,776,830    |
| <b>OPERATING EXPENSES</b>                 |               |                              |               |
| Salaries and Benefits                     | 452,769       | 8,643                        | 461,412       |
| Contract Services                         | 108,450       | 6,783,487                    | 6,891,937     |
| Maintenance and Treatment                 | 796,063       |                              | 796,063       |
| Depreciation                              | 1,540,862     |                              | 1,540,862     |
| Other                                     | 1,012,398     | 613,843                      | 1,626,241     |
| Total Operating Expenses                  | 3,910,542     | 7,405,973                    | 11,316,515    |
| Operating Income (Loss)                   | (663,500)     | 2,123,815                    | 1,460,315     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |               |                              |               |
| Change in Investment in Joint Venture     |               | (67,561)                     | (67,561)      |
| Investment Income                         | 399,101       | 78,787                       | 477,888       |
| Assessment Income - Debt Service          | 585,445       |                              | 585,445       |
| Interest                                  | (359,672)     | (98,470)                     | (458,142)     |
| Bond Issuance Costs                       | (52,169)      | (10,181)                     | (62,350)      |
| Total Nonoperating Revenues (Expenses)    | 572,705       | (97,425)                     | 475,280       |
| Income Before Contributions and Transfers | (90,795)      | 2,026,390                    | 1,935,595     |
| Capital Contributions                     | 7,201,970     |                              | 7,201,970     |
| Transfers In                              |               |                              | -             |
| Transfers Out                             | (284,036)     |                              | (284,036)     |
| Change in Net Assets                      | 6,827,139     | 2,026,390                    | 8,853,529     |
| Total Net Assets, Beginning               | 20,070,303    | 1,003,000                    | 21,073,303    |
| Prior Period Adjustment                   | 21,590,247    |                              | 21,590,247    |
| Total Net Assets, Ending                  | \$ 48,487,689 | \$ 3,029,390                 | \$ 51,517,079 |

The accompanying notes are an integral part of this statement.

**Town of Apple Valley  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2007**

|   | Sewer                | Solid<br>Waste<br>Management | Total                |
|---|----------------------|------------------------------|----------------------|
| <b>Cash Flows from Operating Activities</b>   |                      |                              |                      |
| Cash Received from Customers  | \$ 3,055,001         | \$ 9,275,730                 | \$ 12,330,731        |
| Cash Paid to Suppliers  | (2,220,541)          | (7,572,093)                  | (9,792,634)          |
| Cash Paid to Employees for Services   | (418,086)            | 63,998                       | (354,088)            |
| Net Cash Provided by Operating Activities   | 416,374              | 1,767,635                    | 2,184,009            |
| <b>Cash Flows from Noncapital Financing Activities</b>  |                      |                              |                      |
| Cash Received from Other Governments  | 7,884,140            |                              | 7,884,140            |
| Cash Collected on Behalf of Other Governments   | (348,459)            |                              | (348,459)            |
| Cash Paid to Other Funds  | (284,036)            |                              | (284,036)            |
| Principal Paid on Debt  |                      | (146,250)                    | (146,250)            |
| Interest Paid on Debt   |                      | (98,470)                     | (98,470)             |
| Net Cash Provided (Used) by Noncapital Financing Activities   | 7,251,645            | (244,720)                    | 7,006,925            |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                       |                      |                              |                      |
| Capital Asset Purchases   | (7,550,414)          |                              | (7,550,414)          |
| Special Assessments Collected for Debt Service  | 550,000              |                              | 550,000              |
| Principal Paid on Debt  | (607,500)            |                              | (607,500)            |
| Interest Paid on Debt   | (372,579)            |                              | (372,579)            |
| Net Cash Provided (Used) by Capital and Related Financing Activities                                  | (7,980,493)          | -                            | (7,980,493)          |
| <b>Cash Flows from Investing Activities</b>   |                      |                              |                      |
| Interest Received on Investments  | 390,157              | 75,300                       | 465,457              |
| Net Cash Provided (Used) by Investing Activities  | 390,157              | 75,300                       | 465,457              |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | 77,683               | 1,598,215                    | 1,675,898            |
| Cash and Cash Equivalents, Beginning of Fiscal Year   | 11,329,253           | 643,813                      | 11,973,066           |
| <b>Cash and Cash Equivalents, End of Fiscal Year</b>  | <u>\$ 11,406,936</u> | <u>\$ 2,242,028</u>          | <u>\$ 13,648,964</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)   | \$ (663,500)         | \$ 2,123,815                 | \$ 1,460,315         |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                      |                              |                      |
| Depreciation  | 1,540,862            |                              | 1,540,862            |
| (Increase) Decrease in Accounts Receivable  | (192,041)            | (127,279)                    | (319,320)            |
| (Increase) Decrease in Due from Other Governments   | (303,630)            | (126,779)                    | (430,409)            |
| Increase (Decrease) in Accounts Payable   | 34,683               | (174,763)                    | (140,080)            |
| Increase (Decrease) in Accrued Liabilities  |                      | 72,641                       | 72,641               |
| <b>Net Cash Provided By Operating Activities</b>  | <u>\$ 416,374</u>    | <u>\$ 1,767,635</u>          | <u>\$ 2,184,009</u>  |
| Non Cash Investing, Capital and Financing Activities  |                      |                              |                      |
| Bond Issuance Cost Amortization   | \$ 25,502            |                              | \$ 25,502            |
| Refunding Costs   | 26,667               |                              | 26,667               |
| 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, 2007**

| <b>ASSETS</b>              |                     |
|----------------------------|---------------------|
| Cash and Investments       | \$ 1,005,519        |
| Cash with Fiscal Agent     | 243,030             |
| Total Assets               | <u>1,248,549</u>    |
| <b>LIABILITIES</b>         |                     |
| Accounts Payable           | 770                 |
| Deposits                   | 868,031             |
| Amounts Due to Bondholders | 379,748             |
| Total Liabilities          | <u>\$ 1,248,549</u> |

The accompanying notes are an integral part of this statement.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

**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, 2007

**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 those 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, 2007

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

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



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

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

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

**1) Cash and Investments**

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

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

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

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

**2) Receivables and Payables**

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

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

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

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

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

**3) Restricted Assets**

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

**4) Capital Assets**

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

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

**4) Capital Assets - Continued**

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

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

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

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

**5) Deferred 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, 2007

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

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

**5) Deferred 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, 2006 and 2007, 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, 2007

**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, 2007

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

**A) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds and net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current period expenditures and are deferred in the funds." The details of this \$6,425,657 difference are as follows:

|                              |                     |
|------------------------------|---------------------|
| Loans Receivable             | \$ 1,153,741        |
| Intergovernmental Receivable | <u>5,271,916</u>    |
| Deferred Revenue Earned      | <u>\$ 6,425,657</u> |

**B) 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 \$9,456,668 difference are as follows:

|  |                     |
|--|---------------------|
| Capital Outlay   | \$ 20,641,387       |
| Depreciation Expense   | <u>(11,184,719)</u> |
| Net adjustment to increase net change in fund balances -total governmental funds to arrive at change in net assets of governmental activities: | <u>\$ 9,456,668</u> |

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

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

The following funds have deficit fund balances/net assets as of June 30, 2007:

|                                      |                        |
|--------------------------------------|------------------------|
|                                      | <u>Deficit Balance</u> |
| Special Revenue Funds:               |                        |
| Parks and Recreation Fund            | \$ (1,525,829)         |
| FEMA                                 | (166,347)              |
| Project Manager Grants               | (1,349,565)            |
| Federal Grants                       | (114,368)              |
| Home                                 | (456,196)              |
| ADDI Down Payment Assistance Program | <u>(40,000)</u>        |

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

**IV) DETAILED NOTES ON ALL FUNDS**

**A) Cash and Investments**

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

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

Cash and Investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

|  |                      |
|--|----------------------|
| Statement of Net Assets:               |                      |
| Cash and Investments                   | \$ 49,081,853        |
| Cash and Investments with Fiscal Agent | <u>11,493,345</u>    |
| Total Cash and Investments             | <u>\$ 60,575,198</u> |

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

|                                      |                      |
|--------------------------------------|----------------------|
| Petty Cash                           | \$ 2,850             |
| Deposits with Financial Institutions | 1,217,344            |
| Local Agency Investment Fund         | 30,785,387           |
| U.S. Agency Securities               | 15,491,483           |
| Investment Agreement with AIG        | 1,584,789            |
| Held by Fiscal Agent:                |                      |
| Mutual Fund                          | 11,013,565           |
| Investment Agreement with AIG        | <u>479,780</u>       |
| Total Cash and Investments           | <u>\$ 60,575,198</u> |

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

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**A) Cash and Investments - Continued**

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<br>Investment Type       | Maximum<br>Maturity | Maximum<br>Percentage<br>Of Portfolio | Maximum<br>Investment<br>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%                                   | None                                   |
| Money Market Mutual Funds           | N/A                 | 15%                                   | 5%                                     |
| Mortgage Pass-Through Securities    | 5 years             | 20%                                   | None                                   |
| County Pooled Investment Funds      | N/A                 | None                                  | None                                   |
| Local Agency Investment Fund (LAIF) | N/A                 | None                                  | None                                   |

**Investments Authorized by Debt Agreements**

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

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



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**A) Cash and Investments - Continued**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2007 the Town had the following investments.

| Investment Type               | Maturity Date        |
|-------------------------------|----------------------|
| State Investment Pool - LAIF  | N/A                  |
| Investment with AIG           | December 1, 2007     |
| U.S. Agency Securities        | 2007                 |
| U.S. Agency Securities        | 2008                 |
| U.S. Agency Securities        | 2009                 |
| U.S. Agency Securities        | 2010                 |
| Held by Bond Trustee:         |                      |
| Mutual Fund                   | N/A                  |
| Investment Agreement with AIG | June 1, 2035         |
| Investment Agreement with AIG | June 1, 2008         |
| Total                         | <u>\$ 59,355,004</u> |

**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<br>Legal<br>Rating | Rating as of Year End<br>AAA | Not<br>Rated         |
|-------------------------------|----------------------------|------------------------------|----------------------|
| State Investment Pool - LAIF  | N/A                        |                              | 30,785,387           |
| U.S. Agency Securities        | N/A                        | 15,491,483                   |                      |
| Investment Agreement with AIG | N/A                        |                              | 1,584,789            |
| Held by Bond Trustee:         |                            |                              |                      |
| Mutual Fund                   | N/A                        |                              | 11,013,565           |
| Investment Agreement with AIG | N/A                        |                              | 479,780              |
| Total                         |                            | <u>\$ 15,491,483</u>         | <u>\$ 43,863,521</u> |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**A) Cash and Investments - Continued**

**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<br>Type   | Reported<br>Amount |
|-----------------------|----------------------|--------------------|
| Held by Bond Trustee: |                      |                    |
| AIG                   | Investment Agreement | \$ 479,780         |
| AIG                   | Investment Agreement | 1,584,789          |

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

**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, 2007, Agency investments in the following investment types were held by the broker-dealer that was used by the Town to buy the securities:

| Investment Type               | Reported<br>Amount |
|-------------------------------|--------------------|
| U.S. Treasury Mutual Fund     | \$ 11,013,565      |
| Investment Agreement with AIG | 479,780            |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**A) Cash and Investments - Continued**

**Investment in State Investment Pool**

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

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

Amounts due to/from other funds at June 30, 2007 are as follows:

| Fund                   | Interfund<br>Receivable | Interfund<br>Payable |
|------------------------|-------------------------|----------------------|
| General Fund           | \$ 3,526,720            | \$                   |
| Parks and Recreation   | 19,893                  | 1,265,238            |
| Nonmajor Funds         |                         | 675,065              |
| Home Fund              |                         | 477,634              |
| RDA Debt Service       |                         | 42,680               |
| Project Manager Grants |                         | 1,085,996            |
| <b>Total</b>           | <b>\$ 3,546,613</b>     | <b>\$ 3,546,613</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, 2007 are as follows:

|                                 | TRANSFERS IN     |                                    |                                |                   |                            |                                    | Total               |
|---------------------------------|------------------|------------------------------------|--------------------------------|-------------------|----------------------------|------------------------------------|---------------------|
|                                 | General<br>Fund  | RDA<br>Capital<br>Projects<br>Fund | RDA<br>Debt<br>Service<br>Fund | Measure I<br>Fund | Project<br>Manager<br>Fund | Non-Major<br>Governmental<br>Funds |                     |
| General Fund                    | \$               | \$                                 | \$                             | \$                | \$                         | \$                                 | \$                  |
| Article 8 Fund                  |                  |                                    |                                | 382,867           |                            |                                    | 761,198             |
| Parks & Recreation<br>Fund      |                  |                                    |                                |                   |                            | 2,325                              | 2,325               |
| Capital Projects Fund           |                  |                                    |                                | 28,003            |                            | 126,714                            | 154,717             |
| RDA Debt Service                |                  | 4,458,969                          |                                |                   |                            |                                    | 4,458,969           |
| RDA Capital Projects<br>Fund    |                  |                                    | 210,132                        |                   |                            |                                    | 210,132             |
| Non-Major<br>Governmental Funds |                  |                                    |                                |                   | 14,265                     |                                    | 14,265              |
| Sewer Fund                      | 39,803           |                                    |                                |                   |                            | 244,233                            | 284,036             |
| <b>Total</b>                    | <b>\$ 39,803</b> | <b>\$ 4,458,969</b>                | <b>\$ 210,132</b>              | <b>\$ 410,870</b> | <b>\$ 14,265</b>           | <b>\$ 1,134,470</b>                | <b>\$ 6,268,509</b> |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

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

The General Fund transferred \$761,198 to various non-major funds to eliminate deficits in those funds. The RDA Debt Service Fund transferred \$4,458,969 of bond proceeds to the RDA Capital Projects Fund to be used for RDA projects.

**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, 2007, the outstanding loans receivable totaled \$1,403,741.

**D) Capital Assets**

Capital asset activity for the year ended June 30, 2007, was as follows:

|  | Beginning<br>Balance | Adjustments*          | Increases            | Decreases              | Ending<br>Balance     |
|--|----------------------|-----------------------|----------------------|------------------------|-----------------------|
| <b>Governmental Activities:</b>                |                      |                       |                      |                        |                       |
| Capital Assets, Not Being<br>Depreciated:      |                      |                       |                      |                        |                       |
| Land   | \$ 19,319,087        | \$ 70,214,864         | \$ 3,655,625         | \$ (14,425,355)        | \$ 93,189,576         |
| Construction in Progress                       | 16,382,940           |                       | 10,766,801           | (14,425,355)           | 12,724,386            |
| Total Capital Assets Not<br>Being Depreciated  | <u>35,702,027</u>    | <u>70,214,864</u>     | <u>14,422,426</u>    | <u>(14,425,355)</u>    | <u>105,913,962</u>    |
| Capital Assets Being Depreciated:              |                      |                       |                      |                        |                       |
| Furniture and Equipment                        | 797,109              |                       | 115,556              |                        | 912,665               |
| Computer Equipment                             | 287,137              |                       | 81,519               | (119,053)              | 249,603               |
| Trucks and Automobiles                         | 1,099,901            |                       | 175,628              | (41,800)               | 1,233,729             |
| Structures and Improvements                    | 10,929,740           | 44,076,401            | 662,783              |                        | 55,668,924            |
| Infrastructure                                 | 6,226,539            | 298,464,190           | 19,608,830           |                        | 324,299,559           |
| Total Capital Assets Being<br>Depreciated      | <u>19,340,426</u>    | <u>342,540,591</u>    | <u>20,644,316</u>    | <u>(160,853)</u>       | <u>382,364,480</u>    |
| Less Accumulated Depreciation:                 |                      |                       |                      |                        |                       |
| Furniture and Equipment                        | (651,843)            |                       | (100,006)            |                        | (751,849)             |
| Computer Equipment                             | (216,506)            |                       | (28,385)             | 114,565                | (130,326)             |
| Trucks and Automobiles                         | (576,948)            |                       | (170,056)            | 41,800                 | (705,204)             |
| Structures and Improvements                    | (1,660,786)          | (4,672,850)           | (1,833,538)          |                        | (8,167,174)           |
| Infrastructure                                 | (227,206)            | (78,885,440)          | (9,052,734)          | -                      | (88,165,380)          |
| Total Accumulated<br>Depreciation              | <u>(3,333,289)</u>   | <u>(83,558,290)</u>   | <u>(11,184,719)</u>  | <u>156,365</u>         | <u>(97,919,933)</u>   |
| Total Capital Assets Being<br>Depreciated, Net | <u>16,007,137</u>    | <u>258,982,301</u>    | <u>9,459,597</u>     | <u>(4,488)</u>         | <u>284,444,547</u>    |
| Governmental Activities Capital<br>Assets, Net | <u>\$ 51,709,164</u> | <u>\$ 329,197,165</u> | <u>\$ 23,882,023</u> | <u>\$ (14,429,843)</u> | <u>\$ 390,358,509</u> |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**D) Capital Assets - Continued**

|  | Beginning<br>Balance | Adjustments*  | Increases    | Decreases | Ending<br>Balance |
|--|----------------------|---------------|--------------|-----------|-------------------|
| <b>Business-type Activities:</b>             |                      |               |              |           |                   |
| Capital Assets, Not Being Depreciated:       |                      |               |              |           |                   |
| Land   | \$ 35,763            | \$ 22,336     | \$ 327,772   | \$ -      | \$ 385,871        |
| Total Capital Assets Not Depreciated         | 35,763               | 22,336        | 327,772      | -         | 385,871           |
| Capital Assets Being Depreciated:            |                      |               |              |           |                   |
| Buildings and System                         | 200,000              | (22,336)      | 20,686       | -         | 177,664           |
| Machinery and Equipment                      | 133,887              | -             | -            | -         | 154,573           |
| Trucks and Automobiles                       | 67,524               | -             | -            | -         | 67,524            |
| Collector Lines                              | 19,763,457           | 40,536,879    | 7,201,970    | -         | 67,502,306        |
| Total Capital Assets Being Depreciated       | 20,164,868           | 40,514,543    | 7,222,656    | -         | 67,902,067        |
| Less Accumulated Depreciation:               |                      |               |              |           |                   |
| Buildings and System                         | (50,002)             | 5,586         | (5,922)      | -         | (50,338)          |
| Machinery and Equipment                      | (70,868)             | -             | (18,586)     | -         | (89,454)          |
| Trucks and Automobiles                       | (37,932)             | -             | (8,845)      | -         | (46,777)          |
| Collector Lines                              | (8,936,673)          | (18,952,232)  | (1,507,509)  | -         | (29,396,414)      |
| Total Accumulated Depreciation               | (9,095,475)          | (18,946,646)  | (1,540,862)  | -         | (29,582,983)      |
| Total Capital Assets Being Depreciated, Net  | 11,069,393           | 21,567,897    | 5,681,794    | -         | 38,319,084        |
| Business-type Activities Capital Assets, Net | \$ 11,105,156        | \$ 21,590,233 | \$ 6,009,566 | \$ -      | \$ 38,704,955     |

\* Adjustments are a result of the implementation of provisions in GASB 34.

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

|   |    |                   |  |  |
|---|----|-------------------|--|--|
| Governmental Activities:                              |    |                   |  |  |
| General Government                                    | \$ | 419,298           |  |  |
| Public Safety   |    | 10,841            |  |  |
| Transportation  |    | 9,076,321         |  |  |
| Parks and Recreation                                  |    | 1,668,664         |  |  |
| Community Development                                 |    | 9,595             |  |  |
| Total Depreciation Expense – Governmental Activities  | \$ | <u>11,184,719</u> |  |  |
| Business-type Activities:                             |    |                   |  |  |
| Sewer   | \$ | 1,540,862         |  |  |
| Total Depreciation Expense – Business-type Activities | \$ | <u>1,540,862</u>  |  |  |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**E) Deferred Connection Fees Payable**

Deferred connection fees payable represents amounts received from the proceeds of Limited Obligation Improvement Bonds, 1991 Series A Assessment District No. 2B. These funds are to finance future connection fees for property owners in Assessment District 2B. Revenue will be recognized at such time when the sewer connection has been made and the related expenditure incurred. At June 30, 2007 the amount of deferred connection fees payable is \$52,360.

**F) Long-Term Debt**

Long term liabilities for the year ended June 30, 2007 were as follows:

|  | Beginning<br>Balance | Additions    | Reductions   | Ending<br>Balance | Due Within<br>One Year |
|--|----------------------|--------------|--------------|-------------------|------------------------|
| <b>Governmental Activities:</b>                        |                      |              |              |                   |                        |
| Certificates of Participation:                         |                      |              |              |                   |                        |
| 1999 Certificates of Participation                     | \$ 4,605,000         | \$ -         | (280,000)    | \$ 4,325,000      | \$ 285,000             |
| 2001 Certificates of Participation                     | 2,009,500            | -            | (172,500)    | 1,837,000         | 176,250                |
| Total Certificates of Participation                    | 6,614,500            | -            | (452,500)    | 6,162,000         | 461,250                |
| 2005 Tax Allocation Bonds                              | 8,000,000            | -            | (125,000)    | 7,875,000         | 160,000                |
| Unamortized Premium on Tax Allocation Bonds            | 48,106               | -            | (1,664)      | 46,442            | -                      |
| 2007 Tax Allocation Bonds                              | -                    | 8,985,000    | -            | 8,985,000         | 145,000                |
| Unamortized Discount on Tax Allocation Bonds           | -                    | (284,905)    | 792          | (284,113)         | -                      |
| Total Tax Allocation Bond                              | 8,048,106            | 8,700,095    | (125,872)    | 16,622,329        | 305,000                |
| Capital Lease Payable                                  | 145,287              | -            | (10,408)     | 134,879           | 10,995                 |
| California Housing Loan                                | 167,536              | 82,464       | -            | 250,000           | -                      |
| Compensated Absences                                   | 834,500              | 423,312      | (362,506)    | 895,306           | 277,545                |
| Claims Payable   | 45,000               | -            | -            | 45,000            | 40,000                 |
| <b>Governmental Activities</b>                         |                      |              |              |                   |                        |
| Long-term Liabilities                                  | \$ 15,854,929        | \$ 9,205,871 | \$ (951,286) | \$ 24,109,514     | \$ 1,094,790           |
| <b>Business-type Activities:</b>                       |                      |              |              |                   |                        |
| 2001 Certificates of Participation                     | \$ 650,500           | \$ -         | \$ (57,500)  | \$ 593,000        | \$ 58,750              |
| Special Assessment Debt with<br>Government Commitment: |                      |              |              |                   |                        |
| Special Assessment No. 3                               | 720,000              | -            | (220,000)    | 500,000           | 240,000                |
| Special Assessment No. 2B-R                            | 4,545,000            | -            | (330,000)    | 4,215,000         | 385,000                |
| Less Deferred Amounts:                                 |                      |              |              |                   |                        |
| On Refunding   | (122,221)            | -            | 26,667       | (95,554)          | -                      |
| Total Special Assessment Debt                          | 5,142,779            | -            | (523,333)    | 4,619,446         | 625,000                |
| Obligation Under Installment<br>Purchase Agreement     | 2,665,208            | -            | (146,250)    | 2,518,958         | 152,708                |
| <b>Business-type Activity</b>                          |                      |              |              |                   |                        |
| Long-term Liabilities                                  | \$ 8,458,487         | \$ -         | \$ (727,083) | \$ 7,731,404      | \$ 836,458             |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**F) Long-Term Debt - Continued**

The future annual maturities of all long-term borrowings as of June 30, 2007 are as follows:

| <u>Year Ending</u> | <u>Principal</u>            | <u>Interest</u>             |
|--------------------|-----------------------------|-----------------------------|
| 2008               | \$ 1,613,703                | \$ 1,503,212                |
| 2009               | 1,672,033                   | 1,434,091                   |
| 2010               | 1,472,896                   | 1,342,044                   |
| 2011               | 1,535,880                   | 1,266,059                   |
| 2012               | 1,607,027                   | 1,191,858                   |
| 2013-2017          | 8,004,834                   | 4,692,536                   |
| 2018-2022          | 4,130,000                   | 3,182,950                   |
| 2023-2027          | 2,880,000                   | 2,414,358                   |
| 2028-2032          | 3,630,000                   | 1,653,675                   |
| 2033-2037          | <u>4,605,000</u>            | <u>682,951</u>              |
|                    | <b><u>\$ 31,151,373</u></b> | <b><u>\$ 19,363,734</u></b> |

**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, 2006 is \$4,325,000. As of June 30, 2007, the future annual maturities are as follows:

| <u>Year Ending</u> | <u>Principal</u>           | <u>Interest</u>            |
|--------------------|----------------------------|----------------------------|
| 2008               | \$ 285,000                 | \$ 245,575                 |
| 2009               | 295,000                    | 230,037                    |
| 2010               | 300,000                    | 205,975                    |
| 2011               | 305,000                    | 189,475                    |
| 2012               | 315,000                    | 172,700                    |
| 2013-2017          | 1,700,000                  | 594,275                    |
| 2018-2020          | <u>1,125,000</u>           | <u>124,850</u>             |
|                    | <b><u>\$ 4,325,000</u></b> | <b><u>\$ 1,762,887</u></b> |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**F) Long-Term Debt - Continued**

**1) Certificates of Participation - Continued**

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

The Certificates were executed and delivered in fully registered form without coupons in the minimum denominations of \$100,000 or any integral multiple of \$5,000 above \$100,000. After the Conversion Date, the Certificates were executed and delivered in denominations of \$5,000 or any integral multiple thereof. Interest is payable at an adjustable interest rate, on each Wednesday, or in the event any Wednesday is not a business day then on the next preceding business day (the "Interest Rate Calculation Date"), the Remarketing Agent will establish the adjustable interest rate for the period commencing the Thursday next following the Interest Rate Calculation Date to and including Wednesday of the following week (the "Interest Rate Period"), except that the final Interest Rate Period will end on September 1, 2015. The principal balance outstanding at June 30, 2007 is \$2,430,000, allocated \$1,837,000 and \$593,000 to governmental activities and business-type activities, respectively.

As of June 30, 2007, the future annual maturities are as follows:

| <u>Year Ending</u> | <u>Principal</u>    | <u>Interest</u>   |
|--------------------|---------------------|-------------------|
| 2008               | \$ 235,000          | \$ 73,386         |
| 2009               | 240,000             | 66,289            |
| 2010               | 250,000             | 59,041            |
| 2011               | 260,000             | 51,491            |
| 2012               | 270,000             | 43,639            |
| 2013-2016          | <u>1,175,000</u>    | <u>90,147</u>     |
|                    | <u>\$ 2,430,000</u> | <u>\$ 383,993</u> |



**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**F) 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, 2007, the Bond Reserve Fund was \$514,775 which was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

| Year Ended<br><u>June 30,</u> | <u>Principal</u>    | <u>Interest</u>     |
|-------------------------------|---------------------|---------------------|
| 2008                          | \$ 160,000          | \$ 353,998          |
| 2009                          | 165,000             | 348,960             |
| 2010                          | 170,000             | 343,935             |
| 2011                          | 175,000             | 338,760             |
| 2012                          | 175,000             | 333,095             |
| 2013-2017                     | 995,000             | 1,563,780           |
| 2018-2022                     | 1,215,000           | 1,341,045           |
| 2023-2027                     | 1,510,000           | 1,043,745           |
| 2028-2032                     | 1,915,000           | 639,550             |
| 2033-2035                     | <u>1,395,000</u>    | <u>140,263</u>      |
|                               | <u>\$ 7,875,000</u> | <u>\$ 6,447,131</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 2008 to 2037 with interest payments of 4.00% to 4.750% payable semi-annually on June 1 and December 1 of each year.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**F) 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, 2007, 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<br>June 30, | Principal           | Interest            |
|------------------------|---------------------|---------------------|
| 2008                   | \$ 145,000          | \$ 399,410          |
| 2009                   | 135,000             | 407,383             |
| 2010                   | 140,000             | 401,982             |
| 2011                   | 145,000             | 393,382             |
| 2012                   | 160,000             | 390,582             |
| 2013-2017              | 880,000             | 1,850,900           |
| 2018-2022              | 1,085,000           | 1,645,250           |
| 2023-2027              | 1,370,000           | 1,370,613           |
| 2028-2032              | 1,715,000           | 1,014,125           |
| 2033-2037              | 3,210,000           | 542,688             |
|                        | <u>\$ 8,985,000</u> | <u>\$ 8,416,315</u> |

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

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

a) On December 6, 1988, the Apple Valley Water District sold Assessment District No. 3 Improvement Bonds (Bonds) in the principal amount of \$2,828,000 pursuant to the Improvement Bond Act of 1915. The proceeds of the Bonds were used to fund the acquisition and construction of certain public improvements. In 1989, after the Town incorporated, the Water District merged with the Town, and the Town assumed the Water District's debt. The Bonds were issued as fully registered Bonds in denominations of \$5,000 except for Bond number one in an odd amount due in 1990. The bonds are payable from annual installments collected on regular tax bills sent to owners of property having unpaid assessments levied against property benefited by the project. The Bonds bear interest ranging from 6.25% to 8.0% payable semi-annually on September 2 and March 2. The Bonds mature on September 2, 1990 through 2008 in amounts ranging from \$73,000 to \$270,000. According to the terms of the bond indenture, a reserve fund equal to 10% of the aggregate principal amount of the Bonds outstanding is required to be maintained. The principal balance outstanding at June 30, 2007 is \$500,000.

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**F) Long-Term Debt - Continued**

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

The future annual maturities at June 30, 2007, are as follows:

| Year Ending | Principal         | Interest         |
|-------------|-------------------|------------------|
| 2008        | \$ 240,000        | \$ 31,600        |
| 2009        | 260,000           | 15,000           |
|             | <u>\$ 500,000</u> | <u>\$ 46,600</u> |

b) 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.

The limited obligation refunding bonds were issued as fully registered bonds in denominations of \$5,000 and bear interest ranging from 4.90% to 6.40%. Interest on the bonds is payable commencing March 2, 1996, and semi-annually thereafter on March 2 and September 2. Principal on the bonds is payable annually on September 2 of each year, commencing September 2, 1998. The outstanding balance on the bonds as of June 30, 2007 is \$4,215,000. The bonds are secured by the unpaid reassessments applicable to all properties within the Assessment District which had not previously prepaid their original assessments levied with respect to the Prior Assessment District, and said unpaid reassessments, together with interest thereon, constitute a trust fund for the redemption and payment of the principal of and interest on the bonds. The bond indenture requires a reserve fund to be held by the fiscal agent in an amount equal to \$701,960. The Town has \$720,911 on reserve with the fiscal agent at June 30, 2007. The future annual maturities as of June 30, 2007, are as follows:

| Year Ending | Principal           | Interest            |
|-------------|---------------------|---------------------|
| 2008        | \$ 385,000          | \$ 277,553          |
| 2009        | 410,000             | 250,125             |
| 2010        | 440,000             | 220,800             |
| 2011        | 470,000             | 189,405             |
| 2012        | 500,000             | 155,940             |
| 2013-2016   | <u>2,010,000</u>    | <u>253,230</u>      |
|             | <u>\$ 4,215,000</u> | <u>\$ 1,347,053</u> |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**F) Long-Term Debt - continued**

**4) Capital Lease Payable**

On February 1, 2002, the Town entered into a lease agreement to acquire real property and the existing structures on the land for a public works facility. The 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, 2007, future lease payments are as follows:

| <u>Year Ending</u> | <u>Principal</u>  | <u>Interest</u>  |
|--------------------|-------------------|------------------|
| 2008               | \$ 10,995         | \$ 7,144         |
| 2009               | 11,616            | 6,524            |
| 2010               | 12,271            | 5,868            |
| 2011               | 12,963            | 5,176            |
| 2012               | 13,694            | 4,445            |
| 2013-2017          | <u>73,340</u>     | <u>9,799</u>     |
|                    | <u>\$ 134,879</u> | <u>\$ 38,956</u> |

**5) California Housing Loan**

The Town obtains loans from the California Housing Finance Agency for issuing down payment assistance loans to low-to-moderate income individuals. There is no interest associated with these loans and the principal is to be paid back in ten years from the date of issuance. The principal balance outstanding at June 30, 2007 is \$250,000. As of June 30, 2007, the future annual maturities are as follows:

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

**6) Obligation Under Installment Purchase Agreement**

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

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

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**F) Long-Term Debt - continued**

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

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

The Town will pay to the Authority the installment payments solely from service revenues, which consist primarily of rates and charges imposed by the Town for solid waste management services. Covenants within the installment purchase agreement require the Town of Apple Valley to establish annual rates sufficient to pay operating expenses and debt service payments in such fiscal year. In addition, such rates shall be charged to produce net revenues equal to at least 125% of the debt service payments due and payable in such fiscal year. The Town's liability for unpaid installment payments at June 30, 2007 is \$2,518,958. As of June 30, 2007, installment purchase payment requirements to maturity are as follows:

| Year Ended | Principal           | Interest          |
|------------|---------------------|-------------------|
| 2008       | \$ 152,708          | \$ 114,546        |
| 2009       | 155,417             | 109,773           |
| 2010       | 160,625             | 104,443           |
| 2011       | 167,917             | 98,370            |
| 2012       | 173,333             | 91,457            |
| 2013-2017  | 1,003,958           | 330,405           |
| 2018-2020  | 705,000             | 71,805            |
|            | <u>\$ 2,518,958</u> | <u>\$ 920,799</u> |

**7) Debt Issuance Costs**

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

|  | Sewer Fund<br>Certificates of<br>Participation | Assessment<br>District 3A | Assessment<br>District 2B-R | Tax<br>Allocation<br>Bonds | Installment<br>Purchase<br>Agreement | Total             |
|--|--|---------------------------|-----------------------------|----------------------------|--------------------------------------|-------------------|
| Debt issuance costs                              | \$ 51,686                                      | \$ 129,270                | \$ 311,840                  | \$ 444,207                 | \$ 152,708                           | \$ 1,089,711      |
| Less:  |  |                           |                             |                            |                                      |                   |
| Accumulated<br>amortization                      | (34,457)                                       | (121,733)                 | (187,104)                   | (30,848)                   | (30,542)                             | (404,684)         |
| Unamortized portion<br>of bond issuance<br>costs | <u>\$ 17,229</u>                               | <u>\$ 7,537</u>           | <u>\$ 124,736</u>           | <u>\$ 413,359</u>          | <u>\$ 122,166</u>                    | <u>\$ 685,027</u> |
| Current amortization                             | <u>\$ 3,446</u>                                | <u>\$ 6,464</u>           | <u>\$ 15,592</u>            | <u>\$ 14,807</u>           | <u>\$ 10,181</u>                     | <u>\$ 50,490</u>  |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

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

**G) 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, 2007, the outstanding balance is \$8,335,000.

The Apple Valley Water District issued Special Assessment District 98-1, 1915 Improvement Act Bonds. These bonds were issued to finance the construction and acquisition of sewer improvements within the area commonly known as Jess Ranch, located within the Assessment District. The Town is in no way liable for repayments of these bonds, but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, when necessary. The bonds mature on September 2, 1999 through 2023. As of June 30, 2007 the outstanding balance is \$2,475,000.

**H) Fund Balance**

The Town has established the following fund balance reserves and designations at June 30, 2007:

|                                 | General<br>Fund      | Special<br>Revenue  | Debt<br>Service      | Capital<br>Projects  |
|---------------------------------|----------------------|---------------------|----------------------|----------------------|
| Reserved for:                   |                      |                     |                      |                      |
| Low/moderate housing            | \$                   | 3,262,286           | \$                   | \$                   |
| Debt Service                    |                      |                     | 1,431,642            |                      |
| Redevelopment                   |                      |                     | 9,776,432            |                      |
| Total Reserved                  | -                    | 3,262,286           | 11,208,074           | -                    |
| Unreserved:                     |                      |                     |                      |                      |
| Designated for special fund     |                      |                     | 5,140,407            |                      |
| Designated for capital projects | 17,021,153           | (2,136,393)         | (304,156)            | 13,715,229           |
| Undesignated                    | 17,021,153           | 3,004,014           | (304,156)            | (1,349,565)          |
| Total Unreserved                | 17,021,153           | 3,004,014           | (304,156)            | 12,365,664           |
| Total Fund Balance              | <u>\$ 17,021,153</u> | <u>\$ 6,266,300</u> | <u>\$ 11,131,362</u> | <u>\$ 12,365,664</u> |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

**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 judgments 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, 2007, 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, 2007

**V) OTHER INFORMATION - Continued**

**A) Risk Management - Continued**

Changes in Claims Payable were as follows:

|  | 2006-2007 | 2005-2006  |
|--|-----------|------------|
| Claims payable, beginning of fiscal year     | \$ 45,000 | \$ 115,000 |
| Current year claims and changes in estimates | -         | 10,000     |
| Claim payments                               | -         | (80,000)   |
| Claims payable, end of fiscal year           | \$ 45,000 | \$ 45,000  |

**A) Participation in Joint Ventures**

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

The Town makes monthly payments to VWVRA for sewer treatment and connection fee services. During the 2006-2007 fiscal year, the Town remitted approximately \$2,528,947 to VWVRA.

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

**Mojave Desert and Mountain Integrated Waste Management Authority** - The Town of Apple Valley is a member of the Mojave Desert and Mountain Integrated Waste Management Authority ("Authority"), a joint powers agreement between local governments for the purpose of studying and planning ways and means to develop source reduction and recycling elements for their respective boundaries pursuant to Public Resources Code Section 40950 (A.B. 939). The governing body of the Authority is made up of representatives from each significant participants in the Authority. Budgeting and financing are the responsibility of the Authority. Contribution rates from member agencies are based on each member's current population as a percentage of the total population of the Authority. The Town of Apple Valley maintains a 50% interest in the Materials Recovery Facility (MRF). The Town's net investment in the Joint Venture at June 30, 2006 was \$2,124,470. 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, 2007

**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 between the first and tenth day of each month the previous month's sales receipts and proceeds. This activity is included in the Agency Funds.

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

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

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

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

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

**Funding Policy** - Participants are required to contribute 8% of their annual covered salary. The Town makes the contributions required of Town employees on their behalf and for their account. The Town is also required to make an additional contribution at an actuarially determined rate. The current rate is 14.590% of annual covered payroll for non-safety employees. The contribution requirements of plan members and the Town are established and may be amended by PERS.

| Fiscal Year | THREE YEAR TREND INFORMATION FOR PERS<br>Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------|--|-------------------------------|------------------------|
| 6/30/05     | 531,208  | 100%                          | 0                      |
| 6/30/06     | 582,986  | 100%                          | 0                      |
| 6/30/07     | 827,306  | 100%                          | 0                      |

**Town of Apple Valley, California**  
**Notes to Financial Statements**  
Year Ended June 30, 2007

**V) OTHER INFORMATION - Continued**

**D) Contingent Liabilities**

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

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

**E) Commitments**

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

**F) Prior Period Adjustments**

The prior period adjustments in the statement of activities of \$329,892,170 in governmental activities and \$21,590,247 in business-type activities and the enterprise fund financial statements consists of additions to Capital Assets due to the implementation of GASB Statement No. 34 as it relates to the Town's infrastructure assets.

**G) Subsequent Events**

Subsequent to June 30, 2007, the Town issued \$11,355,000 of Lease Revenue Bonds to assist in financing the construction of an annex to the Town Hall and certain capital projects.

In addition, on July 1, 2007, the Apple Valley Redevelopment Agency issued \$37,230,000 of Tax Allocation Bonds to finance certain redevelopment activities benefiting the Apple Valley Redevelopment Project Area No. 2, including the furtherance of the Agency's low-moderate income housing program.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Town of Apple Valley, California**  
**Notes to Required Supplementary Information**  
Year Ended June 30, 2006

**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. The fiscal year 2007 budget was adopted by Town Council on June 13, 2006. Town Council approval is required for budget revisions affecting capital improvement projects, any expenditures from budgeted contingency reserve funds and for budget revisions that increase total Town appropriations. Town Manager approval is required for transfers between departments in the General Fund. Only Department Head approval is required for transfers within the Department, as long as total budgeted appropriations for that Department is not exceeded. Prior appropriations lapse unless they are reappropriated through the formal budget process. Total expenditures may not legally exceed total appropriations at the fund level. No supplemental appropriations were made during the year.

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

Air Pollution Control District, FEMA, Assessment District L-1, Police Grants, Storm Drains, Help Down Payment Assistance, Road Bond Projects, and Development Impact fees.

The following funds had an excess of expenditures over appropriations:

Article 8 Fund, Parks and Recreation Fund, RDA Debt Service Fund, RDA Capital Projects Fund, Project Manager Grants Fund, Federal Grants Fund, and the 1999 and 2001COPS Funds.

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2007**

|   | Budgeted Amounts     |                      | Actual Amounts       | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|--|
|   | Original             | Final                |                      |  |
| <b>REVENUES</b>                                   |                      |                      |                      |  |
| Taxes   | \$ 11,710,000        | \$ 11,710,000        | \$ 13,931,342        | \$ 2,221,342                                   |
| Licenses & Permits                                | 2,234,200            | 2,234,200            | 1,775,856            | (458,344)                                      |
| Fines & Forfeitures                               | 209,500              | 209,500              | 332,520              | 123,020  |
| Investment Income                                 | 360,000              | 360,000              | 1,111,439            | 751,439  |
| Intergovernmental                                 | 601,200              | 601,200              | 871,311              | 270,111  |
| Charges for Services                              | 1,718,250            | 1,718,250            | 2,029,381            | 311,131  |
| Other Revenue                                     | 35,200               | 36,200               | 386,448              | 350,248  |
| <b>Total Revenues</b>                             | <b>16,868,350</b>    | <b>16,869,350</b>    | <b>20,438,297</b>    | <b>3,568,947</b>                               |
| <b>EXPENDITURES</b>                               |                      |                      |                      |  |
| Current:  |                      |                      |                      |  |
| General Government                                | 2,618,392            | 2,613,186            | 2,804,725            | (191,539)                                      |
| Public Safety                                     | 9,382,017            | 9,368,790            | 9,109,124            | 259,666  |
| Community Development                             | 4,223,620            | 4,257,553            | 4,543,659            | (286,106)                                      |
| Capital Outlay                                    | 874,200              | 1,121,700            | 852,657              | 269,043  |
| Debt Service:                                     |                      |                      |                      |  |
| Principal   | 120,000              | 120,000              | 10,456               | 109,544  |
| Interest and Fiscal Charges                       | 10,000               | 10,000               | 7,683                | 2,317  |
| <b>Total Expenditures</b>                         | <b>17,228,229</b>    | <b>17,491,229</b>    | <b>17,328,304</b>    | <b>162,925</b>                                 |
| Excess (Deficiency) of Revenues over Expenditures | (359,879)            | (621,879)            | 3,109,993            | 3,731,872                                      |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                      |                      |                      |  |
| Transfers In                                      |                      |                      | 39,803               | 39,803   |
| Transfers Out                                     | (740,000)            | (740,000)            | (761,198)            | (21,198)                                       |
| Total Other Financing Sources (Uses)              | (740,000)            | (740,000)            | (721,395)            | 18,605   |
| Net Change in Fund Balances                       | (1,099,879)          | (1,361,879)          | 2,388,598            | 3,750,477                                      |
| Fund Balances, Beginning                          | 14,632,555           | 14,632,555           | 14,632,555           |  |
| Fund Balances, Ending                             | <u>\$ 13,532,676</u> | <u>\$ 13,270,676</u> | <u>\$ 17,021,153</u> | <u>\$ 3,750,477</u>                            |

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Article 8 Fund**  
**Year Ended June 30, 2007**

|   | Budgeted Amounts    |                     | Actual Amounts      | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
|   | Original            | Final               |                     |  |
| <b>REVENUES</b>                                   |                     |                     |                     |  |
| Taxes   | \$ 2,476,736        | \$ 2,476,736        | \$ 1,575,619        | \$ (901,117)                                   |
| Investment Income                                 | 100,000             | 100,000             | 183,358             | 83,358   |
| Total Revenues                                    | <u>2,576,736</u>    | <u>2,576,736</u>    | <u>1,758,977</u>    | <u>(817,759)</u>                               |
| <b>EXPENDITURES</b>                               |                     |                     |                     |  |
| Current:  |                     |                     |                     |  |
| Transportation                                    | 1,672,104           | 4,325,104           | 4,849,042           | (523,938)                                      |
| Total Expenditures                                | <u>1,672,104</u>    | <u>4,325,104</u>    | <u>4,849,042</u>    | <u>(523,938)</u>                               |
| Excess (Deficiency) of Revenues over Expenditures | 904,632             | (1,748,368)         | (3,090,065)         | (1,341,697)                                    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                     |  |
| Transfers Out                                     |                     |                     | (382,867)           | (382,867)                                      |
| Total Other Financing Sources (Uses)              | <u>-</u>            | <u>-</u>            | <u>(382,867)</u>    | <u>(382,867)</u>                               |
| Net Change in Fund Balance                        | 904,632             | (1,748,368)         | (3,472,932)         | (1,724,564)                                    |
| Fund Balances, Beginning                          | 7,195,447           | 7,195,447           | 7,195,447           |  |
| Fund Balances, Ending                             | <u>\$ 8,100,079</u> | <u>\$ 5,447,079</u> | <u>\$ 3,722,515</u> | <u>\$(1,724,564)</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, 2007**

|   | Budgeted Amounts            |                             | Actual Amounts              | Variance with Final Budget (Positive/Negative) |
|---|-----------------------------|-----------------------------|-----------------------------|--|
|   | Original                    | Final                       |                             |  |
| <b>REVENUES</b>                                   |                             |                             |                             |  |
| Taxes   | \$ 1,400,000                | \$ 1,400,000                | \$ 1,922,722                | \$ 522,722                                     |
| Charges for Services                              | 512,627                     | 512,627                     | 825,070                     | 312,443  |
| Other Revenue                                     | 174,695                     | 174,695                     | 2,315                       | (172,380)                                      |
| Total Revenues                                    | <u>2,087,322</u>            | <u>2,087,322</u>            | <u>2,750,107</u>            | <u>662,785</u>                                 |
| <b>EXPENDITURES</b>                               |                             |                             |                             |  |
| Current:  |                             |                             |                             |  |
| Culture and Recreation                            | 1,246,298                   | 1,246,298                   | 2,210,300                   | (964,002)                                      |
| Capital Outlay                                    | 2,014,278                   | 2,014,278                   | 1,495,618                   | 518,660  |
| Total Expenditures                                | <u>3,260,576</u>            | <u>3,260,576</u>            | <u>3,705,918</u>            | <u>(445,342)</u>                               |
| Excess (Deficiency) of Revenues over Expenditures | <u>(1,173,254)</u>          | <u>(1,173,254)</u>          | <u>(955,811)</u>            | <u>217,443</u>                                 |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                             |                             |                             |  |
| Transfers Out                                     |                             |                             | (2,325)                     | (2,325)  |
| Total Other Financing Sources (Uses)              | <u>-</u>                    | <u>-</u>                    | <u>(2,325)</u>              | <u>(2,325)</u>                                 |
| Net Change in Fund Balance                        | (1,173,254)                 | (1,173,254)                 | (958,136)                   | 215,118  |
| Fund Balance, Beginning                           | (567,693)                   | (567,693)                   | (567,693)                   |  |
| Fund Balance, Ending                              | <u><u>\$(1,740,947)</u></u> | <u><u>\$(1,740,947)</u></u> | <u><u>\$(1,525,829)</u></u> | <u><u>\$ 215,118</u></u>                       |

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

|   | Budgeted Amounts    |                     | Actual Amounts      | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
|   | Original            | Final               |                     |  |
| <b>REVENUES</b>                                   |                     |                     |                     |  |
| Investment Income                                 | \$                  | \$                  | \$ 795              | \$ 795   |
| Intergovernmental                                 | 1,792,765           | 1,792,765           | 24,418              | (1,768,347)                                    |
| Total Revenues                                    | 1,792,765           | 1,792,765           | 25,213              | (1,767,552)                                    |
| <b>EXPENDITURES</b>                               |                     |                     |                     |  |
| Current:  |                     |                     |                     |  |
| Community Development                             | 1,920,450           | 1,920,450           | 481,409             | 1,439,041                                      |
| Total Expenditures                                | 1,920,450           | 1,920,450           | 481,409             | 1,439,041                                      |
| Excess (Deficiency) of Revenues over Expenditures | (127,685)           | (127,685)           | (456,196)           | (328,511)                                      |
| Fund Balance, Beginning                           | -                   | -                   | -                   | -  |
| Fund Balance, Ending                              | <u>\$ (127,685)</u> | <u>\$ (127,685)</u> | <u>\$ (456,196)</u> | <u>\$ (328,511)</u>                            |



## **SUPPLEMENTARY INFORMATION**

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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

### Capital Projects Funds:

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

**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:**

**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, 2007**

|  | Special Revenue       |                   |                                   |                   |
|--|-----------------------|-------------------|-----------------------------------|-------------------|
|  | Street<br>Maintenance | CDBG              | Air Pollution<br>Control District | FEMA              |
| <b>ASSETS</b>                            |                       |                   |                                   |                   |
| Cash and Investments                     | \$ 166,759            | \$                | \$ 50,379                         | \$                |
| Cash with Fiscal Agent                   |                       |                   |                                   |                   |
| Accounts Receivable                      | 2,732                 | 129,306           |                                   | 93                |
| Interest Receivable                      |                       |                   |                                   |                   |
| Due from Other Funds                     |                       |                   |                                   |                   |
| Due from Other Governments               | 127,077               | 91,748            | 504                               | 166,347           |
| Loans Receivable                         |                       |                   |                                   |                   |
| Total Assets                             | <u>\$ 296,568</u>     | <u>\$ 221,054</u> | <u>\$ 50,976</u>                  | <u>\$ 166,347</u> |
| <b>LIABILITIES AND FUND BALANCES</b>     |                       |                   |                                   |                   |
| <b>Liabilities:</b>                      |                       |                   |                                   |                   |
| Accounts Payable                         | \$ 279,022            | \$ 2,968          | \$                                | \$ 7,490          |
| Accrued Liabilities                      | 17,546                | 15,636            |                                   | 158,857           |
| Due to Other Funds                       |                       | 66,338            |                                   | 166,347           |
| Deferred Revenue                         |                       | 129,306           |                                   |                   |
| Total Liabilities                        | <u>296,568</u>        | <u>214,248</u>    | <u>-</u>                          | <u>332,694</u>    |
| <b>Fund Balances:</b>                    |                       |                   |                                   |                   |
| <b>Reserved:</b>                         |                       |                   |                                   |                   |
| Reserved for Low/Moderate Income Housing |                       |                   |                                   |                   |
| Reserved for Debt Service                |                       |                   |                                   |                   |
| Unreserved:                              |                       |                   |                                   |                   |
| Designated for Special Fund Purposes     |                       | 6,806             | 50,976                            |                   |
| Designated for Capital Projects          |                       |                   |                                   | (166,347)         |
| Undesignated                             |                       |                   |                                   |                   |
| Total Fund Balances                      | <u>-</u>              | <u>6,806</u>      | <u>50,976</u>                     | <u>(166,347)</u>  |
| Total Liabilities and Fund Balances      | <u>\$ 296,568</u>     | <u>\$ 221,054</u> | <u>\$ 50,976</u>                  | <u>\$ 166,347</u> |

| Assessment District L-1 | Low/Moderate Housing | Federal Grants    | ADDI Down Payment Assistance | Help Down Payment Assistance | Quintly Fees      |
|-------------------------|----------------------|-------------------|------------------------------|------------------------------|-------------------|
| \$ 203,585              | \$ 3,142,052         | \$                | \$                           | \$                           | \$ 350,250        |
|                         | 5,743                | 63                |                              |                              |                   |
| 2,122                   | 1,155,260            | 222,068           | 40,000                       | 250,000                      |                   |
|                         |                      | 656,766           | 40,000                       |                              |                   |
| <u>\$ 205,707</u>       | <u>\$ 4,303,055</u>  | <u>\$ 878,897</u> | <u>\$ 80,000</u>             | <u>\$ 250,000</u>            | <u>\$ 350,250</u> |
| \$ 9,174                | \$ 490               | \$ 4,892          | \$                           | \$                           | \$                |
| 834                     | 1,217                | 4,161             |                              |                              |                   |
|                         |                      | 105,714           | 40,000                       |                              |                   |
|                         |                      | 878,498           | 80,000                       | 250,000                      |                   |
| <u>10,008</u>           | <u>1,040,769</u>     | <u>993,265</u>    | <u>120,000</u>               | <u>250,000</u>               | <u>-</u>          |
|                         | 3,262,286            |                   |                              |                              |                   |
| 195,699                 |                      | (114,368)         | (40,000)                     |                              | 350,250           |
|                         |                      |                   |                              |                              |                   |
| 195,699                 | 3,262,286            | (114,368)         | (40,000)                     | -                            | 350,250           |
|                         |                      |                   |                              |                              |                   |
| <u>\$ 205,707</u>       | <u>\$ 4,303,055</u>  | <u>\$ 878,897</u> | <u>\$ 80,000</u>             | <u>\$ 250,000</u>            | <u>\$ 350,250</u> |

**Town of Apple Valley  
Combining Balance Sheet  
Non-Major Governmental Funds - Continued  
June 30, 2007**

|  | Capital Project  |                            |                       |                 |
|--|------------------|----------------------------|-----------------------|-----------------|
|  | Police<br>Grants | Development<br>Impact Fees | Road Bond<br>Projects | Storm<br>Drains |
| <b>ASSETS</b>                            |                  |                            |                       |                 |
| Cash and Investments                     | \$               | \$ 980,508                 | \$                    | \$ 1,663,883    |
| Cash with Fiscal Agent                   |                  |                            |                       |                 |
| Accounts Receivable                      |                  |                            |                       |                 |
| Interest Receivable                      |                  |                            |                       | 2,995           |
| Due from Other Funds                     |                  |                            |                       |                 |
| Due from Other Governments               |                  |                            |                       | 16,101          |
| Loans Receivable                         |                  |                            |                       |                 |
| Total Assets                             | \$ -             | \$ 980,508                 | \$ -                  | \$ 1,682,979    |
| <b>LIABILITIES AND FUND BALANCES</b>     |                  |                            |                       |                 |
| Liabilities:                             |                  |                            |                       |                 |
| Accounts Payable                         | \$               | \$                         | \$                    | \$              |
| Accrued Liabilities                      |                  |                            |                       |                 |
| Due to Other Funds                       |                  |                            |                       |                 |
| Deferred Revenue                         |                  |                            |                       |                 |
| Total Liabilities                        | -                | -                          | -                     | -               |
| Fund Balances:                           |                  |                            |                       |                 |
| Reserved:                                |                  |                            |                       |                 |
| Reserved for Low/Moderate Income Housing |                  |                            |                       |                 |
| Reserved for Debt Service                |                  |                            |                       |                 |
| Unreserved:                              |                  |                            |                       |                 |
| Designated for Special Fund Purposes     |                  | 980,508                    |                       |                 |
| Designated for Capital Projects          |                  |                            |                       | 1,682,979       |
| Undesignated                             |                  |                            |                       |                 |
| Total Fund Balances                      | -                | 980,508                    | -                     | 1,682,979       |
| Total Liabilities and Fund Balances      | \$ -             | \$ 980,508                 | \$ -                  | \$ 1,682,979    |

|                |                | Total            |           |
|----------------|----------------|------------------|-----------|
| Debt Service   |                | Nonmajor         |           |
| 1999           | 2001           | Governmental     |           |
| COPS           | COPS           | Funds            |           |
| \$             | \$             | \$               | \$        |
| 113,482        | 190,674        | 6,557,416        | 304,156   |
|                |                | 132,038          | 8,894     |
|                |                | -                | -         |
|                |                | 1,821,227        | 946,766   |
| <u>\$</u>      | <u>\$</u>      | <u>\$</u>        | <u>\$</u> |
| 113,482        | 190,674        | 9,770,497        |           |
| \$             | \$             | \$               | \$        |
| 113,482        | 190,674        | 304,036          | 39,394    |
|                |                | 675,065          | 2,543,213 |
| <u>113,482</u> | <u>190,674</u> | <u>3,561,708</u> |           |
| 113,482        | 190,674        | 3,262,286        | 304,156   |
|                |                | 1,584,239        | 1,682,979 |
| (113,482)      | (190,674)      | (624,871)        |           |
| -              | -              | 6,208,789        |           |
| <u>\$</u>      | <u>\$</u>      | <u>\$</u>        | <u>\$</u> |
| 113,482        | 190,674        | 9,770,497        |           |



**Town of Apple Valley**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**Year Ended June 30, 2007**

|   | Special Revenue       |          |                                   |              |
|---|-----------------------|----------|-----------------------------------|--------------|
|   | Street<br>Maintenance | CDBG     | Air Pollution<br>Control District | FEMA         |
| <b>REVENUES</b>                                   |                       |          |                                   |              |
| Taxes   | \$                    | \$       | \$                                | \$           |
| Licenses and Permits                              |                       |          | 50,048                            |              |
| Investment Income                                 |                       |          | 1,906                             |              |
| Intergovernmental                                 | 1,246,222             | 225,075  |                                   | 53,319       |
| Other Revenue                                     |                       |          |                                   |              |
| Total Revenues                                    | 1,246,222             | 225,075  | 51,954                            | 53,319       |
| <b>EXPENDITURES</b>                               |                       |          |                                   |              |
| Current:  |                       |          |                                   |              |
| General Government                                |                       |          |                                   |              |
| Public Safety                                     |                       |          |                                   |              |
| Transportation                                    | 1,246,222             |          | 35,000                            |              |
| Culture and Recreation                            |                       |          |                                   |              |
| Community Development                             |                       | 221,672  |                                   | 7,490        |
| Health  |                       |          |                                   |              |
| Capital Outlay                                    |                       |          |                                   | 83,254       |
| Debt Service:                                     |                       |          |                                   |              |
| Principal   |                       |          |                                   |              |
| Interest and Fiscal Charges                       |                       |          |                                   |              |
| Total Expenditures                                | 1,246,222             | 221,672  | 35,000                            | 90,744       |
| Excess (Deficiency) of Revenues Over Expenditures | -                     | 3,403    | 16,954                            | (37,425)     |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                       |          |                                   |              |
| Debt Proceeds                                     |                       |          |                                   |              |
| Transfers In                                      |                       |          |                                   |              |
| Transfers Out                                     |                       |          |                                   |              |
| Total Other Financing Sources (Uses)              | -                     | -        | -                                 | -            |
| Net Change in Fund Balances                       | -                     | 3,403    | 16,954                            | (37,425)     |
| Fund Balances - Beginning                         | -                     | 3,403    | 34,022                            | (128,922)    |
| Fund Balances - Ending                            | \$ -                  | \$ 6,806 | \$ 50,976                         | \$ (166,347) |

| Assessment District L-1 | Low/Moderate Housing | Federal Grants | ADDI Down Payment Assistance | Help Down Payment Assistance | Quimby Fees |
|-------------------------|----------------------|----------------|------------------------------|------------------------------|-------------|
| \$ 132,503              | \$ 1,818,802         | \$             | \$                           | \$                           | \$          |
|                         | 109,479              | 6,482          |                              |                              | 727,996     |
|                         |                      | 124,392        |                              |                              |             |
|                         |                      | 75             |                              |                              |             |
| 132,503                 | 1,928,281            | 130,949        | -                            | -                            | 727,996     |
| 65,218                  |                      |                |                              |                              |             |
|                         | 53,637               | 434,351        | 40,000                       | 82,464                       | 1,229,482   |
| 65,218                  | 53,637               | 434,351        | 40,000                       | 82,464                       | 3,618,134   |
| 67,285                  | 1,874,644            | (303,402)      | (40,000)                     | (82,464)                     | (2,890,138) |
|                         |                      |                |                              | 82,464                       |             |
|                         |                      |                |                              |                              | (14,265)    |
|                         |                      |                |                              | 82,464                       | (14,265)    |
| 67,285                  | 1,874,644            | (303,402)      | (40,000)                     | -                            | (2,904,403) |
| 128,414                 | 1,387,642            | 189,034        | -                            | -                            | 3,254,653   |
| \$ 195,699              | \$ 3,262,286         | \$ (114,368)   | \$ (40,000)                  | \$ -                         | \$ 350,250  |

**Town of Apple Valley**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Non-Major Governmental Funds - Continued**  
**Year Ended June 30, 2007**

|   | Capital Projects |                            |                       |                 |
|---|------------------|----------------------------|-----------------------|-----------------|
|   | Police<br>Grants | Development<br>Impact Fees | Road Bond<br>Projects | Storm<br>Drains |
| <b>REVENUES</b>                                   |                  |                            |                       |                 |
| Taxes   | \$               | \$                         | \$                    | \$              |
| Licenses and Permits                              |                  | 607,236                    |                       | 66,918          |
| Investment Income                                 |                  |                            |                       | 461,461         |
| Intergovernmental                                 | 12,960           |                            |                       |                 |
| Other Revenue                                     |                  |                            |                       |                 |
| Total Revenues                                    | 12,960           | 607,236                    | -                     | 528,379         |
| <b>EXPENDITURES</b>                               |                  |                            |                       |                 |
| Current:  |                  |                            |                       |                 |
| General Government                                |                  |                            |                       |                 |
| Public Safety                                     |                  |                            |                       |                 |
| Transportation                                    |                  |                            |                       |                 |
| Culture and Recreation                            |                  |                            |                       |                 |
| Community Development                             |                  |                            |                       |                 |
| Health  |                  |                            |                       |                 |
| Capital Outlay                                    |                  |                            |                       |                 |
| Debt Service:                                     |                  |                            |                       |                 |
| Principal   |                  |                            |                       |                 |
| Interest and Fiscal Charges                       |                  |                            |                       |                 |
| Total Expenditures                                | -                | -                          | -                     | -               |
| Excess (Deficiency) of Revenues Over Expenditures | 12,960           | 607,236                    | -                     | 528,379         |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |                            |                       |                 |
| Debt Proceeds                                     |                  |                            |                       |                 |
| Transfers In                                      |                  | 373,272                    |                       |                 |
| Transfers Out                                     |                  |                            |                       |                 |
| Total Other Financing Sources (Uses)              | -                | 373,272                    | -                     | -               |
| Net Change in Fund Balances                       | 12,960           | 980,508                    | -                     | 528,379         |
| Fund Balances - Beginning                         | (12,960)         | -                          | -                     | 1,154,600       |
| Fund Balances - Ending                            | -                | \$ 980,508                 | \$ -                  | \$ 1,682,979    |

|    |           | Debt Service |           | Total        |
|----|-----------|--------------|-----------|--------------|
|    |           | 1999         | 2001      | Nonmajor     |
|    |           | COPS         | COPS      | Governmental |
|    |           |              |           | Funds        |
| \$ |           | \$           |           | \$           |
|    | 5,152     |              | 8,644     | 2,001,353    |
|    |           |              |           | 1,335,232    |
|    |           |              |           | 198,581      |
|    |           |              |           | 1,661,968    |
|    |           |              |           | 461,536      |
|    | 5,152     |              | 8,644     | 5,658,670    |
|    | 61,391    |              | 36,657    | 98,048       |
|    |           |              |           | -            |
|    |           |              |           | 1,346,440    |
|    |           |              |           | 1,229,482    |
|    |           |              |           | 839,614      |
|    |           |              |           | -            |
|    |           |              |           | 2,471,906    |
|    | 280,000   |              | 172,500   | 452,500      |
|    | 157,296   |              | 67,150    | 224,446      |
|    | 498,687   |              | 276,307   | 6,662,436    |
|    | (493,535) |              | (267,663) | (1,003,766)  |
|    | 493,535   |              | 267,663   | 82,464       |
|    |           |              |           | 1,134,470    |
|    |           |              |           | (14,265)     |
|    | 493,535   |              | 267,663   | 1,202,669    |
|    |           |              |           | 198,903      |
|    |           |              |           | -            |
|    |           |              |           | 6,009,886    |
|    |           |              |           | -            |
| \$ | -         | \$           | -         | \$           |
|    |           |              |           | 6,208,789    |

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - RDA Debt Service Fund**  
**Year Ended June 30, 2007**

|   | Budgeted Amounts    |                     | Actual Amounts       | Variance with Final Budget (Negative) |
|---|---------------------|---------------------|----------------------|---------------------------------------|
|   | Original            | Final               |                      |                                       |
| <b>REVENUES</b>                                   |                     |                     |                      |                                       |
| Taxes   | \$ 1,110,000        | \$ 1,110,000        | \$ 4,794,341         | \$ 3,684,341                          |
| Investment Income                                 |                     |                     | 92,765               | 92,765                                |
| Total Revenues                                    | <u>1,110,000</u>    | <u>1,110,000</u>    | <u>4,887,106</u>     | <u>3,777,106</u>                      |
| <b>EXPENDITURES</b>                               |                     |                     |                      |                                       |
| Current:  |                     |                     |                      |                                       |
| Community Development                             | 317,074             |                     | 41,841               | (41,841)                              |
| Debt Service:                                     |                     |                     |                      |                                       |
| Principal   | 275,000             | 275,000             | 125,000              | 150,000                               |
| Interest and Fiscal Charges                       | 275,000             | 275,000             | 357,560              | (82,560)                              |
| Pass-Through Agreements                           |                     |                     | 1,012,494            | (1,012,494)                           |
| Capital Outlay                                    |                     | 1,492,000           | 1,309,498            | 182,502                               |
| Total Expenditures                                | <u>867,074</u>      | <u>2,042,000</u>    | <u>2,846,393</u>     | <u>(804,393)</u>                      |
| Excess (Deficiency) of Revenues over Expenditures | <u>242,926</u>      | <u>(932,000)</u>    | <u>2,040,713</u>     | <u>2,972,713</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                      |                                       |
| Debt Proceeds                                     |                     |                     | 8,985,000            | 8,985,000                             |
| Discount on Bonds                                 |                     |                     | (284,905)            | (284,905)                             |
| Transfers In                                      |                     |                     | 210,132              | 210,132                               |
| Transfers Out                                     |                     | (713,200)           | (4,458,969)          | (3,745,769)                           |
| Total Other Financing Sources (Uses)              | <u>-</u>            | <u>(713,200)</u>    | <u>4,451,258</u>     | <u>5,164,458</u>                      |
| Net Change in Fund Balances                       | 242,926             | (1,645,200)         | 6,491,971            | 8,137,171                             |
| Fund Balance, Beginning                           | 4,411,947           | 4,411,947           | 4,411,947            |                                       |
| Fund Balance, Ending                              | <u>\$ 4,654,873</u> | <u>\$ 2,766,747</u> | <u>\$ 10,903,918</u> | <u>\$ 8,137,171</u>                   |

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Capital Projects Fund**  
**Year Ended June 30, 2007**

|   | Budgeted Amounts    |                     | Actual Amounts      | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
|   | Original            | Final               |                     |  |
| <b>REVENUES</b>                                   |                     |                     |                     |  |
| Licenses and Permits                              | \$ 2,250,000        | \$ 2,250,000        | \$ 3,743,785        | \$ 1,493,785                                   |
| Investment Income                                 | 29,000              | 29,000              |                     | (29,000)                                       |
| Total Revenues                                    | <u>2,279,000</u>    | <u>2,279,000</u>    | <u>3,743,785</u>    | <u>1,464,785</u>                               |
| <b>EXPENDITURES</b>                               |                     |                     |                     |  |
| Capital Outlay                                    | 11,319,500          | 10,321,000          | 1,796,447           | 8,524,553                                      |
| Total Expenditures                                | <u>11,319,500</u>   | <u>10,321,000</u>   | <u>1,796,447</u>    | <u>8,524,553</u>                               |
| Excess (Deficiency) of Revenues over Expenditures | <u>(9,040,500)</u>  | <u>(8,042,000)</u>  | <u>1,947,338</u>    | <u>9,989,338</u>                               |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                     |  |
| Debt Proceeds                                     | 6,200,000           | 6,200,000           | (154,717)           | (6,200,000)                                    |
| Transfers Out                                     |                     |                     | (154,717)           | (154,717)                                      |
| Total Other Financing Sources (Uses)              | <u>6,200,000</u>    | <u>6,200,000</u>    | <u>(154,717)</u>    | <u>(6,354,717)</u>                             |
| Net Change in Fund Balances                       | (2,840,500)         | (1,842,000)         | 1,792,621           | 3,634,621                                      |
| Fund Balance, Beginning                           | 8,321,993           | 8,321,993           | 8,321,993           |  |
| Fund Balance, Ending                              | <u>\$ 5,481,493</u> | <u>\$ 6,479,993</u> | <u>\$10,114,614</u> | <u>\$ 3,634,621</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, 2007**

|   | Budgeted Amounts     |                      | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------|--|
|   | Original             | Final                |                |  |
| <b>REVENUES</b>                                   |                      |                      |                |  |
| Investment Income                                 | \$                   | \$                   | \$             | \$   |
| Total Revenues                                    | -                    | -                    | -              | -  |
| <b>EXPENDITURES</b>                               |                      |                      |                |  |
| Current:  |                      |                      |                |  |
| Community Development                             | 259,602              | 576,676              | 533,074        | 43,602   |
| Debt Service                                      |                      |                      |                |  |
| Interest  |                      |                      | 14,083         | (14,083)                                       |
| Capital Outlay                                    | 136,524              | 136,524              | 2,237,976      | (2,101,452)                                    |
| Total Expenditures                                | 396,126              | 713,200              | 2,785,133      | (2,071,933)                                    |
| Excess (Deficiency) of Revenues over Expenditures | (396,126)            | (713,200)            | (2,785,133)    | (2,071,933)                                    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                      |                      |                |  |
| Transfers In                                      |                      | 713,200              | 4,458,969      | 3,745,769                                      |
| Transfers Out                                     |                      |                      | (210,132)      | (210,132)                                      |
| Total Other Financing Sources (Uses)              | -                    | 713,200              | 4,248,837      | 3,535,637                                      |
| Net Change in Fund Balances                       | (396,126)            | -                    | 1,463,704      | 1,463,704                                      |
| Fund Balance, Beginning                           | (1,463,704)          | (1,463,704)          | (1,463,704)    |  |
| Fund Balance, Ending                              | <u>\$(1,859,830)</u> | <u>\$(1,463,704)</u> | <u>\$ -</u>    | <u>\$ 1,463,704</u>                            |

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Project Manager Grants**  
**Year Ended June 30, 2007**

|  | Budgeted Amounts    | Actual            | Variance with                          |
|--|---------------------|-------------------|--|
|  | Original            | Final             | Final Budget<br>Positive<br>(Negative) |
| <b>REVENUES</b>                                      |                     |                   |  |
| Intergovernmental                                    | \$ 2,540,813        | \$ 3,325,779      | \$ 1,433,311                           |
|  | 2,540,813           | 3,325,779         | 1,433,311                              |
|  |                     |                   | (1,892,468)                            |
| <b>EXPENDITURES</b>                                  |                     |                   |  |
| Current:   |                     |                   |  |
| Community Development                                | 189,640             |                   | 32,991                                 |
|  | 189,640             | -                 | 32,991                                 |
|  |                     |                   | (32,991)                               |
| Total Expenditures                                   |                     |                   |  |
|  |                     |                   | (32,991)                               |
| Excess (Deficiency) of Revenues<br>over Expenditures | 2,351,173           | 3,325,779         | 1,400,320                              |
|  | 2,351,173           | 3,325,779         | 1,400,320                              |
|  |                     |                   | (1,925,459)                            |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                   |  |
| Transfers In   |                     |                   | 14,265                                 |
|  |                     |                   | 14,265                                 |
| Total Other Financing<br>Sources (Uses)              | -                   | -                 | 14,265                                 |
|  | -                   | -                 | 14,265                                 |
| Net Change in Fund Balances                          | 2,351,173           | 3,325,779         | 1,414,585                              |
|  | 2,351,173           | 3,325,779         | 1,414,585                              |
|  | (2,764,150)         | (2,764,150)       | (2,764,150)                            |
| Fund Balances, Beginning                             |                     |                   |  |
|  | (2,764,150)         | (2,764,150)       | (2,764,150)                            |
| Fund Balances, Ending                                | \$ (412,977)        | \$ 561,629        | \$ (1,349,565)                         |
|  | <u>\$ (412,977)</u> | <u>\$ 561,629</u> | <u>\$ (1,349,565)</u>                  |
|  |                     |                   | <u>\$ (1,911,194)</u>                  |



**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Measure I Fund**  
**Year Ended June 30, 2007**

|   | Budgeted Amounts            |                            | Actual Amounts             | Variance with Final Budget Positive (Negative) |
|---|-----------------------------|----------------------------|----------------------------|--|
|   | Original                    | Final                      |                            |  |
| <b>REVENUES</b>                                   |                             |                            |                            |  |
| Taxes   | \$ 2,157,000                | \$ 2,157,000               | \$ 2,724,713               | \$ 567,713                                     |
| Investment Income                                 | 104,000                     | 104,000                    | 161,775                    | 57,775   |
| Total Revenues                                    | <u>2,261,000</u>            | <u>2,261,000</u>           | <u>2,886,488</u>           | <u>625,488</u>                                 |
| <b>EXPENDITURES</b>                               |                             |                            |                            |  |
| Current:  |                             |                            |                            |  |
| Transportation                                    | 150,000                     | 150,000                    | 134,350                    | 15,650   |
| Capital Outlay                                    | 7,662,268                   | 4,553,768                  | 3,348,444                  | 1,205,324                                      |
| Total Expenditures                                | <u>7,812,268</u>            | <u>4,703,768</u>           | <u>3,482,794</u>           | <u>1,220,974</u>                               |
| Excess (Deficiency) of Revenues over Expenditures | <u>(5,551,268)</u>          | <u>(2,442,768)</u>         | <u>(596,306)</u>           | <u>1,846,462</u>                               |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                             |                            |                            |  |
| Transfers In                                      |                             |                            | 410,869                    | 410,869  |
| Total Other Financing Sources (Uses)              | <u>-</u>                    | <u>-</u>                   | <u>410,869</u>             | <u>410,869</u>                                 |
| Net Change in Fund Balances                       | (5,551,268)                 | (2,442,768)                | (185,437)                  | 2,257,331                                      |
| Fund Balance, Beginning                           | 2,103,073                   | 2,103,073                  | 2,103,073                  |  |
| Fund Balance, Ending                              | <u><u>\$(3,448,195)</u></u> | <u><u>\$ (339,695)</u></u> | <u><u>\$ 1,917,636</u></u> | <u><u>\$ 2,257,331</u></u>                     |

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Street Maintenance Fund**  
**Year Ended June 30, 2007**

|  | Budgeted Amounts    |                     | Actual              | Variance with                          |
|--|---------------------|---------------------|---------------------|--|
|  | Original            | Final               | Amounts             | Final Budget<br>Positive<br>(Negative) |
| <b>REVENUES</b>                                      |                     |                     |                     |  |
| Intergovernmental                                    | <u>\$ 1,398,697</u> | <u>\$ 1,398,697</u> | <u>\$ 1,246,222</u> | <u>\$ (152,475)</u>                    |
| Total Revenues                                       | <u>1,398,697</u>    | <u>1,398,697</u>    | <u>1,246,222</u>    | <u>(152,475)</u>                       |
| <b>EXPENDITURES</b>                                  |                     |                     |                     |  |
| Current:   |                     |                     |                     |  |
| Transportation                                       | <u>1,436,697</u>    | <u>1,398,697</u>    | <u>1,246,222</u>    | <u>152,475</u>                         |
| Total Expenditures                                   | <u>1,436,697</u>    | <u>1,398,697</u>    | <u>1,246,222</u>    | <u>152,475</u>                         |
| Excess (Deficiency) of Revenues<br>over Expenditures | <u>(38,000)</u>     | <u>-</u>            | <u>-</u>            | <u>-</u>                               |
| Fund Balance, Beginning                              | <u>-</u>            | <u>-</u>            | <u>-</u>            | <u>-</u>                               |
| Fund Balance, Ending                                 | <u>\$ (38,000)</u>  | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>                            |

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

|   | Budgeted Amounts |                  | Actual Amounts  | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|-----------------|--|
|   | Original         | Final            |                 |  |
| <b>REVENUES</b>                                   |                  |                  |                 |  |
| Intergovernmental                                 | \$ 1,161,985     | \$ 1,026,927     | \$ 225,075      | \$ (801,852)                                   |
| Total Revenues                                    | <u>1,161,985</u> | <u>1,026,927</u> | <u>225,075</u>  | <u>(801,852)</u>                               |
| <b>EXPENDITURES</b>                               |                  |                  |                 |  |
| Current:  |                  |                  |                 |  |
| Community Development                             | 1,165,985        | 1,026,927        | 221,672         | 805,255  |
| Total Expenditures                                | <u>1,165,985</u> | <u>1,026,927</u> | <u>221,672</u>  | <u>805,255</u>                                 |
| Excess (Deficiency) of Revenues over Expenditures | (4,000)          | -                | 3,403           | 3,403  |
| Fund Balance, Beginning                           | 3,403            | 3,403            | 3,403           |  |
| Fund Balance, Ending                              | <u>\$ (597)</u>  | <u>\$ 3,403</u>  | <u>\$ 6,806</u> | <u>\$ 3,403</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, 2007**

|   | Budgeted Amounts    |                     | Actual Amounts      | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
|   | Original            | Final               |                     |  |
| <b>REVENUES</b>                                   |                     |                     |                     |  |
| Taxes   | \$ 95,000           | \$ 95,000           | \$ 1,818,802        | \$ 1,723,802                                   |
| Investment Income                                 |                     |                     | 109,479             | 109,479  |
| Total Revenues                                    | 95,000              | 95,000              | 1,928,281           | 1,833,281                                      |
| <b>EXPENDITURES</b>                               |                     |                     |                     |  |
| Current:  |                     |                     |                     |  |
| Community Development                             | 164,163             | 164,163             | 53,636              | 110,527  |
| Total Expenditures                                | 164,163             | 164,163             | 53,636              | 110,527  |
| Excess (Deficiency) of Revenues over Expenditures | (69,163)            | (69,163)            | 1,874,645           | 1,943,808                                      |
| Fund Balance, Beginning                           | 1,387,642           | 1,387,642           | 1,387,642           | -  |
| Fund Balance, Ending                              | <u>\$ 1,318,479</u> | <u>\$ 1,318,479</u> | <u>\$ 3,262,287</u> | <u>\$ 1,943,808</u>                            |

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Federal Grants Fund**  
**Year Ended June 30, 2007**

|  | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------|-------------------|---|
|  | Original         | Final      |                   |   |
| <b>REVENUES</b>                                      |                  |            |                   |   |
| Investment Income                                    | \$               | \$         | \$ 6,482          | \$ 6,482  |
| Intergovernmental                                    | 173,902          | 173,902    | 124,392           | (49,510)  |
| Other Revenue  |                  |            | 75                | 75  |
| Total Revenues                                       | 173,902          | 173,902    | 130,949           | (42,953)  |
| <b>EXPENDITURES</b>                                  |                  |            |                   |   |
| Current:   |                  |            |                   |   |
| Community Development                                | 183,146          | 183,146    | 434,351           | (251,205)   |
| Total Expenditures                                   | 183,146          | 183,146    | 434,351           | (251,205)   |
| Excess (Deficiency) of Revenues<br>over Expenditures |                  |            |                   |   |
| Fund Balance, Beginning                              | (9,244)          | (9,244)    | (303,402)         | (294,158)   |
|  | 189,034          | 189,034    | 189,034           |   |
| Fund Balance, Ending                                 | \$ 179,790       | \$ 179,790 | \$ (114,368)      | \$ (294,158)  |

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - ADDI Down Payment Assistance Fund**  
**Year Ended June 30, 2007**

|   | Budgeted Amounts |            | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|----------------|--|
|   | Original         | Final      |                |  |
| <b>REVENUES</b>                                   |                  |            |                |  |
| Intergovernmental                                 | \$ 200,000       | \$ 200,000 | \$             | \$ (200,000)                                   |
| Total Revenues                                    | 200,000          | 200,000    | -              | (200,000)                                      |
| <b>EXPENDITURES</b>                               |                  |            |                |  |
| Community Development                             | 200,000          | 200,000    | 40,000         | 160,000  |
| Total Expenditures                                | 200,000          | 200,000    | 40,000         | 160,000  |
| Excess (Deficiency) of Revenues over Expenditures | -                | -          | (40,000)       | (40,000)                                       |
| Fund Balance, Beginning                           | -                | -          | -              | -  |
| Fund Balance, Ending                              | \$ -             | \$ -       | \$ (40,000)    | \$ (40,000)                                    |

**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Help Down Payment Assistance Fund**  
**Year Ended June 30, 2007**

|  | Budgeted Amounts<br>Original | Final    | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------------------|----------|-------------------|---|
| <b>REVENUES</b>                                      |                              |          |                   |   |
| Intergovernmental                                    | \$ -                         | \$ -     | \$ -              | \$ -  |
| Total Revenues                                       | -                            | -        | -                 | -   |
| <b>EXPENDITURES</b>                                  |                              |          |                   |   |
| Current:   |                              |          |                   |   |
| Community Development                                | 82,464                       | 82,464   | 82,464            | -   |
| Total Expenditures                                   | 82,464                       | 82,464   | 82,464            | -   |
| Excess (Deficiency) of Revenues<br>over Expenditures | (82,464)                     | (82,464) | (82,464)          | -   |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                              |          |                   |   |
| Debt Proceeds  | 82,464                       | 82,464   | 82,464            | -   |
| Total Other Financing<br>Sources (Uses)              | 82,464                       | 82,464   | 82,464            | -   |
| 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 - Quimby Fees Fund**  
**Year Ended June 30, 2007**

|   | Budgeted Amounts    |                     | Actual Amounts     | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|--------------------|--|
|   | Original            | Final               |                    |  |
| <b>REVENUES</b>                                   |                     |                     |                    |  |
| Licenses and Permits                              | \$ 1,400,000        | \$ 1,400,000        | \$ 727,996         | \$ (672,004)                                   |
| Total Revenues                                    | 1,400,000           | 1,400,000           | 727,996            | (672,004)                                      |
| <b>EXPENDITURES</b>                               |                     |                     |                    |  |
| Culture and Recreation                            | 1,695,915           | 1,695,915           | 1,229,482          | 466,433  |
| Capital Outlay                                    | 4,745,000           | 2,602,916           | 2,388,652          | 214,264  |
| Total Expenditures                                | 6,440,915           | 4,298,831           | 3,618,134          | 680,697  |
| Excess (Deficiency) of Revenues over Expenditures | <u>(5,040,915)</u>  | <u>(2,898,831)</u>  | <u>(2,890,138)</u> | <u>8,693</u>                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                    |  |
| Debt Proceeds                                     | 3,600,000           | 3,600,000           |                    | (3,600,000)                                    |
| Transfers Out                                     |                     |                     | (14,265)           | (14,265)                                       |
| Total Other Financing Sources (Uses)              | <u>3,600,000</u>    | <u>3,600,000</u>    | <u>(14,265)</u>    | <u>(3,614,265)</u>                             |
| Net Change in Fund Balances                       | (1,440,915)         | 701,169             | (2,904,403)        | (3,605,572)                                    |
| Fund Balance, Beginning                           | 3,254,653           | 3,254,653           | 3,254,653          |  |
| Fund Balance, Ending                              | <u>\$ 1,813,738</u> | <u>\$ 3,955,822</u> | <u>\$ 350,250</u>  | <u>\$ (3,605,572)</u>                          |



**Town of Apple Valley**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - 1999 COPS Fund**  
**Year Ended June 30, 2007**

|   | Budgeted Amounts |           | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|-----------|----------------|--|
|   | Original         | Final     |                |  |
| <b>REVENUES</b>                                   |                  |           |                |  |
| Investment Income                                 | \$ -             | \$ -      | \$ 5,152       | \$ 5,152                                       |
| Total Revenues                                    | -                | -         | 5,152          | 5,152  |
| <b>EXPENDITURES</b>                               |                  |           |                |  |
| Current:  |                  |           |                |  |
| General Government                                | 60,000           | 60,000    | 61,391         | (1,391)  |
| Debt Service                                      | 275,000          | 275,000   | 280,000        | (5,000)  |
| Principal   | 130,000          | 130,000   | 157,296        | (27,296)                                       |
| Interest and Fiscal Charges                       |                  |           |                |  |
| Total Expenditures                                | 465,000          | 465,000   | 498,687        | (33,687)                                       |
| Excess (Deficiency) of Revenues over Expenditures | (465,000)        | (465,000) | (493,535)      | (28,535)                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |           |                |  |
| Transfers In                                      | 465,000          | 465,000   | 493,535        | 28,535   |
| Total Other Financing Sources (Uses)              | 465,000          | 465,000   | 493,535        | 28,535   |
| 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, 2007**

|  | Budgeted Amounts | Actual    | Variance with                          |
|--|------------------|-----------|--|
|  | Original         | Final     | Final Budget<br>Positive<br>(Negative) |
| <b>REVENUES</b>                                      |                  |           |  |
| Investment Income                                    | \$ -             | \$ 8,644  | \$ 8,644                               |
| Total Revenues                                       | -                | 8,644     | 8,644                                  |
| <b>EXPENDITURES</b>                                  |                  |           |  |
| Current:   |                  |           |  |
| General Government                                   | 45,000           | 45,000    | 8,343                                  |
| Debt Service   |                  |           |  |
| Principal  | 176,250          | 176,250   | 3,750                                  |
| Interest and Fiscal Charges                          | 53,750           | 53,750    | (13,400)                               |
| Total Expenditures                                   | 275,000          | 275,000   | (1,307)                                |
| Excess (Deficiency) of Revenues<br>over Expenditures | (275,000)        | (275,000) | 7,337                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |           |  |
| Transfers In   | 275,000          | 275,000   | (7,337)                                |
| Total Other Financing<br>Sources (Uses)              | 275,000          | 275,000   | (7,337)                                |
| Net Change in Fund Balances                          | -                | -         | -                                      |
| Fund Balance, Beginning                              | -                | -         | -                                      |
| Fund Balance, Ending                                 | \$ -             | \$ -      | \$ -                                   |

## **AGENCY FUNDS**

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

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

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

**Town of Apple Valley  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2007**

|                         | Trust and<br>Fiduciary | Victor Valley<br>Transit Authority | Assessment<br>District 98-1 | Total               |
|-------------------------|------------------------|------------------------------------|-----------------------------|---------------------|
| <b>ASSETS</b>           |                        |                                    |                             |                     |
| Cash and Investments    | \$ 868,031             | \$ 770                             | \$ 136,718                  | \$ 1,005,519        |
| Cash with Fiscal Agent  |                        |                                    | 243,030                     | 243,030             |
| Total Assets            | <u>\$ 868,031</u>      | <u>\$ 770</u>                      | <u>\$ 379,748</u>           | <u>\$ 1,248,549</u> |
| <b>LIABILITIES</b>      |                        |                                    |                             |                     |
| Accounts Payable        | \$                     | \$ 770                             | \$                          | \$ 770              |
| Deposits                | 868,031                |                                    |                             | 868,031             |
| Amounts Due Bondholders |                        |                                    | 379,748                     | 379,748             |
| Total Liabilities       | <u>\$ 868,031</u>      | <u>\$ 770</u>                      | <u>\$ 379,748</u>           | <u>\$ 1,248,549</u> |

**Town of Apple Valley**  
**Statement of Changes in Fiduciary Net Assets**  
**Agency Funds**  
**Year Ended June 30, 2007**

|  | Balance at<br>July 1, 2006 | Additions         | Deletions         | Balance at<br>June 30, 2007 |
|--|----------------------------|-------------------|-------------------|-----------------------------|
| <b><u>TRUST AND FIDUCIARY FUND</u></b>             |                            |                   |                   |                             |
| <b>ASSETS</b>                                      |                            |                   |                   |                             |
| Cash and Investments                               | \$ 605,883                 | \$ 535,393        | \$ 273,245        | \$ 868,031                  |
| Total Assets                                       | <u>\$ 605,883</u>          | <u>\$ 535,393</u> | <u>\$ 273,245</u> | <u>\$ 868,031</u>           |
| <b>LIABILITIES</b>                                 |                            |                   |                   |                             |
| Deposits   | \$ 605,883                 | \$ 356,547        | \$ 94,399         | \$ 868,031                  |
| Total Liabilities                                  | <u>\$ 605,883</u>          | <u>\$ 356,547</u> | <u>\$ 94,399</u>  | <u>\$ 868,031</u>           |
| <b><u>VICTOR VALLEY TRANSIT AUTHORITY FUND</u></b> |                            |                   |                   |                             |
| <b>ASSETS</b>                                      |                            |                   |                   |                             |
| Cash and Investments                               | \$ 139,387                 | \$ 770            | \$ 139,387        | \$ 770                      |
| Due From Other Governments                         | 139,387                    | 770               | 139,387           | 770                         |
| Total Assets                                       | <u>\$ 139,387</u>          | <u>\$ 770</u>     | <u>\$ 139,387</u> | <u>\$ 770</u>               |
| <b>LIABILITIES</b>                                 |                            |                   |                   |                             |
| Accounts Payable                                   | \$ 139,387                 | \$ 770            | \$ 139,387        | \$ 770                      |
| Due to Other Funds                                 | 139,387                    | 770               | 139,387           | 770                         |
| Total Liabilities                                  | <u>\$ 139,387</u>          | <u>\$ 770</u>     | <u>\$ 139,387</u> | <u>\$ 770</u>               |
| <b><u>ASSESSMENT DISTRICT 98-1</u></b>             |                            |                   |                   |                             |
| <b>ASSETS</b>                                      |                            |                   |                   |                             |
| Cash and Investments                               | \$ 358,327                 | \$ 231,080        | \$ 221,609        | \$ 136,718                  |
| Cash with Fiscal Agent                             | 241,544                    | 231,080           | 229,594           | 243,030                     |
| Total Assets                                       | <u>\$ 599,871</u>          | <u>\$ 231,080</u> | <u>\$ 451,203</u> | <u>\$ 379,748</u>           |
| <b>LIABILITIES</b>                                 |                            |                   |                   |                             |
| Amount Due Bondholders                             | \$ 599,871                 | \$ -              | \$ 220,123        | \$ 379,748                  |
| Total Liabilities                                  | <u>\$ 599,871</u>          | <u>\$ -</u>       | <u>\$ 220,123</u> | <u>\$ 379,748</u>           |
| <b><u>TOTALS - ALL AGENCY FUNDS</u></b>            |                            |                   |                   |                             |
| <b>ASSETS</b>                                      |                            |                   |                   |                             |
| Cash and Investments                               | \$ 964,210                 | \$ 536,163        | \$ 494,854        | \$ 1,005,519                |
| Cash with Fiscal Agent                             | 241,544                    | 231,080           | 229,594           | 243,030                     |
| Due From Other Governments                         | 139,387                    | -                 | 139,387           | -                           |
| Total Assets                                       | <u>\$ 1,345,141</u>        | <u>\$ 767,243</u> | <u>\$ 863,835</u> | <u>\$ 1,248,549</u>         |
| <b>LIABILITIES</b>                                 |                            |                   |                   |                             |
| Accounts Payable                                   | \$ 605,883                 | \$ 770            | \$ 94,399         | \$ 770                      |
| Deposits   | 599,871                    | 356,547           | 220,123           | 868,031                     |
| Amounts Due Bondholders                            | 139,387                    | -                 | 139,387           | 379,748                     |
| Due to Other Funds                                 | 139,387                    | -                 | -                 | -                           |
| Total Liabilities                                  | <u>\$ 1,345,141</u>        | <u>\$ 357,317</u> | <u>\$ 453,909</u> | <u>\$ 1,248,549</u>         |

**Town of Apple Valley**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Source<sup>1</sup>**  
**June 30, 2007**

| <b>GOVERNMENTAL FUNDS CAPITAL ASSETS</b>                          |                       |
|---|-----------------------|
| Land  | \$ 93,189,576         |
| Furniture and Equipment   | 912,665               |
| Computer Equipment  | 249,603               |
| Auto Equipment  | 1,233,729             |
| Structures and Improvements                                       | 55,668,924            |
| Infrastructure  | 324,299,559           |
| Construction in Progress  | 12,724,386            |
| Total Governmental Funds Capital Assets                           | <u>\$ 488,278,442</u> |
| <b>INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE</b> |                       |
| General Fund  | \$ 214,842,515        |
| Special Revenue Funds   | 131,835,179           |
| Capital Project Funds   | 141,600,748           |
| Total Governmental Funds Capital Assets                           | <u>\$ 488,278,442</u> |

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

**Town of Apple Valley**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity<sup>1</sup>**  
**June 30, 2007**

|                              | Land          | Furniture<br>and<br>Equipment | Computer<br>Equipment |
|------------------------------|---------------|-------------------------------|-----------------------|
| <b>FUNCTION AND ACTIVITY</b> |               |                               |                       |
| General Government           | \$ 942,011    | \$ 734,707                    | \$ 218,632            |
| Public Safety                | 304,844       | 16,913                        | 4,137                 |
| Transportation               | 85,482,845    |                               |                       |
| Culture and Recreation       | 6,411,876     | 146,091                       | 14,000                |
| Community Development        | 48,000        | 14,954                        | 12,834                |
| Total Governmental Funds     |               |                               |                       |
| Capital Assets               | \$ 93,189,576 | \$ 912,665                    | \$ 249,603            |

<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.

| Auto<br>Equipment   | Structures<br>and<br>Improvements | Infrastructure        | Construction<br>in<br>Progress | Totals                |
|---------------------|-----------------------------------|-----------------------|--------------------------------|-----------------------|
| \$ 838,610          | \$ 5,306,974                      | \$                    | \$                             | \$ 8,040,934          |
| 61,809              | 1,125,055                         |                       |                                | 1,512,758             |
| 170,976             | 12,668                            | 323,517,582           | 8,924,499                      | 418,108,570           |
| 115,156             | 49,066,375                        | 781,977               | 3,799,887                      | 60,335,362            |
| 47,178              | 157,852                           |                       |                                | 280,818               |
| <u>\$ 1,233,729</u> | <u>\$ 55,668,924</u>              | <u>\$ 324,299,559</u> | <u>\$ 12,724,386</u>           | <u>\$ 488,278,442</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, 2007**

|                              | Governmental Funds          |                      | Governmental Funds  |                       |
|------------------------------|-----------------------------|----------------------|---------------------|-----------------------|
|                              | Capital Assets July 1, 2006 | Adjustments*         | Additions           | Deletions             |
| <b>FUNCTION AND ACTIVITY</b> |                             |                      |                     |                       |
| General Government           | \$ 6,906,504                | \$ 461,497           | \$ 1,478,490        | \$ (805,557)          |
| Public Safety                | 1,215,793                   | 4,901                | 304,844             | (12,780)              |
| Transportation               | 33,418,058                  | 365,456,254          | 31,856,944          | (12,622,686)          |
| Culture and Recreation       | 13,221,280                  | 46,832,803           | 1,426,464           | (1,145,185)           |
| Community Development        | 280,818                     |                      |                     |                       |
|                              | <u>\$ 55,042,453</u>        | <u>\$412,755,455</u> | <u>\$35,066,742</u> | <u>\$(14,586,208)</u> |
|                              |                             |                      |                     | <u>\$ 488,278,442</u> |

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

\* Adjustments are the result of GASB 34 implementation as it relates to infrastructure assets.

**STATISTICAL SECTION**

# STATISTICAL SECTION

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

| <b>Contents</b>   | <b>Page</b> |
|---|-------------|
| Financial Trends  | 90          |
| <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>  |             |
| Revenue Capacity  | 95          |
| <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>  |             |
| Debt Capacity   | 99          |
| <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>                    |             |
| Demographic and Economic Information  | 104         |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>   |             |
| Operating Information   | 106         |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i> |             |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

|  | Fiscal Year          |                      |                      |                       |                       |
|--|----------------------|----------------------|----------------------|-----------------------|-----------------------|
|  | 2003                 | 2004                 | 2005                 | 2006                  | 2007                  |
| <b>Governmental activities</b>                   |                      |                      |                      |                       |                       |
| Invested in capital assets, net of related debt  | \$ 24,149,542        | \$ 28,574,732        | \$ 31,814,365        | \$ 44,949,377         | \$ 384,061,630        |
| Restricted                                       | 17,316,503           | 15,657,349           | 27,481,178           | 24,316,125            | 25,102,142            |
| Unrestricted                                     | 5,450,039            | 7,352,641            | 2,326,377            | 10,467,168            | 10,418,490            |
| <b>Total governmental activities net assets</b>  | <b>\$ 46,916,084</b> | <b>\$ 51,584,722</b> | <b>\$ 61,621,920</b> | <b>\$ 79,732,670</b>  | <b>\$ 419,582,262</b> |
| <b>Business-type activities</b>                  |                      |                      |                      |                       |                       |
| Invested in capital assets, net of related debt  | \$ 4,719,212         | \$ 6,044,409         | \$ 5,957,139         | \$ 5,311,877          | \$ 33,492,509         |
| Restricted                                       | 1,845,857            | 971,834              | 985,215              | 1,740,000             | 1,792,823             |
| Unrestricted                                     | 9,306,329            | 9,653,971            | 11,975,813           | 14,021,426            | 16,231,747            |
| <b>Total business-type activities net assets</b> | <b>\$ 15,871,398</b> | <b>\$ 16,670,214</b> | <b>\$ 18,918,167</b> | <b>\$ 21,073,303</b>  | <b>\$ 51,517,079</b>  |
| <b>Primary government</b>                        |                      |                      |                      |                       |                       |
| Invested in capital assets, net of related debt  | \$ 28,868,754        | \$ 34,619,141        | \$ 37,771,504        | \$ 50,261,254         | \$ 417,554,139        |
| Restricted                                       | 19,162,360           | 16,629,183           | 28,466,393           | 26,056,125            | 26,894,965            |
| Unrestricted                                     | 14,756,368           | 17,006,612           | 14,302,190           | 24,488,594            | 26,650,237            |
| <b>Total primary government net assets</b>       | <b>\$ 62,787,482</b> | <b>\$ 68,254,936</b> | <b>\$ 80,540,087</b> | <b>\$ 100,805,973</b> | <b>\$ 471,099,341</b> |

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

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

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

|   | Fiscal Year          |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2003                 | 2004                 | 2005                 | 2006                 | 2007                 |
| <b>General Revenues and Other Changes in Net Assets</b> |                      |                      |                      |                      |                      |
| Governmental activities:                                |                      |                      |                      |                      |                      |
| Taxes   |                      |                      |                      |                      |                      |
| Property taxes  | 2,659,056            | 2,877,102            | 3,196,875            | 4,310,247            | 5,035,277            |
| Tax increment   | 239,570              | 656,283              | 2,431,898            | 3,364,320            | 7,350,520            |
| Franchise taxes   | 805,889              | 797,818              | 890,573              | 943,162              | 1,215,293            |
| Sales taxes   | 2,568,169            | 2,801,931            | 2,409,148            | 2,904,475            | 3,458,264            |
| Transient occupancy taxes                               | 8,957                | 10,125               | 13,367               | 13,252               | 21,600               |
| Motor vehicle in-lieu                                   | 3,288,941            | 2,875,445            | 4,436,541            | 4,820,766            | 5,616,051            |
| Sales tax in-lieu                                       | -                    | -                    | 682,603              | 787,964              | 1,075,221            |
| Pass through revenues                                   | 91,825               | 192,790              | 135,094              | 164,673              | 189,851              |
| Miscellaneous revenues                                  | 133,406              | 148,981              | 237,545              | 595,429              | 386,446              |
| Unrestricted grants and contributions                   | 165,231              | 12,353               | 16,342               | 16,399               | 23,094               |
| Investment income                                       | 221,059              | 12,438               | 246,687              | 1,117,643            | 1,555,032            |
| Transfers   | 881,026              | 960,264              | 1,245,089            | -                    | 284,036              |
| Total governmental activities                           | 11,063,129           | 11,345,530           | 15,941,762           | 19,038,330           | 26,210,685           |
| Business-type activities:                               |                      |                      |                      |                      |                      |
| Investment income                                       | 72,516               | 73,509               | 137,973              | 356,099              | 477,888              |
| Transfers   | (881,026)            | (960,264)            | (1,245,089)          | (155,249)            | (284,036)            |
| Total business-type activities                          | (808,510)            | (886,755)            | (1,107,116)          | 200,850              | 193,852              |
| Total primary government                                | <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> |
| <b>Change in Net Assets</b>                             |                      |                      |                      |                      |                      |
| Governmental activities                                 | \$ 6,610,927         | \$ 4,910,086         | \$ 10,037,198        | \$ 17,792,590        | \$ 10,652,427        |
| Business-type activities                                | 867,631              | 798,816              | 2,247,953            | 2,155,136            | 8,853,529            |
| Total primary government                                | <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> |

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

|                                    | Fiscal Year          |                      |                      |                      |                      |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                    | 2003                 | 2004                 | 2005                 | 2006                 | 2007                 |
| General fund                       |                      |                      |                      |                      |                      |
| Reserved                           | \$ 6,714,294         | \$ 6,422,735         | \$ 2,110,156         | \$ 2,197,378         | \$ -                 |
| Unreserved                         | 2,667,685            | 4,277,267            | 9,546,039            | 12,435,177           | 17,021,153           |
| 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> |
| All other governmental funds       |                      |                      |                      |                      |                      |
| Reserved                           | \$ 524,022           | \$ 1,383,845         | \$ 6,672,544         | \$ 6,089,259         | \$ 14,470,360        |
| Unreserved, reported in:           |                      |                      |                      |                      |                      |
| Special revenue funds              | 7,180,798            | 7,481,395            | 8,300,277            | 10,095,398           | 3,004,014            |
| Debt service funds                 | (690,941)            | (1,946,929)          | (313,308)            | (289,670)            | (304,156)            |
| Capital projects funds             | 6,084,646            | 5,978,948            | 9,809,894            | 7,351,812            | 12,365,664           |
| 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> |

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

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

|   | Fiscal Year         |                     |                      |                     |                     |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|
|   | 2003                | 2004                | 2005                 | 2006                | 2007                |
| <b>Revenues</b>   |                     |                     |                      |                     |                     |
| Taxes   | \$ 9,170,108        | \$ 10,157,037       | \$ 15,470,448        | \$ 20,032,577       | \$ 26,950,090       |
| Licenses & permits                                      | 3,074,520           | 3,590,372           | 8,114,884            | 10,854,816          | 6,854,873           |
| Fines & forfeitures                                     | 330,868             | 347,979             | 344,442              | 270,221             | 332,520             |
| Investment income                                       | 348,456             | 170,726             | 491,966              | 1,339,294           | 1,748,713           |
| Intergovernmental                                       | 6,400,125           | 5,265,911           | 4,154,501            | 4,691,900           | 3,991,008           |
| Charges for services                                    | 1,664,178           | 2,156,871           | 2,279,639            | 2,850,938           | 2,854,451           |
| Other revenue   | 89,807              | 148,981             | 310,416              | 1,740,403           | 850,299             |
| Total revenues  | <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>   |
| <b>Expenditures</b>                                     |                     |                     |                      |                     |                     |
| General government                                      | 2,958,168           | 3,453,804           | 4,049,347            | 2,737,172           | 2,902,773           |
| Public safety   | 5,331,411           | 5,783,864           | 6,914,374            | 7,686,653           | 9,109,124           |
| Transportation  | 1,357,089           | 2,028,771           | 5,195,394            | 6,229,216           | 6,329,832           |
| Culture and recreation                                  | 1,537,699           | 1,962,789           | 1,896,733            | 2,793,204           | 3,439,782           |
| Community development                                   | 3,266,462           | 3,511,421           | 4,850,538            | 6,235,437           | 6,472,588           |
| Health  | 19,269              | 36,409              | -                    | -                   | -                   |
| Capital outlay  | 3,464,232           | 4,049,891           | 4,132,944            | 13,321,512          | 13,512,547          |
| Debt service  |                     |                     |                      |                     |                     |
| Principal   | 403,750             | 417,500             | 435,577              | 578,602             | 587,956             |
| Interest  | 196,101             | 195,487             | 137,311              | 556,878             | 603,772             |
| Debt issue costs  | -                   | -                   | 444,207              | -                   | 1,012,494           |
| Total expenditures                                      | <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>   |
| Excess of revenues over (under) expenditures            | 2,543,881           | 397,941             | 3,109,871            | 1,641,475           | (388,914)           |
| <b>Other financing sources (uses)</b>                   |                     |                     |                      |                     |                     |
| Transfers in  | 2,569,397           | 2,602,026           | 4,921,278            | 453,347             | 6,268,509           |
| Transfers out   | (1,688,371)         | (1,641,762)         | (3,682,716)          | (453,347)           | (5,984,473)         |
| Payment to refunding escrow agent                       | -                   | (241,448)           | -                    | -                   | -                   |
| Bond proceeds   | -                   | -                   | 8,130,000            | -                   | 9,067,464           |
| Premium on bonds  | -                   | -                   | 49,908               | -                   | (284,905)           |
| Total other financing sources (uses)                    | <u>881,026</u>      | <u>718,816</u>      | <u>9,418,470</u>     | <u>-</u>            | <u>9,066,595</u>    |
| Net change in fund balances                             | <u>\$ 3,424,907</u> | <u>\$ 1,116,757</u> | <u>\$ 12,528,341</u> | <u>\$ 1,641,475</u> | <u>\$ 8,677,681</u> |
| Debt service as a percentage of noncapital expenditures | 4.1%                | 3.7%                | 2.5%                 | 2.9%                | 2.8%                |

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



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

| <b>Fiscal Year</b> | <b>Residential Property</b> | <b>Commercial Property</b> | <b>Industrial Property</b> | <b>Vacant Land</b> | <b>Unsecured</b> | <b>Other</b>  | <b>Less: Tax-Exempt Property</b> | <b>Total Taxable Assessed Value</b> | <b>Total Direct Tax Rate</b> |
|--------------------|-----------------------------|----------------------------|----------------------------|--------------------|------------------|---------------|----------------------------------|-------------------------------------|------------------------------|
| 1998               | \$ 1,622,081,497            | \$ 95,219,884              | \$ 19,566,256              | \$ 210,263,670     | \$ 61,740,900    | \$ 80,935,591 | \$ 4,699                         | \$ 2,089,803,099                    | 0.22707%                     |
| 1999               | 1,641,231,748               | 93,845,646                 | 20,528,761                 | 207,466,519        | 56,387,489       | 80,493,473    | 4,793                            | 2,099,948,843                       | 0.23138%                     |
| 2000               | 1,675,953,162               | 99,504,529                 | 20,442,125                 | 203,542,418        | 56,712,621       | 81,928,338    | 4,889                            | 2,138,078,304                       | 0.22829%                     |
| 2001               | 1,746,611,595               | 139,824,281                | 20,467,935                 | 197,011,147        | 59,612,367       | 38,194,345    | -                                | 2,201,721,670                       | 0.22533%                     |
| 2002               | 1,842,836,036               | 143,951,456                | 21,598,176                 | 185,319,289        | 57,177,576       | 35,496,959    | -                                | 2,286,379,492                       | 0.22064%                     |
| 2003               | 1,963,938,010               | 155,359,932                | 21,996,016                 | 183,817,121        | 76,080,930       | 37,443,275    | -                                | 2,438,635,284                       | 0.11473%                     |
| 2004               | 2,151,040,174               | 163,267,677                | 22,153,414                 | 189,747,260        | 69,937,222       | 42,982,316    | -                                | 2,639,128,063                       | 0.12547%                     |
| 2005               | 2,489,828,082               | 169,228,003                | 78,946,979                 | 209,898,269        | 84,339,473       | 46,415,956    | -                                | 3,078,656,762                       | 0.12541%                     |
| 2006               | 2,431,343,790               | 84,812,639                 | 80,479,255                 | 223,451,323        | 109,350,991      | 20,726,984    | -                                | 2,950,164,982                       | 0.18223%                     |
| 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%                     |

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

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

Source: HdL Coren & Cone, San Bernardino County Assessor 2006/2007 Combined Tax Rolls

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

|                      | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| City Direct Rates:   |         |         |         |         |         |         |         |         |         |         |
| City Basic Rate      | *       | *       | *       | *       | *       | *       | *       | *       | 0.04552 | 0.09438 |
| Redevelopment Agency | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| Total Direct Rate    | 0.22707 | 0.23138 | 0.22829 | 0.22533 | 0.22064 | 0.11473 | 0.12547 | 0.12541 | 0.18223 | 0.17514 |

| Overlapping Rates:                           |   |   |   |   |   |   |   |   |         |         |
|--|---|---|---|---|---|---|---|---|---------|---------|
| A V Fire Protection District                 | * | * | * | * | * | * | * | * | 0.09302 | 0.09263 |
| Apple Valley Unified                         | * | * | * | * | * | * | * | * | 0.34330 | 0.31078 |
| County Free Library                          | * | * | * | * | * | * | * | * | **      | 0.01431 |
| San Bernardino County                        | * | * | * | * | * | * | * | * | 0.18465 | 0.14778 |
| County Superintendent                        | * | * | * | * | * | * | * | * | **      | 0.01006 |
| Ca 60 Victorville                            | * | * | * | * | * | * | * | * | **      | 0.01024 |
| Education Revenue Aug Fund                   | * | * | * | * | * | * | * | * | **      | 0.22378 |
| Flood Control Admin 3-6                      | * | * | * | * | * | * | * | * | 0.02446 | 0.00089 |
| Flood Control Zone 4                         | * | * | * | * | * | * | * | * | **      | 0.02335 |
| Mojave Desert Resource Conservation District | * | * | * | * | * | * | * | * | **      | 0.00013 |
| Mojave Water Agency                          | * | * | * | * | * | * | * | * | **      | 0.00526 |
| Victor Valley Com. College                   | * | * | * | * | * | * | * | * | 0.06728 | 0.06641 |
| Other  | * | * | * | * | * | * | * | * | 0.24177 | -       |
| Total Prop. 13 Rate                          | * | * | * | * | * | * | * | * | 1.00000 | 1.00000 |
| Apple Valley Unified                         | * | * | * | * | * | * | * | * | *       | 0.03030 |
| Mojave Water Agency Land Only                | * | * | * | * | * | * | * | * | *       | 0.11250 |
| Morongo Water Agency                         | * | * | * | * | * | * | * | * | *       | 0.02500 |
| Total Voter Approved Rate                    | * | * | * | * | * | * | * | * | 0.19871 | 0.19780 |
| Total Tax Rate                               | * | * | * | * | * | * | * | * | 1.19871 | 1.19780 |

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 1997/98 - 2006/07 Tax Rate Table as summarized by HDL Corea & 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**

| Taxpayer                                 | 2007                   |  | 1998                   |  |
|--|------------------------|--|------------------------|--|
|  | Taxable Assessed Value | Percent of Total City Taxable Assessed Value | Taxable Assessed Value | Percent of Total City Taxable Assessed Value |
| Wal Mart Store East Limited Partnership  | \$ 99,536,084          | 2.16%  | \$ -                   | 0.00%  |
| Apple Valley Ranchos Water Company       | 31,458,602             | 0.68%  | -                      | 0.00%  |
| Pulte Home Corporation                   | 36,742,657             | 0.80%  | -                      | 0.00%  |
| Heavy Lift Helicopter Inc                | 16,973,746             | 0.37%  | -                      | 0.00%  |
| Mang K. & Soon J. Shin                   | 10,719,938             | 0.23%  | -                      | 0.00%  |
| Cambridge Homes Inc                      | 9,202,031              | 0.20%  | -                      | 0.00%  |
| Ralphs Grocery Company                   | 7,658,901              | 0.17%  | -                      | 0.00%  |
| MGP XIX LLC                              | 6,614,740              | 0.14%  | -                      | 0.00%  |
| Troy CMBS Property LLC                   | 5,839,717              | 0.13%  | -                      | 0.00%  |
| Apple Valley Center Storage Partners     | 4,933,716              | 0.11%  | -                      | 0.00%  |
| Secretary of Housing & Urban Development |                        | 0.00%  | 12,020,205             | 0.58%  |
| Donald P. Ferrarese Trust Udt 5 6 85     |                        | 0.00%  | 7,423,104              | 0.36%  |
| K Mart Corporation                       |                        | 0.00%  | 6,642,804              | 0.32%  |
| Albertsons Inc                           |                        | 0.00%  | 4,392,063              | 0.21%  |
| Donald L. Valk                           |                        | 0.00%  | 3,304,916              | 0.16%  |
| FHM Investment                           |                        | 0.00%  | 2,585,681              | 0.12%  |
| Carlos R. Padilla, Et. Al.               |                        | 0.00%  | 2,126,962              | 0.10%  |
| Creek A V Town Center West Venture       |                        | 0.00%  | 2,058,824              | 0.10%  |
| Apple Valley Jess Ranch Storage Company  |                        | 0.00%  | 1,754,828              | 0.08%  |
| D E K K Associates                       |                        | 0.00%  | 1,727,148              | 0.08%  |
|  | <u>\$ 229,680,132</u>  | <u>4.98%</u>                                 | <u>44,036,535</u>      | <u>2.11%</u>                                 |

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

Source: San Bernardino County Assessor 2005/06 and 1996/97 Combined Tax Rolls as summarized by HDL Coren & Cone

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

| Fiscal Year Ended June 30, | Taxes Levied (2) for the Fiscal Year | Collected within the    |                    | Collections in Subsequent Years | Total Collections to Date(1) |                    |
|----------------------------|--------------------------------------|-------------------------|--------------------|---------------------------------|------------------------------|--------------------|
|                            |                                      | Fiscal Year of the Levy | Percentage of Levy |                                 | Amount                       | Percentage of Levy |
| 2007                       | 4,005,347                            | 4,005,347               | 100.00%            | -                               | 4,005,347                    | 100.00%            |

Source: HDL Coren & Coppe, San Bernardino County Assessor 2006/07 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 4,138,153

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

| <b>Fiscal<br/>Year</b> | <b>Governmental Activities</b>               |                                     |                                      | <b>Business-type Activities</b>              |   |                                      |   | <b>Total<br/>Primary<br/>Government</b> | <b>Percentage<br/>of Personal<br/>Income</b> | <b>Per<br/>Capita</b> |
|------------------------|--|-------------------------------------|--------------------------------------|--|---|--------------------------------------|---|---|--|-----------------------|
|                        | <b>Certificates<br/>of<br/>Participation</b> | <b>Tax<br/>Allocation<br/>Bonds</b> | <b>Capital<br/>Lease<br/>Payable</b> | <b>Certificates<br/>of<br/>Participation</b> | <b>Special<br/>Assessment<br/>Bonds</b> | <b>Capital<br/>Lease<br/>Payable</b> | <b>Installment<br/>Purchase<br/>Agreement</b> |   |  |                       |
| 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                              | 1.86%  | 366                   |
| 2007                   | 6,162,000                                    | 16,860,000                          | 134,879                              | 593,000                                      | 4,715,000                               | -                                    | 2,518,958                                     | 30,983,837                              | 2.10%  | 441                   |

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

\* Data unavailable

**Town of Apple Valley**  
**Ratios of General Bonded Debt Outstanding**  
**Last Three 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    | 0.26%                            | 125               |
| 2007                                   | 16,860,000                  | 16,860,000   | 0.57%                            | 240               |

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

**Town of Apple Valley  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2007**

City Assessed Valuation      \$ 4,590,414,780  
 Redevelopment Agency Incremental Valuation      873,765,388  
**Total Assessed Valuation**      \$ 3,716,649,392

| Governmental Unit  | Debt          |                       | Estimated Share of Direct and Overlapping Debt |
|--|---------------|-----------------------|--|
|  | Outstanding   | Percentage Applicable |  |
| <b>Overlapping Tax and Assessment Debt:</b>                                  |               |                       |  |
| Mojave Water Agency  | \$ 22,340,000 | 17.4150%              | \$ 3,890,511                                   |
| Victor Valley Union High School District                                     | 22,955,100    | 0.0002%               | 46   |
| Apple Valley Unified School District   | 35,138,758    | 79.4580%              | 27,920,554                                     |
| Oro Grande School District   | 815,000       | 0.0150%               | 122  |
| Town of Apple Valley 1915 Act Bonds  | 7,270,000     | 100.0000%             | 7,270,000                                      |
| <b>Direct and Overlapping General Fund Debt:</b>                             |               |                       |  |
| San Bernardino County General Fund Obligations                               | 840,890,000   | 3.4280%               | 28,825,709                                     |
| San Bernardino County Pension Obligations                                    | 738,425,591   | 3.4280%               | 25,313,229                                     |
| San Bernardino County Flood Control General Fund Obligations                 | 127,625,000   | 3.4280%               | 4,374,985                                      |
| Victor Valley Joint Community College District Certificates of Participation | 52,950,000    | 20.4520%              | 10,829,334                                     |
| Victor Valley Union High School District Certificates of Participation       | 10,165,000    | 0.0002%               | 20   |
| Apple Valley Unified School District Certificates of Participation           | 6,380,000     | 79.4580%              | 5,069,420                                      |
| Hesperia Unified School District Certificates of Participation               | 105,000,000   | 0.0030%               | 3,150  |
| Subtotal, overlapping debt   |               |                       | 113,497,080                                    |
| City direct debt   |               |                       | 6,755,000                                      |
| <b>Total direct and overlapping debt</b>                                     |               |                       | <u><u>\$ 120,252,080</u></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 Three Fiscal Years**

|  | <u>Fiscal Year</u>    |                    |                    |
|--|-----------------------|--------------------|--------------------|
|  | 2005                  | 2006               | 2007               |
| Assessed valuation   | \$ 3,078,656,762      | 2,950,164,982      | 4,735,808,572      |
| Conversion percentage  | <u>25%</u>            | <u>25%</u>         | <u>25%</u>         |
| Adjusted assessed valuation  | \$ 769,664,191        | 737,541,246        | 1,183,952,143      |
| Debt limit percentage  | <u>15%</u>            | <u>15%</u>         | <u>15%</u>         |
| Debt limit   | 115,449,629           | 110,631,187        | 177,592,821        |
| Total net debt applicable to limit:<br>Certificates of Participation | <u>7,760,000</u>      | <u>7,265,000</u>   | <u>6,755,000</u>   |
| Legal debt margin  | <u>\$ 107,689,629</u> | <u>103,366,187</u> | <u>170,837,821</u> |
| Total debt applicable to the limit<br>as a percentage of debt limit  | 6.7%                  | 6.6%               | 3.8%               |

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



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

| Fiscal Year | Special Assessment Bonds |                    | Net Revenue Available for Debt Service | Principal  | Interest   | Total        | Coverage |
|-------------|--------------------------|--------------------|--|------------|------------|--------------|----------|
|             | Gross Revenues (1)       | Gross Expenses (2) |  |            |            |              |          |
| 1998        | \$ 1,818,048             | \$ 1,962,518       | \$ (144,470)                           | \$ 785,334 | \$ 869,534 | \$ 1,654,868 | -8.73%   |
| 1999        | 2,894,218                | 2,460,026          | 434,192                                | 2,188,487  | 712,277    | 2,900,764    | 14.97%   |
| 2000        | 2,559,795                | 2,792,304          | (232,509)                              | 436,000    | 854,368    | 1,290,368    | -18.02%  |
| 2001        | 2,145,421                | 2,528,665          | (383,244)                              | 478,000    | 764,508    | 1,242,508    | -30.84%  |
| 2002        | 2,910,478                | 2,589,854          | 320,624                                | 509,750    | 690,632    | 1,200,382    | 26.71%   |
| 2003        | 2,466,716                | 1,435,673          | 1,031,043                              | 501,250    | 555,926    | 1,057,176    | 97.53%   |
| 2004        | 2,623,577                | 1,570,861          | 1,052,716                              | 546,328    | 507,780    | 1,054,108    | 99.87%   |
| 2005        | 4,522,768                | 1,862,646          | 2,660,122                              | 542,778    | 449,535    | 992,313      | 268.07%  |
| 2006        | 4,273,523                | 2,716,227          | 1,557,296                              | 576,250    | 422,108    | 998,358      | 155.99%  |
| 2007        | 4,231,588                | 2,705,872          | 1,525,716                              | 607,500    | 386,338    | 993,838      | 153.52%  |

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

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

Source: Town of Apple Valley Finance Department

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

| Fiscal<br>Year | Population (1) | Per<br>Capita      |                        | Unemployment<br>Rate (2) |
|----------------|----------------|--------------------|------------------------|--------------------------|
|                |                | Personal<br>Income | Personal<br>Income (2) |                          |
| 1998           | 56,734         | 917,218,578        | 16,167                 | 6.4                      |
| 1999           | 56,734         | *                  | *                      | 5.6                      |
| 2000           | 56,980         | 962,392,200        | 16,890                 | 5.2                      |
| 2001           | 58,553         | 988,960,170        | 16,890                 | 5.3                      |
| 2002           | 54,239         | 1,178,559,231      | 21,729                 | 6.1                      |
| 2003           | 57,109         | *                  | *                      | 6.8                      |
| 2004           | 58,883         | 1,150,632,703      | 19,541                 | 6.7                      |
| 2005           | 63,853         | 1,252,412,742      | 19,614                 | 5.8                      |
| 2006           | 67,507         | 1,379,505,545      | 20,435                 | 5.2                      |
| 2007           | 70,297         | 1,474,479,575      | 20,975                 | 6.2                      |

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>2007</u>                    |  | <u>1998</u>                    |  |
|--------------------------------------|--------------------------------|--|--------------------------------|--|
|                                      | <u>Number of<br/>Employees</u> | <u>Percent of<br/>Total<br/>Employment</u> | <u>Number of<br/>Employees</u> | <u>Percent of<br/>Total<br/>Employment</u> |
| Apple Valley Unified School District | 1,770                          | 6.76%                                      | *                              | *  |
| St. Mary Regional Medical Center     | 1,350                          | 5.16%                                      | *                              | *  |
| Wal-Mart Distribution Center         | 1,100                          | 4.20%                                      | *                              | *  |
| Target                               | 402                            | 1.54%                                      | *                              | *  |
| Stater Bros.                         | 292                            | 1.12%                                      | *                              | *  |
| Wal-Mart Store                       | 276                            | 1.05%                                      | *                              | *  |
| Lowes                                | 170                            | 0.65%                                      | *                              | *  |
| Apple Valley Christian Care Center   | 140                            | 0.53%                                      | *                              | *  |
| Town of Apple Valley <sup>1</sup>    | 117                            | 0.45%                                      | *                              | *  |
| Home Depo                            | 115                            | 0.44%                                      | *                              | *  |

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

<sup>1</sup> Does not include part-time employment

Source: Town of Apple Valley Economic Development Department  
\* Date unavailable

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

| <u>Function</u>         | <u>1998</u> | <u>1999</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> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government      | 28          | 31          | 31          | 32          | 52          | 53          | 46          | 47          | 57          | 33          |
| Public safety           | 45          | 47          | 47          | 47          | 48          | 49          | 49          | 53          | 55          | 40          |
| Economic Development    | 3           | 3           | 3           | 3           | 4           | 5           | 4           | 4           | 4           | 7           |
| Public Works/Wastewater | 5           | 6           | 6           | 6           | 4           | 5           | 6           | 6           | 9           | 14          |
| Community development   | -           | -           | 4           | 4           | 4           | 6           | 4           | 6           | 6           | 9           |
| Parks & Recreation (1)  | *           | *           | *           | *           | 69          | 64          | 47          | 65          | 75          | 124         |
| <b>Total</b>            | <u>81</u>   | <u>87</u>   | <u>91</u>   | <u>92</u>   | <u>181</u>  | <u>182</u>  | <u>156</u>  | <u>181</u>  | <u>206</u>  | <u>227</u>  |

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**

|  | Fiscal Year |       |       |       |        | Fiscal Year |       |       |       |       |
|--|-------------|-------|-------|-------|--------|-------------|-------|-------|-------|-------|
|  | 1998        | 1999  | 2000  | 2001  | 2002   | 2003        | 2004  | 2005  | 2006  | 2007  |
| <b>Police:</b>   |             |       |       |       |        |             |       |       |       |       |
| Arrests  | 1,315       | 1,443 | 1,020 | 982   | 1,060  | 1,083       | 1,152 | 1,317 | 1,544 | 1,996 |
| Parking citations issued                                 |             |       |       |       | 126    | 245         | 345   | 249   | 97    | 57    |
| <b>Public works:</b>                                     |             |       |       |       |        |             |       |       |       |       |
| Street resurfacing (miles)                               | 44.43       | 30.65 | 9.80  | 4.09  | 28.37  | 68.37       | 29.50 | 97.08 | 31.13 | 52.92 |
| <b>Parks and recreation:</b>                             |             |       |       |       |        |             |       |       |       |       |
| Number of recreation classes                             | *           | *     | *     | *     | 120    | 193         | 195   | 230   | 227   | 499   |
| Number of facility rentals (1)                           | *           | *     | *     | *     | 13,250 | 3,467       | 3,873 | 4,172 | 3,764 | 4,713 |
| <b>Sewer:</b>  |             |       |       |       |        |             |       |       |       |       |
| New connections  | 193         | 470   | 331   | 416   | 398    | 486         | 563   | 1,181 | 1,464 | 829   |
| Average daily sewage treatment<br>(thousands of gallons) | 1,177       | 1,370 | 1,331 | 1,402 | 1,524  | 1,271       | 1,380 | 2,044 | 1,971 | 1,567 |

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

**Town of Apple Valley  
Capital Asset Statistics  
by Function**

**Last Three Fiscal Years**

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

Source: Town of Apple Valley

\* Data unavailable