

Comprehensive Annual Financial Report

Fiscal Year

July 1, 2009 through June 30, 2010



"A Better Way of Life"

Town of Apple Valley, California

TOWN OF APPLE VALLEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2010

Prepared by
Finance Department

Kaye Reynolds
Finance Manager

**Town of Apple Valley, California
Comprehensive Annual Financial Report
Year Ended June 30, 2010**

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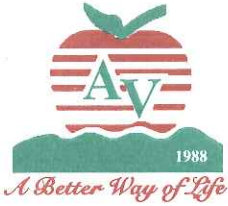
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INTRODUCTORY SECTION



Town of Apple Valley

14955 Dale Evans Parkway • Apple Valley, California 92307

December 22, 2010

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, 2010.

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, 2010, are fairly presented in conformity with generally accepted accounting principles. The independent auditors' report is presented as the first component of the financial section of this report.

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

PROFILE OF THE TOWN

Reporting Entity

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

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

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

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

History

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

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

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

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

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

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

Budget

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

ECONOMIC CONDITION AND OUTLOOK

From a historical perspective, growth in the area which became known as the Town of Apple Valley proceeded at a fairly slow, but steady pace. Early development consisted primarily of custom-built single family homes on one acre lots. In the later half of the 1980s, however, the pace quickened as residents of the Inland Empire and Greater East Los Angeles area became aware of the moderate cost of housing, amenities and quality of life offered by the area. Tract development began to occur. Various types of businesses began to locate in the Town to serve the basic needs of the new residents. Apple Valley's population grew from approximately 16,000 in 1980 to 70,754 in 2010. The three major industries within Apple Valley became the building of single family homes, real estate sales and the medical industry.

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

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

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

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

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

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

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

Major Initiatives

Economic Development

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

This past year, such goals were highly successful. More than 200 stores have opened since 2005; with another list of retailers opening within the last 12 months including Burlington Coat Factory (replacing a former Mervyn’s site), Dollar Tree, Radioshack, and Toys R Us Express.

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

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

Capital Improvement Program

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

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

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

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

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

Quality of Life Issues

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

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

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

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Town's comprehensive financial report for the year ended June 30, 2009, 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: Darlene Drenk, Accountant II and Orlando Acevedo, Economic Development Specialist II.

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

Sincerely,

A handwritten signature in blue ink that reads "Kaye Reynolds". The signature is written in a cursive, flowing style.

Kaye Reynolds
Finance Manager



-Town Officials-

June 30, 2010

Town Council

Peter Allan, *Mayor*

Bob Sagona, *Mayor Pro-Tem*

Ginger Coleman

Scott Nassif

Rick Roelle

Town Staff

Frank Robinson, *Town Manager*

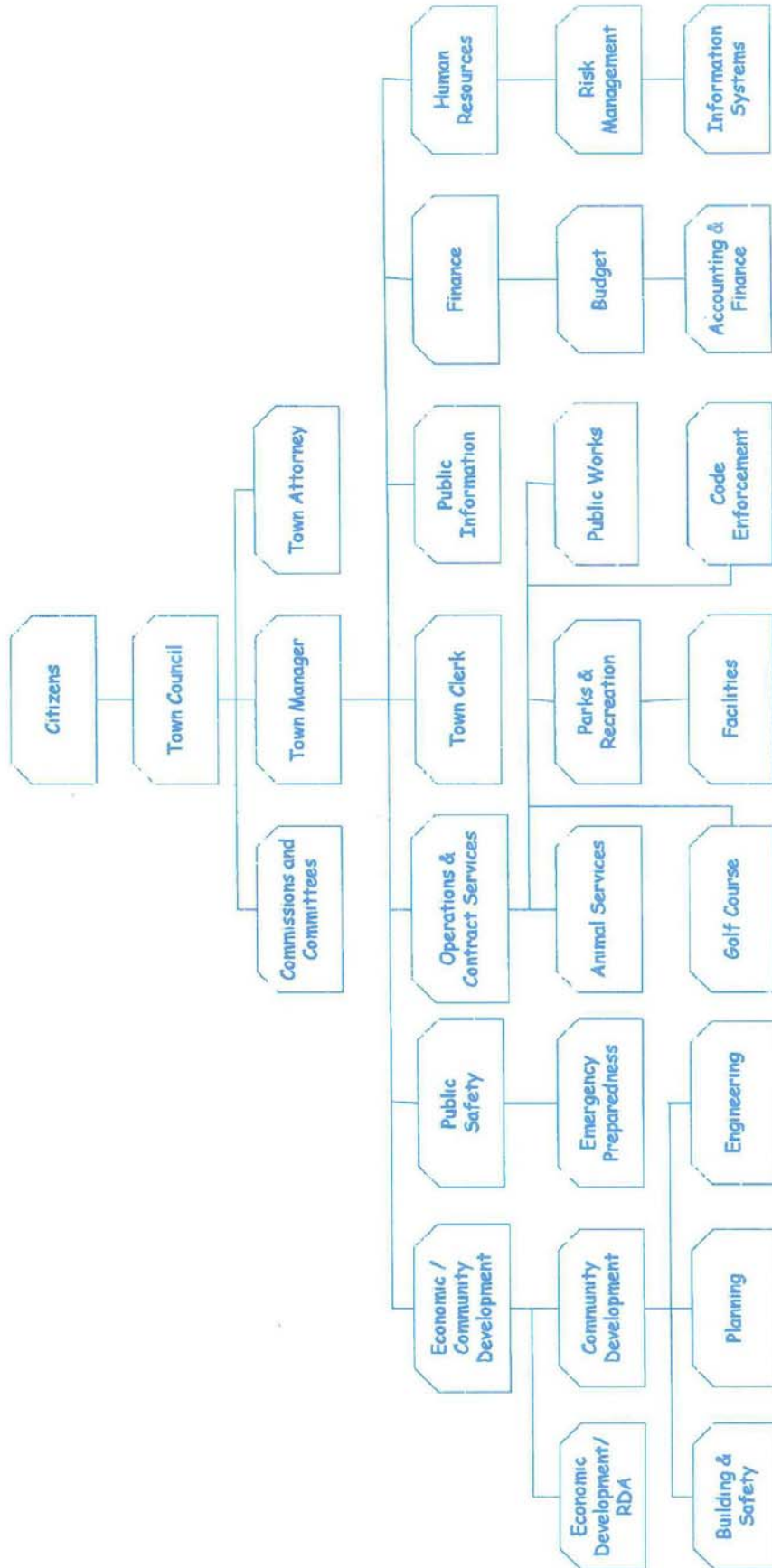
Bart Belknap, *Chief of Police*

LaVonda Pearson, *Town Clerk*

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

Kevin Smith, *Interim Finance Director*

TOWN OF APPLE VALLEY ORGANIZATION CHART (AS OF JULY 1, 2010)



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, 2009

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



A stylized, handwritten signature in black ink, appearing to be "HR".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emer".

Executive Director

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FINANCIAL SECTION

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, 2010, 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 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 respective 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Teaman Ramirez & Smith, Inc.

December 22, 2010

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Town of Apple Valley
Management Discussion and Analysis

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, 2010. Please consider this information in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - vii, and the Town's basic financial statements, which follow this section.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the Fiscal Year 2009-10 by \$459,281,894 (*net assets*). Of this amount, \$2,441,039 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's total net assets decreased by \$10,354,588.

As of FY 2009-10 year end, the Town of Apple Valley's governmental funds reported combined ending fund balances of \$69,873,799, a decrease of \$18,237,660 in comparison with the prior year. Over 98% of this total amount, \$68,555,106, 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 \$17,587,279, or 111 percent of total general fund expenditures.

The Town of Apple Valley's total debt decreased by \$2,207,719 (2.8 percent) during the current fiscal year. No new debt was issued in the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Town's case, assets exceeded liabilities by \$459,281,894 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (92 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 (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,441,039) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net assets decreased by \$10,354,588 during the current fiscal year.

Town of Apple Valley's Net Assets

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$84,782,354	\$101,077,405	\$17,862,707	\$19,776,963	\$102,645,061	\$120,854,368
Capital assets	<u>406,060,527</u>	<u>397,958,705</u>	<u>34,793,210</u>	<u>36,301,623</u>	<u>440,853,737</u>	<u>434,260,328</u>
Total assets	<u>\$490,842,881</u>	<u>\$499,036,110</u>	<u>\$52,655,917</u>	<u>\$56,078,586</u>	<u>\$543,498,798</u>	<u>\$555,114,696</u>
Long-term liabilities outstanding	67,910,256	69,594,662	4,802,238	5,433,613	72,712,494	75,028,275
Other liabilities	<u>9,018,114</u>	<u>8,202,593</u>	<u>2,486,296</u>	<u>2,247,346</u>	<u>11,504,410</u>	<u>10,449,939</u>
Total liabilities	<u>\$76,928,370</u>	<u>\$77,797,255</u>	<u>\$7,288,534</u>	<u>\$7,680,959</u>	<u>\$84,216,904</u>	<u>\$85,478,214</u>
Net assets:						
Invested in capital assets, net of related debt	390,657,277	381,677,955	31,382,013	32,459,593	422,039,290	414,137,548
Restricted	32,983,379	40,971,278	1,818,186	1,818,304	34,801,565	42,789,582
Unrestricted	<u>(9,726,145)</u>	<u>(1,410,378)</u>	<u>12,167,184</u>	<u>14,119,730</u>	<u>2,441,039</u>	<u>12,709,352</u>
Total net assets	<u>\$413,914,511</u>	<u>\$421,238,855</u>	<u>\$45,367,383</u>	<u>\$48,397,627</u>	<u>\$459,281,894</u>	<u>\$469,636,482</u>

Governmental activities. Governmental activities decreased the Town's net assets by \$7,324,344 (1.6 percent). Key elements of this increase are as follows:

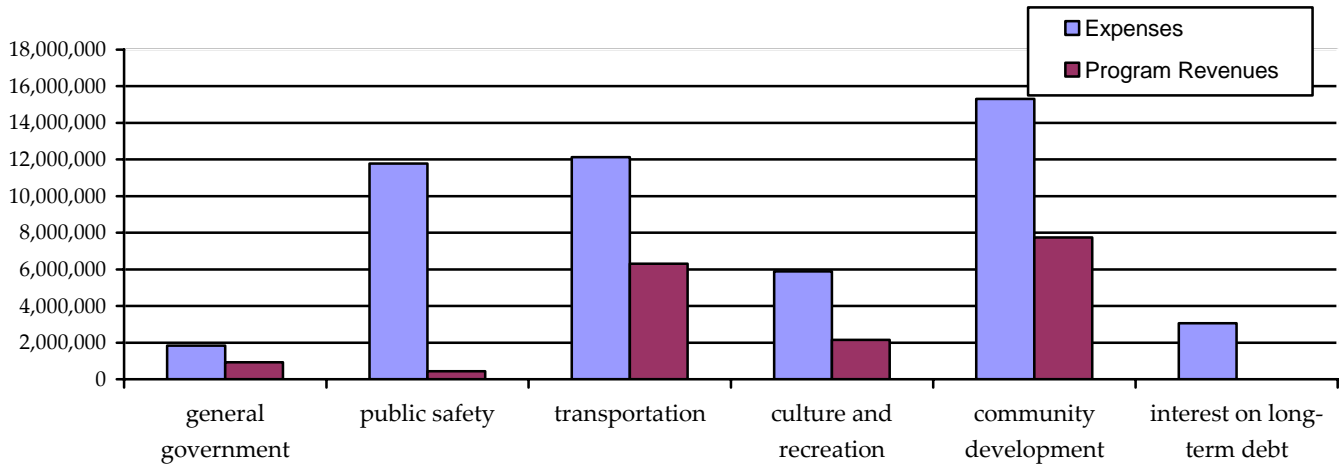
- Investment income decreased \$462,106 (42 percent). This is due to the decline in interest rates.
- Tax Increment income decreased \$2,265,903 (24 percent). This is due to a reduction in assessed values by the County Tax Assessor.
- Property Tax income decreased \$373,610 (9 percent). This is also due to a reduction in assessed values by the County Tax Assessor.
- Public Safety expenditures increased \$1,105 (0 percent).
- Community Development expenditures increased \$5,560,031 (57 percent). This is primarily due to construction of Development Services and Animal Shelter/Services buildings.

Overall, General Government expenses were reduced due to the continual decline in revenues.

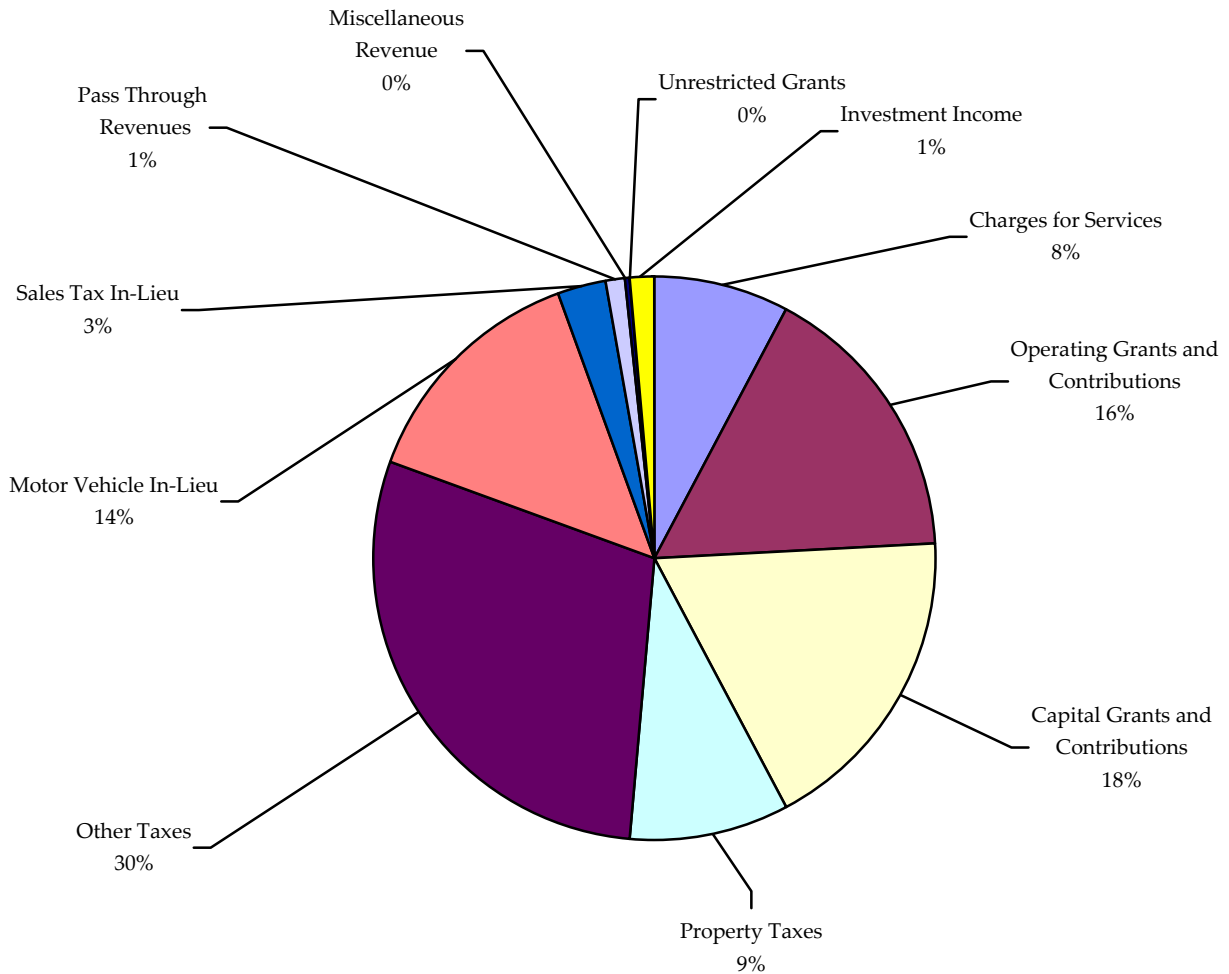
Town of Apple Valley's Changes in Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program revenues:						
Charges for service	\$3,918,626	\$3,708,910	\$14,571,174	\$13,357,554	18,489,800	17,066,464
Operating grants and contributions	8,423,410	4,533,857			8,423,410	4,533,857
Capital grants and contributions	5,218,590	6,620,923	438,301	586,969	5,656,891	7,207,892
General revenues:						
Property taxes	3,816,749	4,190,359			3,816,749	4,190,359
Other taxes	12,468,777	14,609,991			12,468,777	14,609,991
Motor Vehicle in-Lieu	5,931,473	6,670,204			5,931,473	6,670,204
Sales Tax in-Lieu	1,189,135	1,167,513			1,189,135	1,167,513
Pass Through Revenues	488,762	563,609			488,762	563,609
Miscellaneous Revenues	112,597	105,846			112,597	105,846
Grants and contribution not restricted to specific programs	11,498	9,686			11,498	9,686
Investment Income	628,373	1,090,479	110,376	332,704	738,749	1,423,183
Total revenues	42,207,990	43,271,377	15,119,851	14,277,227	57,327,841	57,548,604
Expenses						
General government	1,841,391	3,351,071			1,841,391	3,351,071
Public safety	11,784,128	11,783,023			11,784,128	11,783,023
Transportation	12,126,936	14,238,533			12,126,936	14,238,533
Culture and recreation	5,893,089	5,827,113			5,893,089	5,827,113
Community Development	15,313,506	9,753,475			15,313,506	9,753,475
Interest on long-term debt	3,062,557	3,203,143			3,062,557	3,203,143
Golf Club			3,092,747	1,276,919	3,092,747	1,276,919
Sewer			5,995,219	5,593,652	5,995,219	5,593,652
Waste Management			8,572,856	8,825,868	8,572,856	8,825,868
Total expenses	50,021,607	48,156,358	17,660,822	15,696,439	67,682,429	63,852,797
Change in net assets before transfers	(7,813,617)	(4,884,981)	(2,540,971)	(1,419,212)	(10,354,588)	(6,304,193)
Transfers	489,273	499,652	(489,273)	(499,652)	0	0
Change in net assets	(7,324,344)	(4,385,329)	(3,030,244)	(1,918,864)	(10,354,588)	(6,304,193)
Net assets (beginning)	421,238,855	425,624,184	48,397,627	50,316,491	469,636,482	475,940,675
Prior Period Adjustment	0	0	0	0	0	0
Net assets (ending)	\$413,914,511	\$421,238,855	\$45,367,383	\$48,397,627	\$459,281,894	\$469,636,482

Expenses and Program Revenues - Governmental Activities



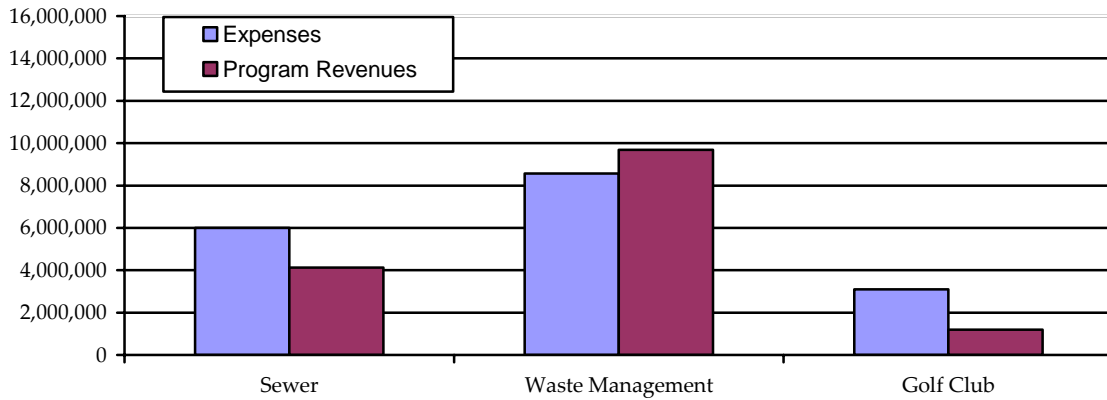
Revenues by Source - Governmental Activities



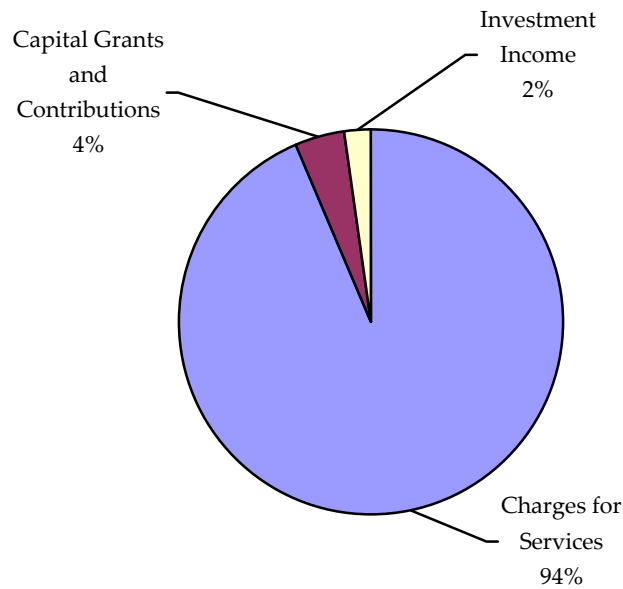
Business-type activities. Business-type activities decreased the Town’s net assets by \$3,030,244. Key elements of this decrease are as follows:

- The Sewer fund’s net assets decreased by \$1,254,280 this fiscal year. This was mainly due to greater maintenance costs in the 09-10 fiscal year.
- This is the second year for the Golf Club fund and for the 09-10 fiscal year expenses exceeded revenues by \$1,904,092. The Town is currently in escrow for purchase of the Club and once escrow closes accounting adjustments will result in the capitalization of certain previously expensed items which will reduce the overall deficit.
- Investment income decreased \$222,328 (67 percent). This is due to the decline in interest rates.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$69,873,799, a decrease of \$18,237,660 in comparison with the prior year. Approximately 98 percent of this total amount (\$68,555,106) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service (\$1,251,212) and as prepaid items (\$67,481).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, virtually 100 percent of the \$17,592,292 fund balance was unreserved (\$17,587,279). 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 111 percent of total general fund expenditures.

- The fund balance of the Town's general fund decreased by \$48,700 during the current fiscal year.

The Article 8 fund has a total fund balance of \$169,060, which is reported as unreserved. The net increase in fund balance during the current year in the Article 8 fund was \$310,256. This increase in fund balance was due to lower street maintenance costs in the current fiscal year.

The Parks and Recreation fund has a total fund balance of \$(3,945,669), which is reported as unreserved. The net decrease in fund balance during the current year in the Parks and Recreation fund was \$1,067,248. This is primarily due to program costs exceeding revenues and a reduction of property tax revenue due to reduced property assessments.

The Low/Moderate Income Housing fund has a fund balance of \$14,988,271, which is all reported as unreserved. This fund represents 20% of tax increment from the Town's two RDA's. A significant portion of the fund balance, \$4,500,000, came from the issuance of tax allocation bonds in July, 2007. Proceeds of these bonds will be used for low and moderate income housing purposes.

The RDA Debt Service Fund has a total fund balance of \$24,420,150. The net decrease in fund balance during the current year was \$11,474,298. This is mainly due to payments on RDA financed construction projects.

The Capital Projects fund has a fund balance of \$9,483,693, which is all reported as unreserved. This fund represents transportation impact fees collected by the Town and will be used for capacity enhancing street projects in the Town.

The Government Facilities Capital Projects fund has a fund balance of \$766,885, which is reported as unreserved. In July 2007 Lease Revenue Bonds were issued for \$11,355,000. The proceeds are being used for a Town Hall Expansion project.

The Measure I fund has a fund balance of \$4,256,770, all of which is unreserved. The net increase in the fund during the current year for the Measure I fund was \$551,191. This increase was due to a reduction in the total dollars spent this year on Measure I projects.

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

Unrestricted net assets of the Sewer fund were \$11,051,835, \$3,760,771 for the Solid Waste Management fund and \$(2,645,422) for the Apple Valley Golf fund as of June 30, 2010. The total increase in net assets for the Solid Waste Management fund was \$128,128 while the decrease in the Sewer fund was \$1,254,280.

General Fund Budgetary Highlights

The original budget approved by the Town Council projected a balanced budget for the year. Final numbers resulted in a \$48,700 negative change in fund balance. Actual revenues were under budget by \$777,672. Property taxes decreased due to a decrease in the assessed valuation of property but were offset by an increase in sales tax revenues over last year. Sales taxes were increased over 08-09 levels due to several new retail outlets opening during 2009-10 but still came in under budget by \$110,033. Actual expenditures were under budget by \$841,710.

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, 2010, amounts to \$440,853,737 (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 \$6,593,409 (a \$8,101,822 increase for governmental activities and a \$1,508,413 decrease for business-type activities).

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

<i>Asset Category</i>	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 98,526,741	\$ 96,976,741	\$ 385,744	\$ 385,744	\$ 98,912,485	\$ 96,362,485
Construction in Progress	16,716,519	14,624,846	70,772		16,787,291	14,624,846
Furniture and Equipment	780,324	1,023,180			780,324	1,023,180
Trucks and Automobiles	348,919	486,171	342,593	255,502	691,512	741,673
Structures and Improvements	60,180,027	52,184,482			60,180,027	52,184,482
Infrastructure	229,507,997	232,663,285			229,507,997	232,663,285
Building and System			109,896	115,706	109,896	115,706
Machinery and Equipment			102,115	92,746	102,115	92,746
Collector Lines			33,782,090	35,451,925	33,782,090	35,451,925
Total Capital Assets	\$ 406,060,527	\$ 397,958,705	\$ 34,793,210	\$ 36,301,623	\$ 440,853,737	\$ 434,260,328

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

Long-term debt. At the end of the current fiscal year, the Town had total bonded debt outstanding of \$69,970,000. Of this amount, \$66,543,250 comprises debt backed by the full faith and credit of the government and \$3,015,000 is special assessment debt for which the government is liable in the event of default by the

property owners subject to the assessment. The remainder of the Town’s debt represents bonds secured solely by specified revenue sources.

The Town’s total bonded debt decreased by \$2,285,000 during the current fiscal year.

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value. The computation of the legal debt limit reflects a conversion of assessed valuation data from the current full valuation perspective to the 25% level. The current debt limitation for the Town is \$189,316,053, which is significantly in excess of the Town’s outstanding general obligation debt.

Town of Apple Valley’s Outstanding Debt

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Certificates of Participation	\$ 15,403,250	\$ 16,280,750	\$ 411,750	\$ 474,250	\$ 15,815,000	\$ 16,755,000
Tax Allocation Bonds	51,140,000	52,090,000			51,140,000	52,090,000
Claims Payable	45,000	45,000			45,000	45,000
Special assessment debt with Governmental commitment			3,015,000	3,410,000	3,015,000	3,410,000
California Housing Loan	250,000	250,000			250,000	250,000
Capital Lease Payable	99,997	112,268			99,997	112,268
Installment Purchase Agreement			2,048,958	2,210,208	2,048,958	2,210,208
Total	<u>\$ 66,938,247</u>	<u>\$ 68,778,018</u>	<u>\$ 5,475,708</u>	<u>\$ 6,094,458</u>	<u>\$ 72,413,955</u>	<u>\$ 74,872,476</u>

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

Requests for Information

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

Town of Apple Valley, California
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 32,838,931	\$ 11,484,038	\$ 44,322,969
Accounts Receivable	1,711,785	1,348,658	3,060,443
Interest Receivable	39,605	9,129	48,734
Due from Other Governments	6,719,607	1,216,287	7,935,894
Internal Balances	2,552,579	(2,552,579)	-
Special Assessments Receivable		2,440,725	2,440,725
Loans Receivable	3,936,303		3,936,303
Prepaid Items	67,481		67,481
Investment in Joint Venture		1,921,787	1,921,787
Debt Issuance Costs	1,381,316	176,476	1,557,792
Restricted Assets:			
Cash with Fiscal Agent	35,534,747	1,818,186	37,352,933
Capital Assets, Not Being Depreciated:			
Land	98,526,741	385,744	98,912,485
Construction in Progress	16,716,519	70,772	16,787,291
Capital Assets, Net of Accumulated Depreciation			
Buildings and Improvement	60,180,027	109,896	60,289,923
Machinery and Equipment	780,324	102,115	882,439
Trucks and Automobiles	348,919	342,593	691,512
Collector Lines		33,782,090	33,782,090
Infrastructure	229,507,997		229,507,997
Total Assets	<u>490,842,881</u>	<u>52,655,917</u>	<u>543,498,798</u>
LIABILITIES			
Accounts Payable	3,361,698	739,998	4,101,696
Accrued Liabilities	1,535,538	20,824	1,556,362
Interest Payable	378,106	69,345	447,451
Due to Other Governments	502,878	399,987	902,865
Unearned Revenue	1,123,695	553,630	1,677,325
Amounts Due Bondholders		44,595	44,595
Noncurrent Liabilities:			
Due Within One Year	2,116,199	657,917	2,774,116
Due in More Than One Year, Net of Unamortized Premium	67,910,256	4,802,238	72,712,494
Total Liabilities	<u>76,928,370</u>	<u>7,288,534</u>	<u>84,216,904</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	390,657,277	31,382,013	422,039,290
Restricted for:			
Transportation	4,256,770		4,256,770
Culture and Recreation	111,004		111,004
Community Development	27,364,393		27,364,393
Capital Projects		1,106,925	1,106,925
Debt Service	1,251,212	711,261	1,962,473
Unrestricted	(9,726,145)	12,167,184	2,441,039
Total Net Assets	<u>\$ 413,914,511</u>	<u>\$ 45,367,383</u>	<u>\$ 459,281,894</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Activities
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,841,391	\$ 933,000	\$	\$
Public Safety	11,784,128	147,533	288,034	
Transportation	12,126,936	45,510	2,833,577	3,431,660
Culture and Recreation	5,893,089	941,862	10,000	1,194,442
Community Development	15,313,506	1,850,721	5,291,799	592,488
Interest on Long-Term Debt	3,062,557			
Total Governmental Activities	<u>50,021,607</u>	<u>3,918,626</u>	<u>8,423,410</u>	<u>5,218,590</u>
Business-type Activities:				
Sewer	5,995,219	3,691,818		438,301
Waste Management	8,572,856	9,690,701		
Apple Valley Golf Club	3,092,747	1,188,655		
Total Business-type Activities	<u>17,660,822</u>	<u>14,571,174</u>	<u>-</u>	<u>438,301</u>
Total Primary Government	<u>\$ 67,682,429</u>	<u>\$ 18,489,800</u>	<u>\$ 8,423,410</u>	<u>\$ 5,656,891</u>

General Revenues:

Taxes:

Property Taxes

Tax Increment

Franchise Taxes

Sales Taxes

Transient Occupancy Taxes

Motor Vehicle in-lieu (intergovernmental,
unrestricted)

Sales Taxes in-lieu

Pass Through Tax Increment Revenues

Miscellaneous Revenues

Unrestricted Grants and Contributions

Investment Income

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (908,391)	\$	\$ (908,391)
(11,348,561)		(11,348,561)
(5,816,189)		(5,816,189)
(3,746,785)		(3,746,785)
(7,578,498)		(7,578,498)
(3,062,557)		(3,062,557)
(32,460,981)	-	(32,460,981)
	(1,865,100)	(1,865,100)
	1,117,845	1,117,845
	(1,904,092)	(1,904,092)
-	(2,651,347)	(2,651,347)
(32,460,981)	(2,651,347)	(35,112,328)
3,816,749		3,816,749
7,203,291		7,203,291
1,565,696		1,565,696
3,689,967		3,689,967
9,823		9,823
5,931,473		5,931,473
1,189,135		1,189,135
488,762		488,762
112,597		112,597
11,498		11,498
628,373	110,376	738,749
489,273	(489,273)	-
25,136,637	(378,897)	24,757,740
(7,324,344)	(3,030,244)	(10,354,588)
421,238,855	48,397,627	469,636,482
\$ 413,914,511	\$ 45,367,383	\$ 459,281,894

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Balance Sheet
Governmental Funds
June 30, 2010

	General	Article 8	Parks and Recreation	Low/Moderate Housing	RDA Debt Service
ASSETS					
Cash and Investments	\$ 1,029,821	\$	\$ 393,247	\$ 9,744,600	\$ 3,667,443
Cash with Fiscal Agent				4,640,545	26,878,779
Accounts Receivable	1,372,843		27,009		
Interest Receivable	11,284			7,408	7,629
Due from Other Funds	16,464,675		17,554		
Due from Other Governments	1,858,501	964,978	233,047	648,087	10,635
Loans Receivable					
Prepaid Items	5,013				62,468
	<u>\$ 20,742,137</u>	<u>\$ 964,978</u>	<u>\$ 670,857</u>	<u>\$ 15,040,640</u>	<u>\$ 30,626,954</u>
Total Assets					
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 569,436	\$	\$ 159,242	\$	\$ 292,785
Accrued Liabilities	243,542	811	91,210	52,369	203,433
Due to Other Governments					496,848
Due to Other Funds		795,107	4,341,626		5,213,738
Deferred Revenue	2,336,867		24,448		
	<u>3,149,845</u>	<u>795,918</u>	<u>4,616,526</u>	<u>52,369</u>	<u>6,206,804</u>
Total Liabilities					
Fund Balances:					
Reserved for:					
Debt Service					1,251,212
Prepaid Items	5,013				62,468
Unreserved, Reported In:					
General Fund	17,587,279				
Special Revenue Funds		169,060	(3,945,669)	14,988,271	
Debt Service Funds					23,106,470
Capital Projects Funds					
	<u>17,592,292</u>	<u>169,060</u>	<u>(3,945,669)</u>	<u>14,988,271</u>	<u>24,420,150</u>
Total Fund Balances					
Total Liabilities and Fund Balances	<u>\$ 20,742,137</u>	<u>\$ 964,978</u>	<u>\$ 670,857</u>	<u>\$ 15,040,640</u>	<u>\$ 30,626,954</u>

The accompanying notes are an integral part of this statement.

Capital Projects	Governmental Facilities	RDA Capital Projects	Measure I	Project Manager Grants	Other Governmental Funds	Total Governmental Funds
\$ 9,487,502	\$ 3,700,168	\$ 694,976	\$ 4,149,992	\$	\$ 3,671,350	\$ 32,838,931
7,300	39,918	145,617			315,255	35,534,747
7,270			2,900		119,098	1,711,785
					3,114	39,605
10,135			108,440	1,529,700	1,356,084	16,482,229
					3,936,303	6,719,607
						3,936,303
						67,481
<u>\$ 9,512,207</u>	<u>\$ 3,740,086</u>	<u>\$ 840,593</u>	<u>\$ 4,261,332</u>	<u>\$ 1,529,700</u>	<u>\$ 9,401,204</u>	<u>\$ 97,330,688</u>
\$ 28,514	\$ 1,099,462	\$ 758,512	\$ 4,562	\$ 158,861	\$ 290,324	\$ 3,361,698
	828,499	76,756			38,918	1,535,538
	705	5,325				502,878
	1,044,535			1,249,491	1,285,153	13,929,650
				1,189,227	4,576,583	8,127,125
<u>28,514</u>	<u>2,973,201</u>	<u>840,593</u>	<u>4,562</u>	<u>2,597,579</u>	<u>6,190,978</u>	<u>27,456,889</u>
						1,251,212
						67,481
						17,587,279
					317,797	11,529,459
						23,106,470
<u>9,483,693</u>	<u>766,885</u>		<u>4,256,770</u>	<u>(1,067,879)</u>	<u>2,892,429</u>	<u>16,331,898</u>
<u>9,483,693</u>	<u>766,885</u>	<u>-</u>	<u>4,256,770</u>	<u>(1,067,879)</u>	<u>3,210,226</u>	<u>69,873,799</u>
<u>\$ 9,512,207</u>	<u>\$ 3,740,086</u>	<u>\$ 840,593</u>	<u>\$ 4,261,332</u>	<u>\$ 1,529,700</u>	<u>\$ 9,401,204</u>	<u>\$ 97,330,688</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Fund balances of governmental funds	\$ 69,873,799
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.	406,060,527
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	7,003,430
Long term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated Absences	(1,081,341)
Claims Payable	(45,000)
Certificates of Participation	(4,738,250)
Tax Allocation Bonds	(51,140,000)
Lease Revenue Bonds	(10,665,000)
Unamortized Premium	(152,163)
Unamortized Discount	334,746
Capital Lease Payable	(99,997)
CA Housing Loan	(250,000)
Pension-related Debt	(1,740,976)
Net OPEB Obligation	(448,474)
Issuance costs net of accumulated amortization were recorded as expenditures in the governmental funds.	1,381,316
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	<u>(378,106)</u>
Net assets of governmental activities	<u><u>\$ 413,914,511</u></u>

The accompanying notes are an integral part of this statement.

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Town of Apple Valley, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	General	Article 8	Parks and Recreation	Low/Moderate Housing	RDA Debt Service
REVENUES					
Taxes	\$ 14,849,872	\$ 966,108	\$ 1,886,690	\$ 2,321,649	\$ 5,291,354
Licenses & Permits	761,435				
Fines & Forfeitures	677,847				
Investment Income	233,457			127,077	263,415
Intergovernmental	299,532		10,000		
Charges for Services	768,797		941,857		
Other Revenue	134,573			1,000	
Total Revenues	17,725,513	966,108	2,838,547	2,449,726	5,554,769
EXPENDITURES					
Current:					
General Government	1,078,555				
Public Safety	11,634,284				
Transportation		655,852			
Culture and Recreation			3,898,837		
Community Development	3,022,101			170,652	3,784,905
Capital Outlay	21,996		6,958		
Debt Service:					
Principal	12,327			78,760	871,240
Interest & Fiscal Charges	5,812			214,669	2,275,648
Pass-Through Agreements					844,963
Total Expenditures	15,775,075	655,852	3,905,795	464,081	7,776,756
Excess (Deficiency) of Revenues over Expenditures	1,950,438	310,256	(1,067,248)	1,985,645	(2,221,987)
OTHER FINANCING SOURCES (USES)					
Transfer In	492,438				
Transfer Out	(2,491,576)				(9,252,311)
Total Other Financing Sources (Uses)	(1,999,138)	-	-	-	(9,252,311)
Net Change in Fund Balances	(48,700)	310,256	(1,067,248)	1,985,645	(11,474,298)
Fund Balances, Beginning	17,640,992	(141,196)	(2,878,421)	13,002,626	35,894,448
Fund Balances, Ending	\$ 17,592,292	\$ 169,060	\$ (3,945,669)	\$ 14,988,271	\$ 24,420,150

The accompanying notes are an integral part of this statement.

Capital Projects	Governmental Facilities	RDA Capital Projects	Measure I	Project Manager Grants	Other Governmental Funds	Total Governmental Funds
\$ 369,517	\$	\$	\$ 2,235,822	\$	\$ 349,530	\$ 27,901,025
64,798			27,825		158,486	1,289,438
				2,056,360	65,108	677,847
	39,918	11,779		28,939	5,960,552	781,680
					64,437	8,326,444
434,315	39,918	11,779	2,263,647	2,085,299		1,710,654
						280,646
					150,889	1,229,444
			1,712,456		24,828	11,659,112
					3,470,054	5,838,362
		2,068,967		1,454,866	3,979,166	3,898,837
1,427,184	8,202,819	7,193,287			39,724	14,480,657
						16,891,968
					877,500	1,839,827
					515,368	3,011,497
						844,963
1,427,184	8,202,819	9,262,254	1,712,456	1,454,866	9,057,529	59,694,667
(992,869)	(8,162,901)	(9,250,475)	551,191	630,433	(2,459,416)	(18,726,933)
	8,929,786	9,252,311			2,998,313	21,672,848
		(1,640)		(21,519)	(9,416,529)	(21,183,575)
-	8,929,786	9,250,671	-	(21,519)	(6,418,216)	489,273
(992,869)	766,885	196	551,191	608,914	(8,877,632)	(18,237,660)
10,476,562	-	(196)	3,705,579	(1,676,793)	12,087,858	88,111,459
<u>\$ 9,483,693</u>	<u>\$ 766,885</u>	<u>\$ -</u>	<u>\$ 4,256,770</u>	<u>\$ (1,067,879)</u>	<u>\$ 3,210,226</u>	<u>\$ 69,873,799</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2010

Net change in fund balances-total governmental funds \$ (18,237,660)

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

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

Excess Capital Outlay over Depreciation 8,101,822

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period. 1,240,256

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

Amortization of Premium	5,765
Amortization of Discounts	(12,427)
Amortization of Issuance Costs	(52,304)
Principal Paid on Long-Term Debt	1,839,771
Decrease in Pension-related Debt	6,158

The net OPEB Obligation reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. The following amount represents the net change in OPEB obligation. (252,108)

Accrued interest for long-term debt. This is the net change in accrued interest for the current period. 7,906

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	28,477
Net Change in Claims Payable	-

Change in Net Assets of Governmental Activities \$ (7,324,344)

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Sewer	Solid Waste Management	Apple Valley Golf Club	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 8,104,702	\$3,335,182	\$ 44,154	\$11,484,038
Accounts Receivable	397,658	948,086	2,914	1,348,658
Interest Receivable	5,874	3,255		9,129
Due from Other Governments	1,174,480	41,807		1,216,287
Due from Other Funds				-
Total Current Assets	<u>9,682,714</u>	<u>4,328,330</u>	<u>47,068</u>	<u>14,058,112</u>
Noncurrent Assets:				
Special Assessments Receivable	2,440,725			2,440,725
Investment in Joint Venture (Net)		1,921,787		1,921,787
Debt Issuance Costs, Net of Accumulated Amortization	84,851	91,625		176,476
Restricted Assets:				
Cash with Fiscal Agent	1,818,186			1,818,186
Capital Assets, Not Being Depreciated:				
Land	385,744			385,744
Construction in Progress	70,772			70,772
Capital Assets, Net of Accumulated Depreciation	<u>34,336,694</u>			<u>34,336,694</u>
Total Noncurrent Assets	<u>39,136,972</u>	<u>2,013,412</u>	<u>-</u>	<u>41,150,384</u>
Total Assets	<u>48,819,686</u>	<u>6,341,742</u>	<u>47,068</u>	<u>55,208,496</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	438,790	167,926	133,282	739,998
Accrued Liabilities	16,298	456	4,070	20,824
Interest Payable	69,345			69,345
Due to Other Governments	397,428		2,559	399,987
Due to Other Funds			2,552,579	2,552,579
Unearned Revenue	189,999	363,631		553,630
Amounts Due Bondholders	44,595			44,595
Current Portion of Long-Term Debt	<u>490,000</u>	<u>167,917</u>		<u>657,917</u>
Total Current Liabilities	<u>1,646,455</u>	<u>699,930</u>	<u>2,692,490</u>	<u>5,038,875</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Debt	<u>2,921,197</u>	<u>1,881,041</u>		<u>4,802,238</u>
Total Noncurrent Liabilities	<u>2,921,197</u>	<u>1,881,041</u>	<u>-</u>	<u>4,802,238</u>
Total Liabilities	<u>4,567,652</u>	<u>2,580,971</u>	<u>2,692,490</u>	<u>9,841,113</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	31,382,013			31,382,013
Restricted for Capital Projects	1,106,925			1,106,925
Restricted for Debt Service	711,261			711,261
Unrestricted	<u>11,051,835</u>	<u>3,760,771</u>	<u>(2,645,422)</u>	<u>12,167,184</u>
Total Net Assets	<u>\$44,252,034</u>	<u>\$3,760,771</u>	<u>\$(2,645,422)</u>	<u>\$45,367,383</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Year Ended June 30, 2010

	5010-5050	5510	5710	
	Sewer	Solid Waste Management	Apple Valley Golf Club	Total
OPERATING REVENUES				
Charges for Services	\$ 3,691,818	\$ 9,690,701	\$ 1,188,655	\$ 14,571,174
Total Operating Revenue	3,691,818	9,690,701	1,188,655	14,571,174
OPERATING EXPENSES				
Salaries and Benefits	479,949	12,985		492,934
Contract Services	65,444	7,195,028	1,155,245	8,415,717
Maintenance and Treatment	1,592,062		327,828	1,919,890
Depreciation	1,771,740			1,771,740
Other	1,824,343	1,139,978	1,609,674	4,573,995
Total Operating Expenses	5,733,538	8,347,991	3,092,747	17,174,276
Operating Income (Loss)	(2,041,720)	1,342,710	(1,904,092)	(2,603,102)
NONOPERATING REVENUES (EXPENSES)				
Change in Investment in Joint Venture		(67,561)		(67,561)
Investment Income	67,526	42,850		110,376
Assessment Income - Debt Service	438,301			438,301
Interest	(215,976)	(147,124)		(363,100)
Bond Issuance Costs	(45,705)	(10,180)		(55,885)
Total Nonoperating Revenues (Expenses)	244,146	(182,015)	-	62,131
Income Before Contributions and Transfers	(1,797,574)	1,160,695	(1,904,092)	(2,540,971)
Transfers In	557,210	4,992		562,202
Transfers Out	(13,916)	(1,037,559)		(1,051,475)
Change in Net Assets	(1,254,280)	128,128	(1,904,092)	(3,030,244)
Total Net Assets, Beginning	45,506,314	3,632,643	(741,330)	48,397,627
Total Net Assets, Ending	\$ 44,252,034	\$ 3,760,771	\$ (2,645,422)	\$ 45,367,383

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010

	Sewer	Solid Waste Management	Apple Valley Golf Club	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,590,271	\$ 9,634,275	\$ 1,197,390	\$ 13,421,936
Cash Paid to Suppliers	(3,446,801)	(8,394,385)	(2,956,815)	(14,798,001)
Cash Paid to Employees for Service	(529,531)	(34,861)		(564,392)
 Net Cash Provided (Used) by Operating Activities	 (1,386,061)	 1,205,029	 (1,759,425)	 (1,940,457)
Cash Flows from Noncapital Financing Activities				
Cash Received from Other Government:				-
Cash Collected on Behalf of Other Governments (Paid to Advances (to) from Other Funds)	167,102		2,559	169,661
Cash Paid (to) from Other Funds	543,294	(1,032,567)	1,801,020	1,805,867
Principal Paid on Debt		(161,250)		(161,250)
Interest Paid on Debt		(147,124)		(147,124)
 Net Cash Provided (Used) by Noncapital Financing Activities	 710,396	 (1,336,094)	 1,803,579	 1,177,881
Cash Flows from Capital and Related Financing Activities				
Capital Asset Purchase:	(263,327)			(263,327)
Special Assessments Collected for Debt Service	904,749			904,749
Principal Paid on Debt	(457,500)			(457,500)
Interest Paid on Debt	(225,061)			(225,061)
 Net Cash Provided (Used) by Capital and Related Financing Activities	 (41,139)	 -	 -	 (41,139)
Cash Flows from Investing Activities:				
Interest Received on Investment:	74,689	45,040		119,729
 Net Cash Provided (Used) by Investing Activities	 74,689	 45,040	 -	 119,729
 Net Increase (Decrease) in Cash and Cash Equivalents	 (642,115)	 (86,025)	 44,154	 (683,986)
Cash and Cash Equivalents, Beginning of Fiscal Year	10,565,003	3,421,207		13,986,210
 Cash and Cash Equivalents, End of Fiscal Year	 <u>\$ 9,922,888</u>	 <u>\$ 3,335,182</u>	 <u>\$ 44,154</u>	 <u>\$ 13,302,224</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Cash Flows from Operating Activities				
Operating income (loss)	\$ (2,041,720)	\$ 1,342,710	\$ (1,904,092)	\$ (2,603,102)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,771,740			1,771,740
(Increase) Decrease in Accounts Receivable	(103,531)	(20,931)	8,735	(115,727)
(Increase) Decrease in Due from Other Government:	(1,024,836)	(7,614)		(1,032,450)
Increase (Decrease) in Accounts Payable	35,048	(59,379)	136,929	112,598
Increase (Decrease) in Accrued Liabilities	(49,582)	(21,876)	(997)	(72,455)
Increase (Decrease) in Deferred Revenue	26,820	(27,881)		(1,061)
 Net Cash Provided (Used) by Operating Activities	 <u>\$ (1,386,061)</u>	 <u>\$ 1,205,029</u>	 <u>\$ (1,759,425)</u>	 <u>\$ (1,940,457)</u>
 Non Cash Investing, Capital and Financing Activities				
Bond Issuance/Refunding Cost Amortization	\$ 45,705	\$ 10,180	\$	\$ 55,885
Change in Investment in Joint Venture		67,561		67,561

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

ASSETS

Cash and Investments	\$ 17,960,673
Cash with Fiscal Agent	245,211
Accounts Receivable	50,199
Interest Receivable	481
Due from Other Governments	<u>896,010</u>
Total Assets	<u><u>19,152,574</u></u>

LIABILITIES

Accounts Payable	3,354
Accrued Liabilities	17,415,981
Deposits	1,438,349
Due to Other Governments	50,108
Amounts Due to Bondholders	<u>244,782</u>
Total Liabilities	<u><u>\$ 19,152,574</u></u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

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, 2010

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Government-wide and Fund Financial Statements - Continued

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

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

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

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

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

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

The Town reports the following major governmental funds:

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

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

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

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

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

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

The Governmental Facilities Fund accounts for activities related to the construction of the new Town Hall Annex.

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

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

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

The Town reports the following major proprietary funds:

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

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

D) Assets, Liabilities, and Net Assets or Equity

1) Cash and Investments

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

1) Cash and Investments - Continued

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

2) Receivables and Payables

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

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

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

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

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

3) Restricted Assets

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

4) Capital Assets

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

4) Capital Assets - Continued

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

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

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

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

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

5) Deferred/Unearned Revenue

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

5) Deferred/Unearned Revenue - Continued

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

6) Use of Estimates

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

7) Compensated Absences

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

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

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

8) Claims and Judgments

The Town records a liability for litigation, judgements and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. An estimate based upon historical data has been made for exposure to losses incurred but not yet reported. As of June 30, 2009 and 2010, 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, 2010

I) 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, 2010

II) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$8,101,822 difference are as follows:

Capital Outlay	\$ 20,603,415
Depreciation Expense	<u>(12,501,593)</u>
Net adjustment to increase <i>net change in fund balances -total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i> .	<u>\$ 8,101,822</u>

III) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A) Deficit Fund Balances/Net Assets

The following non-major funds have deficit fund balances as of June 30, 2010:

	<u>Deficit Balance</u>
Special Revenue Funds:	
CDBG	\$ (17,887)
FEMA/OES	(427,257)

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

IV) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Cash and Investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 62,283,642
Cash and Investments with Fiscal Agent	<u>37,598,144</u>
 Total Cash and Investments	 <u>\$ 99,881,786</u>

Cash and investments as of June 30, 2010 consist of the following:

Petty Cash	\$ 3,600
Deposits with Financial Institutions	3,343,509
Local Agency Investment Fund	52,945,033
U.S. Agency Securities	
Federal National MTG Association	1,000,000
Federal Home Loan Banks Bonds	1,993,250
Federal Home Loan MTG Corp Notes	2,998,250
Held by Fiscal Agent:	
Federal Farm Credit Banks	537,680
Mutual Fund	<u>37,060,464</u>
 Total Cash and Investments	 <u>\$ 99,881,786</u>

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

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

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2010 the Town had the following investments.

<u>Investment Type</u>	<u>Maturity Date</u>
State Investment Pool - LAIF	N/A
U.S. Agency Securities	2012
U.S. Agency Securities	2013
Held by Bond Trustee:	
Federal Farm Credit Banks	2011
Mutual Fund	N/A
Total	

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Disclosures Relating to Credit Risk

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

Investment Type		Minimum Legal Rating	Rating as of Year End		
			Aaa	Aa	Not Rated
State Investment Pool - LAIF	\$ 52,945,033	N/A	\$	\$	\$ 52,945,033
U.S. Agency Securities					
Federal National MTG Association	1,000,000	N/A	1,000,000		
Federal Home Loan Banks Bonds	1,993,250	N/A	1,993,250		
Federal Home Loan MTG Corp Notes	2,998,250	N/A	2,998,250		
Held by Bond Trustee:					
Federal Farm Credit Banks	537,680	N/A	537,680		
Mutual Fund	<u>37,060,464</u>	N/A	<u>37,060,464</u>		
 Total	 <u>\$ 96,534,677</u>		 <u>\$ 43,589,644</u>	 <u>-</u>	 <u>\$ 52,945,033</u>

Concentration of Credit Risk

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Custodial Credit Risk - Continued

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The Town did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts. As of June 30, 2010, 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 Amount
Federal Farm Credit Banks	537,680
U.S. Treasury Mutual Fund	37,060,464

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, 2010 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 16,464,675	\$
Article 8 Fund		795,107
Parks and Recreation Fund	17,554	4,341,626
Nonmajor Funds		1,285,153
Governmental Facilities Fund		1,044,535
RDA Debt Service Fund		5,213,738
Project Manager Grants Fund		1,249,491
Apple Valley Golf Club (Proprietary Fund)		2,552,579
Total	\$ 16,482,229	\$ 16,482,229

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

B) Interfund Receivables, Payables, and Transfers - Continued

Interfund transfers for the year ended June 30, 2010 are as follows:

		TRANSFERS IN						
		General Fund	Governmental Facilities Fund	RDA Capital Projects Fund	Non-Major Governmental Funds	Sewer Fund	Solid Waste Funds	Total
TRANSFERS OUT	General Fund	\$	\$	\$	\$ 2,491,576	\$	\$	\$ 2,491,576
	RDA Debt Service Fund			9,252,311				9,252,311
	RDA Capital Projects Fund				1,640			1,640
	Project Manager Grants Fund	6,527			10,000		4,992	21,519
	Non-Major Governmental Funds	1,626	8,929,786		485,117			9,416,529
	Sewer Fund	3,936			9,980			13,916
	Solid Waste Fund	480,349				557,210		1,037,559
	Total	\$ 492,438	\$ 8,929,786	\$ 9,252,311	\$ 2,998,313	\$ 557,210	\$ 4,992	\$22,235,050

The General Fund transferred \$1,045,843 to various non-major funds to eliminate deficits in those funds and \$1,445,733 to the Development Impact Fee Fund for certain capital projects. The RDA Debt Service Fund transferred \$9,252,311 of bond proceeds to the RDA Capital Projects Fund to be used for RDA projects. The Development Impact Fee Fund transferred \$483,510 and \$8,929,786 to the 2007 town Hall Revenue Bonds Debt Service and Governmental Facilities Funds respectively for expenditures relating to the construction of the Town Hall Annex. The Solid Waste Fund transferred \$557,210 to the Sewer Funds for sewer revenues that were recorded in the Solid Waste Fund while the transfer from the Solid Waste to the General Fund was for franchise fees.

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, 2010, the outstanding loans receivable totaled \$3,936,303.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

D) Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 96,976,741	\$ 1,550,000	\$ -	\$ 98,526,741
Construction in Progress	14,624,846	20,401,868	(18,310,195)	16,716,519
Total Capital Assets Not Being Depreciated	<u>111,601,587</u>	<u>21,951,868</u>	<u>(18,310,195)</u>	<u>115,243,260</u>
Capital Assets Being Depreciated:				
Furniture and Equipment	1,073,714	25,402	-	1,099,116
Computer Equipment	1,160,894	-	-	1,160,894
Trucks and Automobiles	1,434,704	-	-	1,434,704
Structures and Improvements	64,318,080	10,139,129	-	74,457,209
Infrastructure	339,916,081	6,797,211	-	346,713,292
Total Capital Assets Being Depreciated	<u>407,903,473</u>	<u>16,961,742</u>	<u>-</u>	<u>424,865,215</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(872,266)	(64,321)	-	(936,587)
Computer Equipment	(339,162)	(203,937)	-	(543,099)
Trucks and Automobiles	(948,533)	(137,252)	-	(1,085,785)
Structures and Improvements	(12,133,598)	(2,143,584)	-	(14,277,182)
Infrastructure	(107,252,796)	(9,952,499)	-	(117,205,295)
Total Accumulated Depreciation	<u>(121,546,355)</u>	<u>(12,501,593)</u>	<u>-</u>	<u>(134,047,948)</u>
Total Capital Assets Being Depreciated, Net	<u>286,357,118</u>	<u>4,460,149</u>	<u>-</u>	<u>290,817,267</u>
Governmental Activities Capital Assets, Net	<u>\$ 397,958,705</u>	<u>\$ 26,412,017</u>	<u>\$ (18,310,195)</u>	<u>\$ 406,060,527</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

D) Capital Assets - Continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 385,744	\$	\$	\$ 385,744
Construction in Progress		<u>70,772</u>		<u>70,772</u>
Total Capital Assets Not Depreciated	<u>385,744</u>	<u>70,772</u>	<u>-</u>	<u>456,516</u>
Capital Assets Being Depreciated:				
Buildings and System	177,664			177,664
Machinery and Equipment	230,096	41,489		271,585
Trucks and Automobiles	350,892	151,066		501,958
Collector Lines	<u>68,173,189</u>			<u>68,173,189</u>
Total Capital Assets Being Depreciated	<u>68,931,841</u>	<u>192,555</u>	<u>-</u>	<u>69,124,396</u>
Less Accumulated Depreciation:				
Buildings and System	(61,958)	(5,810)		(67,768)
Machinery and Equipment	(137,350)	(32,120)		(169,470)
Trucks and Automobiles	(95,390)	(63,975)		(159,365)
Collector Lines	<u>(32,721,264)</u>	<u>(1,669,835)</u>		<u>(34,391,099)</u>
Total Accumulated Depreciation	<u>(33,015,962)</u>	<u>(1,771,740)</u>	<u>-</u>	<u>(34,787,702)</u>
Total Capital Assets Being Depreciated, Net	<u>35,915,879</u>	<u>(1,579,185)</u>	<u>-</u>	<u>34,336,694</u>
Business-type Activities Capital Assets, Net	<u>\$ 36,301,623</u>	<u>\$ (1,508,413)</u>	<u>\$ -</u>	<u>\$ 34,793,210</u>

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

Governmental Activities:	
General Government	\$ 376,376
Public Safety	135,614
Transportation	10,013,886
Parks and Recreation	<u>1,975,717</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 12,501,593</u>
Business-type Activities:	
Sewer	<u>\$ 1,771,740</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 1,771,740</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt

Long term liabilities for the year ended June 30, 2010 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Certificates of Participation:					
1999 Certificates of Participation	\$ 3,745,000	\$	\$ (300,000)	\$ 3,445,000	\$ 305,000
2001 Certificates of Participation	1,480,750		(187,500)	1,293,250	195,000
Total Certificates of Participation	5,225,750	-	(487,500)	4,738,250	500,000
2005 Tax Allocation Bonds	7,550,000		(170,000)	7,380,000	175,000
Unamortized Premium on Tax Allocation Bonds	43,114		(1,664)	41,450	-
2007 Tax Allocation Bonds VVEDA Project Area	8,705,000		(140,000)	8,565,000	145,000
Unamortized Discount on Tax Allocation Bonds VVEDA Project Area	(265,119)		9,497	(255,622)	-
2007 Tax Allocation Bonds Project Area 2	35,835,000		(640,000)	35,195,000	665,000
Unamortized Premium on Tax Allocation Bonds Project Area 2	114,814		(4,101)	110,713	-
Total Tax Allocation Bonds	51,982,809	-	(946,268)	51,036,541	985,000
2007 Lease Revenue Bonds Series A	11,055,000		(390,000)	10,665,000	405,000
Unamortized Discount on Lease Revenue Bonds	(82,054)		2,930	(79,124)	-
Total Lease Revenue Bonds	10,972,946	-	(387,070)	10,585,876	405,000
Capital Lease Payable	112,268		(12,271)	99,997	12,963
California Housing Loan	250,000			250,000	-
Compensated Absences	1,109,818	945,958	(974,435)	1,081,341	162,000
Claims Payable	45,000			45,000	40,000
Pension-related Debt	1,747,134		(6,158)	1,740,976	11,236
Net OPEB Obligation	196,366	252,108		448,474	-
Governmental Activities Long-term Liabilities	\$ 71,642,091	\$ 1,198,066	\$ (2,813,702)	\$ 70,026,455	\$ 2,116,199

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
2001 Certificates of Participation	\$ 474,250	\$	\$ (62,500)	\$ 411,750	\$ 65,000
Special Assessment Debt with Government Commitment:					
Special Assessment No. 2B-R	3,410,000		(395,000)	3,015,000	425,000
Less Deferred Amounts:					
On Refunding	(42,220)		26,667	(15,553)	-
Total Special Assessment Debt	3,367,780	-	(368,333)	2,999,447	425,000
Obligation Under Installment Purchase Agreement	2,210,208	-	(161,250)	2,048,958	167,917
Business-type Activity Long-term Liabilities	<u>\$ 6,052,238</u>	<u>\$ -</u>	<u>\$ (592,083)</u>	<u>\$ 5,460,155</u>	<u>\$ 657,917</u>

1) Certificates of Participation

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

The Certificates bear an interest rate of approximately 5.5% payable semi-annually on March 1 and September 1 of each year. The Certificates mature annually from September 1, 2001 through September 1, 2019 in amounts ranging from \$245,000 to \$385,000. The principal balance outstanding at June 30, 2010 is \$3,445,000. As of June 30, 2010, the future annual maturities are as follows:

Year Ending	Principal	Interest
2011	\$ 305,000	\$ 197,725
2012	315,000	181,088
2013	325,000	164,037
2014	330,000	146,438
2015	340,000	128,425
2016	350,000	110,000
2017	355,000	91,025
2018	365,000	71,638
2019	375,000	51,837
2020	385,000	42,075
	<u>\$ 3,445,000</u>	<u>\$ 1,184,288</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

1) Certificates of Participation - Continued

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

The Certificates were executed and delivered in fully registered form without coupons in the minimum denominations of \$100,000 or any integral multiple of \$5,000 above \$100,000. After the Conversion Date, the Certificates were executed and delivered in denominations of \$5,000 or any integral multiple thereof. Interest is payable at an adjustable interest rate, on each Wednesday, or in the event any Wednesday is not a business day then on the next preceding business day (the "Interest Rate Calculation Date"), the Remarketing Agent will establish the adjustable interest rate for the period commencing the Thursday next following the Interest Rate Calculation Date to and including Wednesday of the following week (the "Interest Rate Period"), except that the final Interest Rate Period will end on September 1, 2015. The principal balance outstanding at June 30, 2010 is \$1,705,000, allocated \$1,293,250 and \$411,750 to governmental activities and business-type activities, respectively.

As of June 30, 2010, the future annual maturities are as follows:

Year Ending	Principal	Interest
2011	\$ 260,000	\$ 51,491
2012	270,000	43,639
2013	280,000	35,485
2014	290,000	27,029
2015	295,000	18,271
2015	310,000	9,362
	\$ 1,705,000	\$ 185,277

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

2) Tax Allocation Bonds

2005 VVEDA Tax Allocation Bonds

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

The purpose of the bonds is to finance certain public capital improvements benefiting the portion of the Victor Valley Economic Development Authority (VVEDA) Project Area that is within the Jurisdiction of the Town. The VVEDA is a joint exercise of powers authority established in 1989 of which the Town is a member. The bonds are special obligations of the Agency and are payable exclusively from Pledged Tax Revenues. The bonds are not a debt of the Town of Apple Valley, the VVEDA or its members, the State of California or any of its political subdivisions, other than the Agency, and neither the Town of Apple Valley, the VVEDA or its members, the State of California nor any of its political subdivisions, other than the Agency, is liable therefore. In no event shall the bonds be payable out of any funds or properties other than those of the Agency. At June 30, 2010, the Bond Reserve Fund was \$424,250 which was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Year Ending	Principal	Interest
2011	\$ 175,000	\$ 338,760
2012	175,000	333,095
2013	185,000	327,213
2014	190,000	320,448
2015	200,000	313,270
2016-2020	1,120,000	1,438,947
2021-2025	1,380,000	1,172,305
2026-2030	1,740,000	816,213
2031-2035	2,215,000	339,987
	\$ 7,380,000	\$ 5,400,238

2007 VVEDA Tax Allocation Bonds

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

2) Tax Allocation Bonds - Continued

The purpose of the bonds is to finance certain redevelopment projects benefiting the portion of the Victor Valley Economic Development Authority (VVEDA) Project Area within the jurisdiction of the Town of Apple Valley. The bonds are special obligations of the Agency and are payable exclusively from Pledged Tax Revenues. The bonds are not a debt of the Town of Apple Valley, the VVEDA or its members, State of California, or any of its political subdivisions, other than the Agency, and neither the Town of Apple Valley, the VVEDA or its members, the State of California nor any of its political subdivisions, other than the Agency, is liable therefore. In no event shall the bonds be payable out of any funds or properties other than those of the Agency. At June 30, 2010, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Year Ending	Principal	Interest
2011	\$ 145,000	\$ 393,382
2012	160,000	390,582
2013	160,000	384,183
2014	170,000	377,783
2015	175,000	370,558
2016-2020	995,000	1,733,877
2021-2025	1,250,000	1,490,450
2026-2030	1,565,000	1,166,362
2031-2035	1,970,000	758,575
2036-2037	1,975,000	141,788
	\$ 8,565,000	\$ 7,207,540

2007 Tax Allocation Bonds Project Area 2

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

2) Tax Allocation Bonds - Continued

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 665,000	\$ 1,718,800	\$ 2,383,800
2012	695,000	1,690,700	2,385,700
2013	720,000	1,662,900	2,382,900
2014	750,000	1,632,300	2,382,300
2015	790,000	1,589,175	2,379,175
2016	840,000	1,543,750	2,383,750
2017	880,000	1,505,950	2,385,950
2018	920,000	1,466,350	2,386,350
2019	960,000	1,424,950	2,384,950
2020	1,005,000	1,381,750	2,386,750
2021	1,050,000	1,331,500	2,381,500
2022	1,105,000	1,279,000	2,384,000
2023	1,155,000	1,223,750	2,378,750
2024	1,220,000	1,166,000	2,386,000
2025	1,275,000	1,105,000	2,380,000
2026	1,340,000	1,041,250	2,381,250
2027	1,405,000	979,610	2,384,610
2028	1,470,000	914,980	2,384,980
2029	1,540,000	844,420	2,384,420
2030	1,615,000	770,500	2,385,500
2031	1,695,000	689,750	2,384,750
2032	1,780,000	605,000	2,385,000
2033	1,870,000	516,000	2,386,000
2034	1,960,000	422,500	2,382,500
2035	2,060,000	324,500	2,384,500
2036	2,160,000	221,500	2,381,500
2037	2,270,000	113,500	2,383,500
	<u>2,270,000</u>	<u>113,500</u>	<u>2,383,500</u>
Total	<u>\$ 35,195,000</u>	<u>\$ 29,165,385</u>	<u>\$ 64,360,385</u>

3) 2007 Lease Revenue Bonds

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

3) 2007 Lease Revenue Bonds - Continued

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 405,000	\$ 478,237	\$ 883,237
2012	420,000	462,243	882,243
2013	440,000	445,051	885,051
2014	455,000	427,143	882,143
2015	475,000	408,544	883,544
2016	490,000	388,018	878,018
2017	515,000	365,405	880,405
2018	535,000	341,781	876,781
2019	560,000	317,494	877,494
2020	585,000	292,447	877,447
2021	610,000	265,925	875,925
2022	640,000	237,800	877,800
2023	670,000	208,325	878,325
2024	700,000	175,750	875,750
2025	735,000	139,875	874,875
2026	770,000	102,250	872,250
2027	810,000	62,750	872,750
2028	<u>850,000</u>	<u>21,250</u>	<u>871,250</u>
Total	<u>\$ 10,665,000</u>	<u>\$ 5,140,288</u>	<u>\$ 15,805,288</u>

4) Special Assessment Debt with Government Commitment

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

4) Special Assessment Debt with Government Commitment - Continued

The limited obligation refunding bonds were issued as fully registered bonds in denominations of \$5,000 and bear interest ranging from 4.90% to 6.40%. Interest on the bonds is payable commencing March 2, 1996, and semi-annually thereafter on March 2 and September 2. Principal on the bonds is payable annually on September 2 of each year, commencing September 2, 1998. The outstanding balance on the bonds as of June 30, 2010 is \$3,015,000. The bonds are secured by the unpaid reassessments applicable to all properties within the Assessment District which had not previously prepaid their original assessments levied with respect to the Prior Assessment District, and said unpaid reassessments, together with interest thereon, constitute a trust fund for the redemption and payment of the principal of and interest on the bonds. The bond indenture requires a reserve fund to be held by the fiscal agent in an amount equal to \$701,960. The Town has \$711,261 on reserve with the fiscal agent at June 30, 2010. The future annual maturities as of June 30, 2010, are as follows:

Year Ending	Principal	Interest
2011	\$ 425,000	\$ 193,372
2012	450,000	163,185
2013	480,000	131,100
2014	520,000	96,600
2015	550,000	59,685
2016	590,000	20,355
	\$ 3,015,000	\$ 664,297

5) Capital Lease Payable

On February 1, 2002, the Town entered into a lease agreement to acquire real property and the existing structures on the land for a public works facility. The Town is obligated to make monthly lease payments of \$1,512. The stated interest rate of the agreement is 5.5%. The lease qualifies as a capital lease for accounting purposes and is recorded in the sewer fund. As of June 30, 2010, future lease payments are as follows:

Year Ending	Principal	Interest
2011	\$ 12,963	\$ 5,176
2012	13,694	4,445
2013	14,467	3,673
2014	15,283	2,857
2015	16,144	1,994
2016	17,055	1,084
2017	10,391	191
	\$ 99,997	\$ 19,420

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

6) California Housing Loan

The Town obtains loans from the California Housing Finance Agency for issuing down payment assistance loans to low-to-moderate income individuals. The interest associated with these loans (3%) and the principal is to be paid back in ten years from the date of issuance. The principal balance outstanding at June 30, 2010 is \$250,000. As of June 30, 2010, the future annual maturities are as follows:

Year Ending	Principal
2016	\$ 250,000

7) Obligation Under Installment Purchase Agreement

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

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

The 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, 2010 is \$2,048,958. As of June 30, 2010, installment purchase payment requirements to maturity are as follows:

Year Ending	Principal	Interest
2011	\$ 167,917	\$ 98,370
2012	173,333	91,457
2013	183,125	83,973
2014	190,625	75,701
2015	198,542	66,725
2016	210,833	57,178
2017	220,833	46,828
2018	231,042	35,787
2019	243,333	24,214
2020	229,375	11,804
	\$ 2,048,958	\$ 592,037

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

8) Pension-Related Debt

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

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

<u>Year Ending</u>	<u>Pension-related Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2011	\$ 11,236	\$ 129,571	\$ 140,807
2012	16,857	128,526	145,383
2013	23,068	127,040	150,108
2014	29,920	125,067	154,987
2015	37,467	122,557	160,024
2016	45,770	119,455	165,225
2017	54,891	115,704	170,595
2018	64,900	111,239	176,139
2019	75,872	105,991	181,863
2020	87,887	99,887	187,774
2021	101,033	93,843	193,876
2022	115,404	84,774	200,178
2023	131,101	75,582	206,683
2024	148,234	65,167	213,401
2025	166,922	53,415	220,337
2026	187,291	40,206	227,497
2027	209,481	25,410	234,891
2028	233,642	8,883	242,525
Total	<u>\$ 1,740,976</u>	<u>\$ 1,631,317</u>	<u>\$ 3,372,293</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Long-Term Debt - Continued

9) Debt Issuance Costs

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

	Sewer Fund Certificates of Participation	Assessment District 2B-R	Tax Allocation Bonds	Lease Revenue Bonds	Installment Purchase Agreement	Total
Debt issuance costs	\$ 51,686	\$ 311,840	\$ 1,224,777	\$ 344,297	\$ 152,708	\$ 2,085,308
Less:						
Accumulated Amortization	<u>(44,795)</u>	<u>(233,880)</u>	<u>(153,326)</u>	<u>(34,431)</u>	<u>(61,084)</u>	<u>(527,516)</u>
Unamortized portion of debt issuance costs	<u>\$ 6,891</u>	<u>\$ 77,960</u>	<u>\$ 1,071,451</u>	<u>\$ 309,866</u>	<u>\$ 91,624</u>	<u>\$ 1,557,792</u>
Current amortization	<u>\$ 3,446</u>	<u>\$ 15,592</u>	<u>\$ 40,826</u>	<u>\$ 11,477</u>	<u>\$ 10,181</u>	<u>\$ 81,522</u>

F) Debt Issued Without Governmental Commitment

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

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

On May 1, 2001, the Town issued Health Facility Revenue Certificates of Participation (Apple Valley Christian Centers) Series 2001 in the amount of \$9,525,000. The certificates were issued in order to advance refund the \$8,500,000 Insured Health Facility Revenue Certificates of Participation Series 1990A. The certificates were issued in denominations of \$5,000 and mature June 1, 2003 through June 1, 2026 with interest rates ranging from 3.65% to 5.5%. As of June 30, 2010, the outstanding balance is \$7,485,000.

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, 2010 the outstanding balance is \$2,190,000.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

IV) DETAILED NOTES ON ALL FUNDS - Continued

G) Fund Balance

The Town has established the following fund balance reserves and designations at June 30, 2010:

	General Fund	Special Revenue	Debt Service	Capital Projects
Reserved for:				
Debt Service	\$	\$	\$ 1,251,212	\$
Prepaid Items	5,013		62,468	
Total Reserved	5,013	-	1,313,680	-
Undesignated	17,587,279	11,529,459	23,106,470	16,331,898
Total Unreserved	17,587,279	11,529,459	23,106,470	16,331,898
Total Fund Balance	<u>\$ 17,592,292</u>	<u>\$ 11,529,459</u>	<u>\$ 24,420,150</u>	<u>\$ 16,331,898</u>

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

VI) OTHER INFORMATION

A) Risk Management - Continued

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

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

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

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

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2010, the amount of these liabilities was \$45,000. This liability is the Town's best estimate based on available information.

Changes in Claims Payable were as follows:

	2009-2010	2008-2009
Claims payable, beginning of fiscal year	\$ 45,000	\$ 45,000
Current year claims and changes in estimates	-	-
Claim payments	-	-
Claims payable, end of fiscal year	\$ 45,000	\$ 45,000

B) Participation in Joint Ventures

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

The Town makes monthly payments to VWVRA for sewer treatment and connection fee services. During the 2009-2010 fiscal year, the Town remitted approximately \$1,942,969 to VWVRA.

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

V) OTHER INFORMATION - Continued

B) Participation in Joint Ventures

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, 2010 was \$1,921,787. The remaining 50% interest is maintained by the City of Victorville. All operations are maintained through the Town and reported as an Agency Fund in the Town's financial statements.

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

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

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

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

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

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010**

V) OTHER INFORMATION - Continued

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 13.841% of annual covered payroll for non-safety employees. The contribution requirements of plan members and the Town are established and may be amended by PERS.

Fiscal Year	Required Contributions	Percent Contributed
6/30/08	892,223	100%
6/30/09	1,010,394	100%
6/30/10	981,910	100%

D) Post Employment Benefits

Plan Description

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

Funding Policy

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

V) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

Annual OPEB Cost

The Town's annual OPEB cost, net OPEB obligation (asset) and the related information for 2010 were as follows:

Annual Required Contribution	\$ 269,068
Interest on Net Pension Obligation (Asset)	11,814
Adjustment to Annual Required Contribution	(25,456)
Annual OPEB Cost	<u>255,426</u>
Contributions Made	(3,318)
Pension Asset Amortization	<u>-</u>
Increase (Decrease) in Net Pension Obligation (Asset)	252,108
Net Pension Obligation (Asset) Beginning of Year	196,366
Net Pension Obligation (Asset) End of Year	<u>\$ 448,474</u>

For 2010, the Town's annual OPEB cost (expense) of \$255,426 for AVRHP was equal to the ARC. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

THREE-YEAR TREND INFORMATION FOR CERBT

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$ 255,426	1.3%	448,474
6/30/09	\$ 214,794	9%	196,366
6/30/08	*	*	*

*The information for the year ending June 30, 2008 is unavailable. GASB 45 was implemented in fiscal year 2009.

Funded Status and Funding Progress

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

V) OTHER INFORMATION - Continued

D) Post Employment Benefits - Continued

Funded Status and Funding Progress - Continued

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

Actuarial Methods and Assumptions

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

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

Valuation Date	June 30, 2009
Actuarial Cost Method	Frozen Attained Age
Amortization method	Level Dollar Closed Basis
Mortality	1994 Group Annuity Mortality Table w/ Scale AA for future mortality improvement to 1999
Age at Retirement	Age 55 with 10 years of service or age +1 if eligible to retire.
Termination Prior to Retirement	
Attained Age:	20 – 29 30 – 39 40 – 49 50+
Rate of Termination:	6% 3% 1% 0%
Health Care Trend Rate including inflation rate	0.0% for 2010/11, 7.5% for 2011/12 graded to 5.0% for 2016/17+
Investment Rate of Return	5.50%

E) Commitments and Contingent Liabilities

The Town Council on June 22, 2010 approved an owner participation agreement between the Town and AVHTV, LP for the construction of the Happy Trails Villas (a 34 unit townhome project). The cost of completing this project is \$5,750,000 of which the Town has committed \$2.1 million, consisting of \$1.5 million and \$600,000 of the Neighborhood Stabilization Program and Home Investment Partnerships Program funds, respectively.

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2010

V) OTHER INFORMATION - Continued

E) Commitments and Contingent Liabilities - Continued

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

F) New Pronouncement

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be required to be adopted and implemented by the Town for the fiscal year 2010-11.

G) Subsequent Events

Subsequent to June 30, 2010 the Town Council approved issuance of the Apple Valley Public Financing Authority Wastewater Revenue Bonds, Series 2010 to assist in financing water mains and sewer infrastructure improvements.

In November 2010, the Town Council approved a \$750,000 settlement agreement with the High Desert Community Foundation for the acquisition of water and reversionary rights in relation to the Apple Valley Golf Course.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 15,474,000	\$ 15,774,000	\$ 14,849,872	\$ (924,128)
Licenses & Permits	1,042,500	1,048,500	761,435	(287,065)
Fines & Forfeitures	127,500	132,500	677,847	545,347
Investment Income	350,000	350,000	233,457	(116,543)
Intergovernmental	415,000	141,360	299,532	158,172
Charges for Services	1,014,590	1,010,825	768,797	(242,028)
Other Revenue	18,235	46,000	134,573	88,573
	<u>18,441,825</u>	<u>18,503,185</u>	<u>17,725,513</u>	<u>(777,672)</u>
EXPENDITURES				
Current:				
General Government	1,217,527	1,252,526	1,078,555	173,971
Public Safety	11,484,145	11,535,505	11,634,284	(98,779)
Community Development	3,461,241	3,491,242	3,022,101	469,141
Capital Outlay	374,512	319,512	21,996	297,516
Debt Service:				
Principal	12,000	12,000	12,327	(327)
Interest and Fiscal Charges	6,000	6,000	5,812	188
	<u>16,555,425</u>	<u>16,616,785</u>	<u>15,775,075</u>	<u>841,710</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,886,400</u>	<u>1,886,400</u>	<u>1,950,438</u>	<u>64,038</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			492,438	492,438
Transfers Out	(1,886,400)	(1,886,400)	(2,491,576)	(605,176)
	<u>(1,886,400)</u>	<u>(1,886,400)</u>	<u>(1,999,138)</u>	<u>(112,738)</u>
Net Change in Fund Balances	-	-	(48,700)	(48,700)
Fund Balances, Beginning	<u>17,640,992</u>	<u>17,640,992</u>	<u>17,640,992</u>	
Fund Balances, Ending	<u>\$ 17,640,992</u>	<u>\$ 17,640,992</u>	<u>\$ 17,592,292</u>	<u>\$ (48,700)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Article 8 Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,300,000	\$ 1,300,000	\$ 966,108	\$ (333,892)
Investment Income	6,000	6,000		(6,000)
Total Revenues	<u>1,306,000</u>	<u>1,306,000</u>	<u>966,108</u>	<u>(339,892)</u>
EXPENDITURES				
Current:				
Transportation	<u>1,500,000</u>	<u>1,500,000</u>	<u>655,852</u>	<u>844,148</u>
Total Expenditures	<u>1,500,000</u>	<u>1,500,000</u>	<u>655,852</u>	<u>844,148</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(194,000)</u>	<u>(194,000)</u>	<u>310,256</u>	<u>504,256</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(194,000)	(194,000)	310,256	504,256
Fund Balances, Beginning	<u>(141,196)</u>	<u>(141,196)</u>	<u>(141,196)</u>	
Fund Balances, Ending	<u>\$ (335,196)</u>	<u>\$ (335,196)</u>	<u>\$ 169,060</u>	<u>\$ 504,256</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Parks and Recreation Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,155,000	\$ 2,155,000	\$ 1,886,690	\$ (268,310)
Intergovernmental			10,000	10,000
Charges for Services	802,631	956,486	941,857	(14,629)
Other Revenue	132,355			-
Total Revenues	<u>3,089,986</u>	<u>3,111,486</u>	<u>2,838,547</u>	<u>(272,939)</u>
EXPENDITURES				
Current:				
Culture and Recreation	3,712,300	3,844,545	3,898,837	(54,292)
Capital Outlay	17,492		6,958	(6,958)
Total Expenditures	<u>3,729,792</u>	<u>3,844,545</u>	<u>3,905,795</u>	<u>(61,250)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(639,806)</u>	<u>(733,059)</u>	<u>(1,067,248)</u>	<u>(334,189)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		145,802		(145,802)
Total Other Financing Sources (Uses)	<u>-</u>	<u>145,802</u>	<u>-</u>	<u>(145,802)</u>
Net Change in Fund Balance	(639,806)	(587,257)	(1,067,248)	(479,991)
Fund Balance, Beginning	<u>(2,878,421)</u>	<u>(2,878,421)</u>	<u>(2,878,421)</u>	
Fund Balance, Ending	<u>\$ (3,518,227)</u>	<u>\$ (3,465,678)</u>	<u>\$ (3,945,669)</u>	<u>\$ (479,991)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Low/Moderate Housing Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,300,000	\$ 2,300,000	\$ 2,321,649	\$ 21,649
Investment Income	240,000	240,000	127,077	(112,923)
Other Income			1,000	1,000
Total Revenues	<u>2,540,000</u>	<u>2,540,000</u>	<u>2,449,726</u>	<u>(90,274)</u>
EXPENDITURES				
Current:				
Community Development	5,221,248	5,221,248	170,652	5,050,596
Capital Outlay	1,500,000	1,500,000		1,500,000
Debt Service:				
Principal	78,800	78,800	78,760	40
Interest	214,700	214,700	214,669	31
Total Expenditures	<u>7,014,748</u>	<u>7,014,748</u>	<u>464,081</u>	<u>6,550,667</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(4,474,748)</u>	<u>(4,474,748)</u>	<u>1,985,645</u>	<u>6,460,393</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(4,474,748)	(4,474,748)	1,985,645	6,460,393
Fund Balance, Beginning	<u>13,002,626</u>	<u>13,002,626</u>	<u>13,002,626</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 8,527,878</u>	<u>\$ 8,527,878</u>	<u>\$ 14,988,271</u>	<u>\$ 6,460,393</u>

Town of Apple Valley, California
Schedule of Funding Progress for AVRHP
Year Ended June 30, 2010

Schedule of Funding Progress for AVRHP

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

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

Town of Apple Valley, California
Notes to Required Supplementary Information
Year Ended June 30, 2010

1. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

The following fund had an excess of expenditures over appropriations:

- Parks and Recreation.

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SUPPLEMENTARY INFORMATION

Town of Apple Valley, California Nonmajor Governmental Funds

Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

FEMA/OES Fund – To account for FEMA expenditures and reimbursements.

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

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

Capital Projects Funds:

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

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

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

Town of Apple Valley, California
Nonmajor Governmental Funds - Continued

Debt Service Funds:

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

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

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

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue			
	Street Maintenance	CDBG	Air Pollution Control District	Neighborhood Stabilization Program
ASSETS				
Cash and Investments	\$	\$	\$ 86,122	\$
Cash with Fiscal Agent				
Accounts Receivable				
Interest Receivable			60	
Due from Other Funds				
Due from Other Governments	296,513	165,945	84	262,135
Loans Receivable				1,216,502
	<u>296,513</u>	<u>165,945</u>	<u>84</u>	<u>1,216,502</u>
Total Assets	<u>\$ 296,513</u>	<u>\$ 165,945</u>	<u>\$ 86,266</u>	<u>\$ 1,478,637</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 52,114	\$ 67,795	\$	\$
Accrued Liabilities	16,490	3,960		7,813
Due to other Governments				
Due to Other Funds	173,074	94,894		254,322
Deferred Revenue	54,835	17,183		1,216,502
	<u>296,513</u>	<u>183,832</u>	<u>-</u>	<u>1,478,637</u>
Total Liabilities	<u>296,513</u>	<u>183,832</u>	<u>-</u>	<u>1,478,637</u>
Fund Balances:				
Reserved:				
Reserved for Debt Service				
Unreserved:				
Undesignated		(17,887)	86,266	
	<u>-</u>	<u>(17,887)</u>	<u>86,266</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>(17,887)</u>	<u>86,266</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 296,513</u>	<u>\$ 165,945</u>	<u>\$ 86,266</u>	<u>\$ 1,478,637</u>

Special Revenue

Assessment District L-1	HOME	Prop 1B	ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees	FEMA/OES
\$ 575,966	\$	\$	\$ 1	\$	\$ 110,802	\$
427					84	
3,853	196,456 1,172,367			185,434	118	427,258
<u>\$ 580,246</u>	<u>\$ 1,368,823</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 185,434</u>	<u>\$ 111,004</u>	<u>\$ 427,258</u>
\$ 14,618	\$ 143,544 1,553	\$	\$	\$	\$	\$ 9,102
	29,453 1,194,273			185,434		418,155 427,258
<u>14,618</u>	<u>1,368,823</u>	<u>-</u>	<u>-</u>	<u>185,434</u>	<u>-</u>	<u>854,515</u>
<u>565,628</u>			<u>1</u>		<u>111,004</u>	<u>(427,257)</u>
<u>565,628</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>111,004</u>	<u>(427,257)</u>
<u>\$ 580,246</u>	<u>\$ 1,368,823</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 185,434</u>	<u>\$ 111,004</u>	<u>\$ 427,258</u>

Continued

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds - Continued
June 30, 2010

	Special Revenue		Capital Projects	
	HCD		Road Bond Projects	Storm Drains
	State Program Income	CDBG Program Income		
ASSETS				
Cash and Investments	\$ 2	\$ 6,801	\$	\$ 1,336,366
Cash with Fiscal Agent				
Accounts Receivable		119,098		
Interest Receivable		11		1,014
Due from Other Funds				
Due from Other Governments		16		1,414
Loans Receivable	<u>786,111</u>	<u>575,889</u>		
 Total Assets	<u><u>\$ 786,113</u></u>	<u><u>\$ 701,815</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,338,794</u></u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$	\$ 6,788	\$	\$
Accrued Liabilities				
Due to other Governments				
Due to Other Funds				
Deferred Revenue	<u>786,111</u>	<u>694,987</u>		
 Total Liabilities	<u><u>786,111</u></u>	<u><u>701,775</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
 Fund Balances:				
Reserved:				
Reserved for Debt Service				
Unreserved:				
Undesignated	<u>2</u>	<u>40</u>		<u>1,338,794</u>
 Total Fund Balances	<u><u>2</u></u>	<u><u>40</u></u>	<u><u>-</u></u>	<u><u>1,338,794</u></u>
 Total Liabilities and Fund Balances	<u><u>\$ 786,113</u></u>	<u><u>\$ 701,815</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,338,794</u></u>

Capital Project	Debt Service			Total Nonmajor Governmental Funds
	2007 Town Hall Revenue Bonds	1999 COPS	2001 COPS	
Development Impact Fees				
\$ 1,555,290	\$	\$	\$	\$ 3,671,350
		117,753	197,502	315,255
1,518				119,098
				3,114
				-
2,292				1,356,084
				3,936,303
<u>\$ 1,559,100</u>	<u>\$ -</u>	<u>\$ 117,753</u>	<u>\$ 197,502</u>	<u>\$ 9,401,204</u>
\$ 5,465	\$	\$	\$	\$ 290,324
				38,918
				-
		117,753	197,502	1,285,153
				4,576,583
<u>5,465</u>	<u>-</u>	<u>117,753</u>	<u>197,502</u>	<u>6,190,978</u>
				-
<u>1,553,635</u>				<u>3,210,226</u>
<u>1,553,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,210,226</u>
<u>\$ 1,559,100</u>	<u>\$ -</u>	<u>\$ 117,753</u>	<u>\$ 197,502</u>	<u>\$ 9,401,204</u>

Town of Apple Valley, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2010

	Special Revenue			
	Street Maintenance	CDBG	Air Pollution Control District	Neighborhood Stabilization Program
REVENUES				
Taxes	\$	\$	\$ 48,175	\$
Licenses and Permits				
Investment Income			479	
Intergovernmental	1,811,875	747,780		3,034,878
Other Revenue	43,924			
	<u>1,855,799</u>	<u>747,780</u>	<u>48,654</u>	<u>3,034,878</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government				
Public Safety				
Transportation	1,783,712		30,000	
Culture and Recreation				
Community Development		646,235		2,954,816
Capital Outlay	3,695			
Debt Service:				
Principal				
Interest and Fiscal Charges				
	<u>1,787,407</u>	<u>646,235</u>	<u>30,000</u>	<u>2,954,816</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>68,392</u>	<u>101,545</u>	<u>18,654</u>	<u>80,062</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,608			
Transfers Out				
	<u>1,608</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	70,000	101,545	18,654	80,062
Fund Balances - Beginning	<u>(70,000)</u>	<u>(119,432)</u>	<u>67,612</u>	<u>(80,062)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ (17,887)</u>	<u>\$ 86,266</u>	<u>\$ -</u>

Assessment District L-1	Special Revenue					
	HOME	Prop 1B	ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees	FEMA/OES
\$ 301,355	\$	\$	\$	\$	\$	\$
3,459					6,416	
17,110	364,394				814	1,625
321,924	364,394	-	-	-	7,230	1,625
143,153		1,087,540				425,649
	350,292					
143,153	350,292	1,087,540	-	-	-	425,649
178,771	14,102	(1,087,540)	-	-	7,230	(424,024)
						(3,233)
-	-		-	-	-	(3,233)
178,771	14,102	(1,087,540)	-	-	7,230	(427,257)
386,857	(14,102)	1,087,540	1	-	103,774	-
<u>\$ 565,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 111,004</u>	<u>\$ (427,257)</u>

Continued

Town of Apple Valley, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds - Continued
Year Ended June 30, 2010

	Special Revenue		Capital Projects	
	HCD			
	State Program Income	CDBG Program Income	Road Bond Projects	Storm Drains
REVENUES				
Taxes	\$	\$	\$	\$
Licenses and Permits				75,221
Investment Income		114		9,668
Intergovernmental				
Other Revenue		3,403		
		<u>3,403</u>		
Total Revenues	<u>-</u>	<u>3,517</u>	<u>-</u>	<u>84,889</u>
EXPENDITURES				
Current:				
General Government				
Public Safety				
Transportation				
Culture and Recreation				
Community Development	14	27,487		322
Capital Outlay			1,640	
Debt Service:				
Principal				
Interest and Fiscal Charges				
Total Expenditures	<u>14</u>	<u>27,487</u>	<u>1,640</u>	<u>322</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(14)</u>	<u>(23,970)</u>	<u>(1,640)</u>	<u>84,567</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		10,000	1,640	
Transfers Out				
Total Other Financing Sources (Uses)	<u>-</u>	<u>10,000</u>	<u>1,640</u>	<u>-</u>
Net Change in Fund Balances	(14)	(13,970)	-	84,567
Fund Balances - Beginning	<u>16</u>	<u>14,010</u>	<u>-</u>	<u>1,254,227</u>
Fund Balances - Ending	<u>\$ 2</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 1,338,794</u>

Capital Project	Debt Service			Total Nonmajor Governmental Funds
	2007 Town Hall Revenue Bonds	1999 COPS	2001 COPS	
\$	\$	\$	\$	\$ 349,530
76,849				158,486
46,149		2,448	1,977	65,108
				5,960,552
				64,437
<u>122,998</u>	<u>-</u>	<u>2,448</u>	<u>1,977</u>	<u>6,598,113</u>
	2,705	75,326	72,858	150,889
24,828				24,828
				3,470,054
				-
				3,979,166
34,389				39,724
	390,000	300,000	187,500	877,500
	493,144	12,028	10,196	515,368
<u>59,217</u>	<u>885,849</u>	<u>387,354</u>	<u>270,554</u>	<u>9,057,529</u>
<u>63,781</u>	<u>(885,849)</u>	<u>(384,906)</u>	<u>(268,577)</u>	<u>(2,459,416)</u>
1,445,733	885,849	384,906	268,577	2,998,313
<u>(9,413,296)</u>				<u>(9,416,529)</u>
<u>(7,967,563)</u>	<u>885,849</u>	<u>384,906</u>	<u>268,577</u>	<u>(6,418,216)</u>
<u>(7,903,782)</u>	-	-	-	<u>(8,877,632)</u>
<u>9,457,417</u>	-	-	-	<u>12,087,858</u>
<u>\$ 1,553,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,210,226</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,800,000	\$ 7,800,000	\$ 5,291,354	\$ (2,508,646)
Investment Income	208,000	208,000	263,415	55,415
Total Revenues	<u>8,008,000</u>	<u>8,008,000</u>	<u>5,554,769</u>	<u>(2,453,231)</u>
EXPENDITURES				
Current:				
Community Development	6,000	6,000	3,784,905	(3,778,905)
Debt Service:				
Principal	871,250	871,250	871,240	10
Interest and Fiscal Charges	2,275,750	2,275,750	2,275,648	102
Pass-Through Agreements	1,450,000	1,450,000	844,963	605,037
Total Expenditures	<u>4,603,000</u>	<u>4,603,000</u>	<u>7,776,756</u>	<u>(3,173,756)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,405,000</u>	<u>3,405,000</u>	<u>(2,221,987)</u>	<u>(5,626,987)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out	(5,183,702)	(5,183,702)	(9,252,311)	(4,068,609)
Total Other Financing Sources (Uses)	<u>(5,183,702)</u>	<u>(5,183,702)</u>	<u>(9,252,311)</u>	<u>(4,068,609)</u>
Net Change in Fund Balances	(1,778,702)	(1,778,702)	(11,474,298)	(9,695,596)
Fund Balance, Beginning	<u>35,894,448</u>	<u>35,894,448</u>	<u>35,894,448</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 34,115,746</u>	<u>\$ 34,115,746</u>	<u>\$ 24,420,150</u>	<u>\$ (9,695,596)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 1,200,000	\$ 1,200,000	\$ 369,517	\$ (830,483)
Investment Income	200,000	200,000	64,798	(135,202)
Other Revenue	350,000	350,000		(350,000)
Total Revenues	<u>1,750,000</u>	<u>1,750,000</u>	<u>434,315</u>	<u>(1,315,685)</u>
EXPENDITURES				
Capital Outlay	<u>2,275,000</u>	<u>3,446,000</u>	<u>1,427,184</u>	<u>2,018,816</u>
Total Expenditures	<u>2,275,000</u>	<u>3,446,000</u>	<u>1,427,184</u>	<u>2,018,816</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(525,000)</u>	<u>(1,696,000)</u>	<u>(992,869)</u>	<u>703,131</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(525,000)	(1,696,000)	(992,869)	703,131
Fund Balance, Beginning	<u>10,476,562</u>	<u>10,476,562</u>	<u>10,476,562</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 9,951,562</u>	<u>\$ 8,780,562</u>	<u>\$ 9,483,693</u>	<u>\$ 703,131</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Governmental Facilities
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$	\$ -
Other Income			39,918	39,918
Total Revenues	-	-	39,918	39,918
EXPENDITURES				
Capital Outlay		10,115,556	8,202,819	1,912,737
Total Expenditures	-	10,115,556	8,202,819	1,912,737
Excess (Deficiency) of Revenues over Expenditures	-	(10,115,556)	(8,162,901)	1,952,655
OTHER FINANCING SOURCES (USES)				
Transfer In			8,929,786	8,929,786
Transfers Out				-
Total Other Financing Sources (Uses)	-	-	8,929,786	8,929,786
Net Change in Fund Balances	-	(10,115,556)	766,885	10,882,441
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ (10,115,556)	\$ 766,885	\$ 10,882,441

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Capital Projects Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$	\$ -
Other Revenue			11,779	11,779
Total Revenues	-	-	11,779	11,779
EXPENDITURES				
Current:				
Community Development	1,824,310	1,824,310	2,068,967	(244,657)
Capital Outlay	25,601,274	26,020,254	7,193,287	18,826,967
Total Expenditures	27,425,584	27,844,564	9,262,254	18,582,310
Excess (Deficiency) of Revenues over Expenditures	(27,425,584)	(27,844,564)	(9,250,475)	18,594,089
OTHER FINANCING SOURCES (USES)				
Transfers In	5,183,702	5,183,702	9,252,311	4,068,609
Transfers Out			(1,640)	(1,640)
Total Other Financing Sources (Uses)	5,183,702	5,183,702	9,250,671	4,066,969
Net Change in Fund Balances	(22,241,882)	(22,660,862)	196	22,661,058
Fund Balance, Beginning	(196)	(196)	(196)	-
Fund Balance, Ending	\$ (22,242,078)	\$ (22,661,058)	\$ -	\$ 22,661,058

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure I Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,260,000	\$ 2,260,000	\$ 2,235,822	\$ (24,178)
Investment Income	39,000	39,000	27,825	(11,175)
Intergovernmental	330,000	330,000		(330,000)
Total Revenues	<u>2,629,000</u>	<u>2,629,000</u>	<u>2,263,647</u>	<u>(365,353)</u>
EXPENDITURES				
Current:				
Transportation	<u>3,005,000</u>	<u>2,455,000</u>	<u>1,712,456</u>	<u>742,544</u>
Total Expenditures	<u>3,005,000</u>	<u>2,455,000</u>	<u>1,712,456</u>	<u>742,544</u>
Excess (Deficiency) of Revenues over Expenditures	(376,000)	174,000	551,191	377,191
Fund Balance, Beginning	<u>3,705,579</u>	<u>3,705,579</u>	<u>3,705,579</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 3,329,579</u></u>	<u><u>\$ 3,879,579</u></u>	<u><u>\$ 4,256,770</u></u>	<u><u>\$ 377,191</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Project Manager Grants
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,128,131	\$ 3,603,924	\$ 2,056,360	\$ (1,547,564)
Other Income	34,593		28,939	28,939
Total Revenues	<u>1,162,724</u>	<u>3,603,924</u>	<u>2,085,299</u>	<u>(1,518,625)</u>
EXPENDITURES				
Current:				
Community Development	<u>1,162,724</u>	<u>3,603,924</u>	<u>1,454,866</u>	<u>2,149,058</u>
Total Expenditures	<u>1,162,724</u>	<u>3,603,924</u>	<u>1,454,866</u>	<u>2,149,058</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>		<u>630,433</u>	<u>630,433</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out			<u>(21,519)</u>	<u>(21,519)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(21,519)</u>	<u>(21,519)</u>
Net Change in Fund Balances	-	-	608,914	608,914
Fund Balances, Beginning	<u>(1,676,793)</u>	<u>(1,676,793)</u>	<u>(1,676,793)</u>	
Fund Balances, Ending	<u>\$ (1,676,793)</u>	<u>\$ (1,676,793)</u>	<u>\$ (1,067,879)</u>	<u>\$ 608,914</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Street Maintenance Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,821,540	1,821,540	\$ 1,811,875	\$ (9,665)
Other Revenue			43,924	43,924
Total Revenues	<u>1,821,540</u>	<u>1,821,540</u>	<u>1,855,799</u>	<u>34,259</u>
EXPENDITURES				
Current:				
Transportation	1,445,540	1,485,540	1,783,712	(298,172)
Capital Outlay	376,000	50,000	3,695	46,305
Total Expenditures	<u>1,821,540</u>	<u>1,535,540</u>	<u>1,787,407</u>	<u>(251,867)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>286,000</u>	<u>68,392</u>	<u>(217,608)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			1,608	1,608
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,608</u>	<u>1,608</u>
Net Change in Fund Balances	-	286,000	70,000	(216,000)
Fund Balance, Beginning	<u>(70,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (70,000)</u>	<u>\$ 216,000</u>	<u>\$ -</u>	<u>\$ (216,000)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 962,526	\$ 1,097,152	\$ 747,780	\$ (349,372)
Total Revenues	962,526	1,097,152	747,780	(349,372)
EXPENDITURES				
Current:				
Community Development	962,526	1,097,152	646,235	450,917
Total Expenditures	962,526	1,097,152	646,235	450,917
Excess (Deficiency) of Revenues over Expenditures	-	-	101,545	101,545
OTHER FINANCING SOURCES (USES)				
Transfers Out				-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	101,545	101,545
Fund Balance, Beginning	(119,432)	(119,432)	(119,432)	-
Fund Balance, Ending	\$ (119,432)	\$ (119,432)	\$ (17,887)	\$ 101,545

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Neighborhood Stabilization Program Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,063,735	\$ 3,063,735	\$ 3,034,878	\$ (28,857)
Total Revenues	3,063,735	3,063,735	3,034,878	(28,857)
EXPENDITURES				
Community Development	3,063,735	3,063,735	2,954,816	108,919
Total Expenditures	3,063,735	3,063,735	2,954,816	108,919
Excess (Deficiency) of Revenues over Expenditures	-	-	80,062	80,062
Fund Balance, Beginning	(80,062)	(80,062)	(80,062)	-
Fund Balance, Ending	<u>\$ (80,062)</u>	<u>\$ (80,062)</u>	<u>\$ -</u>	<u>\$ 80,062</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - HOME Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$	\$ -
Intergovernmental	<u>1,703,608</u>	<u>1,903,665</u>	<u>364,394</u>	<u>(1,539,271)</u>
Total Revenues	<u>1,703,608</u>	<u>1,903,665</u>	<u>364,394</u>	<u>(1,539,271)</u>
EXPENDITURES				
Current:				
Community Development	<u>1,495,643</u>	<u>1,695,699</u>	<u>350,292</u>	<u>1,345,407</u>
Total Expenditures	<u>1,495,643</u>	<u>1,695,699</u>	<u>350,292</u>	<u>1,345,407</u>
Excess (Deficiency) of Revenues over Expenditures	<u>207,965</u>	<u>207,966</u>	<u>14,102</u>	<u>(193,864)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	207,965	207,966	14,102	(193,864)
Fund Balance, Beginning	<u>(14,102)</u>	<u>(14,102)</u>	<u>(14,102)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 193,863</u>	<u>\$ 193,864</u>	<u>\$ -</u>	<u>\$ (193,864)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Proposition 1B
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ 22,000	\$ 22,000	\$	\$ (22,000)
Intergovernmental				-
Total Revenues	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>(22,000.0)</u>
EXPENDITURES				
Current:				
Transportation	<u>1,069,806</u>	<u>1,069,806</u>	<u>1,087,540</u>	<u>(17,734)</u>
Total Expenditures	<u>1,069,806</u>	<u>1,069,806</u>	<u>1,087,540</u>	<u>(17,734)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,047,806)</u>	<u>(1,047,806)</u>	<u>(1,087,540)</u>	<u>(39,734)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(1,047,806)	(1,047,806)	(1,087,540)	(39,734)
Fund Balance, Beginning	<u>1,087,540</u>	<u>1,087,540</u>	<u>1,087,540</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 39,734</u>	<u>\$ 39,734</u>	<u>\$ -</u>	<u>(39,734)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Quimby Fees Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 20,000	\$ 20,000	\$ 6,416	\$ (13,584)
Investment Income	2,000	2,000	814	(1,186)
Total Revenues	<u>22,000</u>	<u>22,000</u>	<u>7,230</u>	<u>(14,770)</u>
EXPENDITURES				
Culture and Recreation				-
Capital Outlay				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>22,000</u>	<u>22,000</u>	<u>7,230</u>	<u>(14,770)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out		(145,802)		145,802
Total Other Financing Sources (Uses)	<u>-</u>	<u>(145,802)</u>	<u>-</u>	<u>145,802</u>
Net Change in Fund Balances	22,000	(123,802)	7,230	131,032
Fund Balance, Beginning	<u>103,774</u>	<u>103,774</u>	<u>103,774</u>	
Fund Balance, Ending	<u>\$ 125,774</u>	<u>\$ (20,028)</u>	<u>\$ 111,004</u>	<u>\$ 131,032</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Development Impact Fees
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses & Permits	\$ 20,000	\$ 20,000	\$ 76,849	\$ 56,849
Investment Income	40,000	40,000	46,149	6,149
Total Revenues	<u>60,000</u>	<u>60,000</u>	<u>122,998</u>	<u>62,998</u>
EXPENDITURES				
Current:				
Public Safety			24,828	(24,828)
Capital Outlay	10,115,556		34,389	(34,389)
Total Expenditures	<u>10,115,556</u>	<u>-</u>	<u>59,217</u>	<u>(59,217)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(10,055,556)</u>	<u>60,000</u>	<u>63,781</u>	<u>3,781</u>
OTHER FINANCING SOURCES (USES)				
Transfer In			1,445,733	1,445,733
Transfers Out			(9,413,296)	(9,413,296)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(7,967,563)</u>	<u>(7,967,563)</u>
Net Change in Fund Balances	(10,055,556)	60,000	(7,903,782)	(7,963,782)
Fund Balance, Beginning	<u>9,457,417</u>	<u>9,457,417</u>	<u>9,457,417</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (598,139)</u>	<u>\$ 9,517,417</u>	<u>\$ 1,553,635</u>	<u>\$ (7,963,782)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2007 Town Hall Revenue Bonds
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government	60,000	60,000	2,705	57,295
Debt Service				
Principal	300,000	390,000	390,000	-
Interest and Fiscal Charges	493,200	493,200	493,144	56
Total Expenditures	853,200	943,200	885,849	57,351
Excess (Deficiency) of Revenues over Expenditures	(853,200)	(943,200)	(885,849)	57,351
OTHER FINANCING SOURCES (USES)				
Transfers In	943,200	943,200	885,849	(57,351)
Total Other Financing Sources (Uses)	943,200	943,200	885,849	(57,351)
Net Change in Fund Balances	90,000	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ 90,000	\$ -	\$ -	\$ -

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 1999 COPS Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 2,448	\$ 2,448
Total Revenues	-	-	2,448	2,448
EXPENDITURES				
Current:				
General Government	60,000	60,000	75,326	(15,326)
Debt Service				
Principal	300,000	300,000	300,000	
Interest and Fiscal Charges	214,100	214,100	12,028	202,072
Total Expenditures	574,100	574,100	387,354	186,746
Excess (Deficiency) of Revenues over Expenditures	(574,100)	(574,100)	(384,906)	189,194
OTHER FINANCING SOURCES (USES)				
Transfers In	574,100	574,100	384,906	(189,194)
Total Other Financing Sources (Uses)	574,100	574,100	384,906	(189,194)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2001 COPS Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 1,977	\$ 1,977
Total Revenues	-	-	1,977	1,977
EXPENDITURES				
Current:				
General Government	60,000	60,000	72,858	(12,858)
Debt Service				
Principal	250,000	250,000	187,500	62,500
Interest and Fiscal Charges	59,100	59,100	10,196	48,904
Total Expenditures	369,100	369,100	270,554	98,546
Excess (Deficiency) of Revenues over Expenditures	(369,100)	(369,100)	(268,577)	100,523
OTHER FINANCING SOURCES (USES)				
Transfers In	369,100	369,100	268,577	(100,523)
Total Other Financing Sources (Uses)	369,100	369,100	268,577	(100,523)
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

Town of Apple Valley, California Agency Funds

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

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

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

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

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

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

Town of Apple Valley, California
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

	Trust and Fiduciary	Victor Valley Transit Authority	Assessment District 98-1	Village PBID	Victor Valley Economic Dev. Authority	Mojave Desert and Mountain Integrated Waste Mgmt. Authority	Total
ASSETS							
Cash and Investments	\$ 622,844	\$ 1,090	\$	\$ 654,419	\$ 16,505,234	\$ 177,086	\$ 17,960,673
Cash with Fiscal Agent			245,211				245,211
Accounts Receivable						50,199	50,199
Interest Receivable				481			481
Due from Other Governments				8,427	868,541	19,042	896,010
	<u>622,844</u>	<u>1,090</u>	<u>245,211</u>	<u>663,327</u>	<u>17,373,775</u>	<u>246,327</u>	<u>19,152,574</u>
Total Assets	<u>\$ 622,844</u>	<u>\$ 1,090</u>	<u>\$ 245,211</u>	<u>\$ 663,327</u>	<u>\$ 17,373,775</u>	<u>\$ 246,327</u>	<u>\$ 19,152,574</u>
LIABILITIES							
Accounts Payable	\$	\$ 1,090	\$	\$ 2,264	\$	\$	\$ 3,354
Accrued Liabilites			179	11,045	17,373,775	30,982	17,415,981
Deposits	622,844			650,018		165,487	1,438,349
Due to Other Governments			250			49,858	50,108
Amounts Due Bondholders			244,782				244,782
	<u>622,844</u>	<u>1,090</u>	<u>245,211</u>	<u>663,327</u>	<u>17,373,775</u>	<u>246,327</u>	<u>19,152,574</u>
Total Liabilities	<u>\$ 622,844</u>	<u>\$ 1,090</u>	<u>\$ 245,211</u>	<u>\$ 663,327</u>	<u>\$ 17,373,775</u>	<u>\$ 246,327</u>	<u>\$ 19,152,574</u>

Town of Apple Valley, California
Statement of Changes in Fiduciary Net Assets
Agency Funds
Year Ended June 30, 2010

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010
<u>TRUST AND FIDUCIARY FUND</u>				
ASSETS				
Cash and Investments	\$ 748,442	\$ 374,704	\$ 500,302	\$ 622,844
Total Assets	<u>\$ 748,442</u>	<u>\$ 374,704</u>	<u>\$ 500,302</u>	<u>\$ 622,844</u>
LIABILITIES				
Deposits	\$ 748,442	\$ 741,102	\$ 866,700	\$ 622,844
Total Liabilities	<u>\$ 748,442</u>	<u>\$ 741,102</u>	<u>\$ 866,700</u>	<u>\$ 622,844</u>
<u>VICTOR VALLEY TRANSIT AUTHORITY FUND</u>				
ASSETS				
Cash and Investments	\$ 1,170	\$ 4,604	\$ 4,684	\$ 1,090
Due From Other Governments	-			-
Total Assets	<u>\$ 1,170</u>	<u>\$ 4,604</u>	<u>\$ 4,684</u>	<u>\$ 1,090</u>
LIABILITIES				
Accounts Payable	\$ 1,170	\$ 4,580	\$ 4,660	\$ 1,090
Due to Other Governments	-			-
Total Liabilities	<u>\$ 1,170</u>	<u>\$ 4,580</u>	<u>\$ 4,660</u>	<u>\$ 1,090</u>
<u>ASSESSMENT DISTRICT 98-1</u>				
ASSETS				
Cash and Investments	\$ -	\$ -	\$ -	\$ -
Cash with Fiscal Agent	245,213	230,963	230,965	245,211
Total Assets	<u>\$ 245,213</u>	<u>\$ 230,963</u>	<u>\$ 230,965</u>	<u>\$ 245,211</u>
LIABILITIES				
Amount Due Bondholders	\$ 243,853	\$ 234,837	\$ 233,908	\$ 244,782
Accounts Payable	1,360		1,360	-
Accrued Liabilities	-	179		179
Due to Other Governments	-	250		250
Total Liabilities	<u>\$ 245,213</u>	<u>\$ 235,266</u>	<u>\$ 235,268</u>	<u>\$ 245,211</u>
<u>VILLAGE PBID</u>				
ASSETS				
Cash and Investments	\$ 483,429	\$ 343,805	\$ 172,815	\$ 654,419
Accounts Receivable	70,400	74,558	144,958	-
Interest Receivable	670	481	670	481
Due From Other Governments	2,558	8,427	2,558	8,427
Total Assets	<u>\$ 557,057</u>	<u>\$ 427,271</u>	<u>\$ 321,001</u>	<u>\$ 663,327</u>
LIABILITIES				
Accounts Payable	\$ 6,990	\$ 168,090	\$ 172,816	\$ 2,264
Accrued Liabilities	-	11,045		11,045
Deposits	550,067	769,585	669,634	650,018
Total Liabilities	<u>\$ 557,057</u>	<u>\$ 948,720</u>	<u>\$ 842,450</u>	<u>\$ 663,327</u>

Town of Apple Valley, California
Statement of Changes in Fiduciary Net Assets
Agency Funds - Continued
Year Ended June 30, 2010

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010
<u>VICTOR VALLEY ECONOMIC DEVELOPMENT AUTHORITY</u>				
ASSETS				
Cash and Investments	\$ 17,717,983	\$ 113,560,818	\$ 114,773,567	\$ 16,505,234
Due From Other Governments	1,586,413	868,541	1,586,413	868,541
Total Assets	<u>\$ 19,304,396</u>	<u>\$ 114,429,359</u>	<u>\$ 116,359,980</u>	<u>\$ 17,373,775</u>
LIABILITIES				
Accrued Liabilities	\$ 17,199,138	\$ 18,910,821	\$ 18,736,184	\$ 17,373,775
Deposits	2,105,258		2,105,258	-
Total Liabilities	<u>\$ 19,304,396</u>	<u>\$ 18,910,821</u>	<u>\$ 20,841,442</u>	<u>\$ 17,373,775</u>
<u>MOJAVE DESERT AND MOUNTAIN INTEGRATED WASTE MANAGEMENT AUTHORITY</u>				
ASSETS				
Cash and Investments	\$ -	\$ 177,086	\$ -	\$ 177,086
Accounts Receivable	-	50,199		50,199
Due From Other Governments	-	19,042		19,042
Total Assets	<u>\$ -</u>	<u>\$ 246,327</u>	<u>\$ -</u>	<u>\$ 246,327</u>
LIABILITIES				
Accrued Liabilities	\$ -	\$ 30,982	\$ -	\$ 30,982
Deposits	-	165,487		165,487
Due to Other Governments	-	49,858		49,858
Total Liabilities	<u>\$ -</u>	<u>\$ 246,327</u>	<u>\$ -</u>	<u>\$ 246,327</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				\$
ASSETS				
Cash and Investments	\$ 18,951,024	\$ 114,461,017	\$ 115,451,368	\$ 17,960,673
Cash with Fiscal Agent	245,213	230,963	230,965	245,211
Accounts Receivable	70,400	124,757	144,958	50,199
Interest Receivable	670	481	670	481
Due From Other Governments	1,588,971	896,010	1,588,971	896,010
Total Assets	<u>\$ 20,856,278</u>	<u>\$ 115,713,228</u>	<u>\$ 117,416,932</u>	<u>\$ 19,152,574</u>
LIABILITIES				
Accounts Payable	\$ 9,520	\$ 172,670	\$ 178,836	\$ 3,354
Accrued Liabilities	17,199,138	18,953,027	18,736,184	17,415,981
Deposits	3,403,767	1,676,174	3,641,592	1,438,349
Amounts Due Bondholders	243,853	234,837	233,908	244,782
Due to Other Governments	-	50,108		50,108
Total Liabilities	<u>\$ 20,856,278</u>	<u>\$ 21,086,816</u>	<u>\$ 22,790,520</u>	<u>\$ 19,152,574</u>

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Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source¹
June 30, 2010

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$ 98,526,741
Furniture and Equipment	1,099,116
Computer Equipment	1,160,894
Auto Equipment	1,434,704
Structures and Improvements	74,457,209
Infrastructure	346,713,292
Construction in Progress	<u>16,716,519</u>
Total Governmental Funds Capital Assets	<u><u>\$ 540,108,475</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE

General Fund	\$ 215,937,097
Special Revenue Funds	135,593,595
Capital Project Funds	<u>188,577,783</u>
Total Governmental Funds Capital Assets	<u><u>\$ 540,108,475</u></u>

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

Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
June 30, 2010

	<u>Land</u>	<u>Furniture and Equipment</u>	<u>Computer Equipment</u>
FUNCTION AND ACTIVITY			
General Government	\$ 2,114,277	\$ 763,290	\$ 1,105,309
Public Safety	1,375,585	71,282	44,335
Transportation	87,620,047		
Culture and Recreation	6,826,654	264,544	11,250
Cumminity Development	<u>590,178</u>		
 Total Governmental Funds Capital Assets	 <u>\$ 98,526,741</u>	 <u>\$ 1,099,116</u>	 <u>\$ 1,160,894</u>

<u>Auto Equipment</u>	<u>Structures and Improvements</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Totals</u>
\$ 86,797	\$ 4,749,193	\$	\$ 11,471,850	\$ 20,290,716
86,123	12,063,675			13,641,000
807,213		346,713,292	5,067,033	440,207,585
454,571	57,644,341		177,636	65,378,996
				590,178
<u>\$ 1,434,704</u>	<u>\$ 74,457,209</u>	<u>\$ 346,713,292</u>	<u>\$ 16,716,519</u>	<u>\$ 540,108,475</u>

Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹
Year Ended June 30, 2010

	Governmental Funds Capital Assets July 1, 2009	Additions	Deletions	Governmental Funds Capital Assets June 30, 2010
FUNCTION AND ACTIVITY				
General Government	\$ 16,764,314	\$ 3,526,402	\$	\$ 20,290,716
Public Safety	3,487,955	10,153,045		13,641,000
Transportation	433,369,950	6,837,635		440,207,585
Culture and Recreation	65,292,663	86,333		65,378,996
Community Development	590,178			590,178
	<u>\$ 519,505,060</u>	<u>\$ 20,603,415</u>	<u>\$ -</u>	<u>\$ 540,108,475</u>

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

STATISTICAL SECTION

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

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

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 44,949,377	\$ 384,061,630	\$ 387,123,900	\$ 381,677,955	\$ 390,657,277
24,316,125	25,102,142	51,867,938	40,971,278	32,983,379
10,467,168	10,418,490	(13,367,654)	(1,410,378)	(9,726,145)
<u>\$ 79,732,670</u>	<u>\$ 419,582,262</u>	<u>\$ 425,624,184</u>	<u>\$ 421,238,855</u>	<u>\$ 413,914,511</u>
\$ 5,311,877	\$ 33,492,509	\$ 33,768,176	\$ 32,459,593	\$ 31,382,013
1,740,000	1,792,823	1,816,804	1,818,304	1,818,186
14,021,426	16,231,747	14,731,511	14,119,730	12,167,184
<u>\$ 21,073,303</u>	<u>\$ 51,517,079</u>	<u>\$ 50,316,491</u>	<u>\$ 48,397,627</u>	<u>\$ 45,367,383</u>
\$ 50,261,254	\$ 417,554,139	\$ 420,892,076	\$ 414,137,548	\$ 422,039,290
26,056,125	26,894,965	53,684,742	42,789,582	34,801,565
24,488,594	26,650,237	1,363,857	12,709,352	2,441,039
<u>\$ 100,805,973</u>	<u>\$ 471,099,341</u>	<u>\$ 475,940,675</u>	<u>\$ 469,636,482</u>	<u>\$ 459,281,894</u>

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Governmental activities:				
General government	\$ 3,456,533	\$ 4,021,314	\$ 4,589,971	\$ 3,353,017
Public safety	5,352,003	5,825,048	6,918,109	7,690,948
Transportation	1,584,217	2,092,417	5,206,120	6,247,368
Culture and recreation	1,718,816	2,162,080	2,075,242	3,029,203
Community development	3,082,190	3,539,601	4,880,605	6,337,878
Health	19,410	36,409	-	-
Interest on long-term debt	196,101	195,487	166,708	555,475
Total governmental activities expenses	<u>15,409,270</u>	<u>17,872,356</u>	<u>23,836,755</u>	<u>27,213,889</u>
Business-type activities:				
Sewer	1,968,979	2,106,083	2,397,868	3,261,816
Waste Management	5,144,538	5,469,778	5,741,487	6,919,321
Apple Valley Golf Club	-	-	-	-
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>
Total primary government expenses	<u>\$ 22,522,787</u>	<u>\$ 25,448,217</u>	<u>\$ 31,976,110</u>	<u>\$ 37,395,026</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	236,440	267,842	284,055	533,383
Public safety	276,316	299,352	276,734	203,130
Transportation	58,035	89,649	178,529	197,867
Culture and recreation	333,956	383,969	459,414	602,915
Community development	2,152,251	2,441,845	3,805,029	4,683,154
Operating grants and contributions	3,378,546	3,401,284	4,441,304	8,200,337
Capital grants and contributions	4,521,524	4,552,971	8,487,126	11,547,363
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>
Business-type activities:				
Charges for services:				
Sewer	1,687,270	2,233,120	3,275,423	3,343,651
Waste Management	6,383,560	6,711,171	7,109,629	8,171,421
Apple Valley Golf Club	-	-	-	-
Capital grants and contributions	718,828	317,141	1,109,372	620,351
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>
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>
Net (expense)/revenue				
Governmental activities	\$ (4,452,202)	\$ (6,435,444)	\$ (5,904,564)	\$ (1,245,740)
Business-type activities	1,676,141	1,685,571	3,355,069	1,954,286
Total primary government net expense	<u>\$ (2,776,061)</u>	<u>\$ (4,749,873)</u>	<u>\$ (2,549,495)</u>	<u>\$ 708,546</u>

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

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	2,659,056	2,877,102	3,196,875	4,310,247
Tax increment	239,570	656,283	2,431,898	3,364,320
Franchise taxes	805,889	797,818	890,573	943,162
Sales taxes	2,568,169	2,801,931	2,409,148	2,904,475
Transient occupancy taxes	8,957	10,125	13,367	13,252
Motor vehicle in-lieu	3,288,941	2,875,445	4,436,541	4,820,766
Sales tax in-lieu	-	-	682,603	787,964
Pass through revenues	91,825	192,790	135,094	164,673
Miscellaneous revenues	133,406	148,981	237,545	595,429
Unrestricted grants and contributions	165,231	12,353	16,342	16,399
Investment income	221,059	12,438	246,687	1,117,643
Transfers	881,026	960,264	1,245,089	-
Total governmental activities	<u>11,063,129</u>	<u>11,345,530</u>	<u>15,941,762</u>	<u>19,038,330</u>
Business-type activities:				
Investment income	72,516	73,509	137,973	356,099
Transfers	(881,026)	(960,264)	(1,245,089)	(155,249)
Total business-type activities	<u>(808,510)</u>	<u>(886,755)</u>	<u>(1,107,116)</u>	<u>200,850</u>
Total primary government	<u>\$ 10,254,619</u>	<u>\$ 10,458,775</u>	<u>\$ 14,834,646</u>	<u>\$ 19,239,180</u>
Change in Net Assets				
Governmental activities	\$ 6,610,927	\$ 4,910,086	\$ 10,037,198	\$ 17,792,590
Business-type activities	<u>867,631</u>	<u>798,816</u>	<u>2,247,953</u>	<u>2,155,136</u>
Total primary government	<u>\$ 7,478,558</u>	<u>\$ 5,708,902</u>	<u>\$ 12,285,151</u>	<u>\$ 19,947,726</u>

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
5,035,277	4,825,727	4,190,359	3,816,749
7,350,520	10,097,187	9,469,194	7,203,291
1,215,293	1,128,946	1,461,374	1,565,696
3,458,264	3,424,928	3,668,463	3,689,967
21,600	15,175	10,960	9,823
5,616,051	6,493,901	6,670,204	5,931,473
1,075,221	1,220,476	1,167,513	1,189,135
189,851	417,770	563,609	488,762
386,446	169,328	105,846	112,597
23,094	19,310	9,686	11,498
1,555,032	2,442,247	1,090,479	628,373
284,036	792,788	499,652	489,273
<u>26,210,685</u>	<u>31,047,783</u>	<u>28,907,339</u>	<u>25,136,637</u>
477,888	613,328	332,704	110,376
(284,036)	(792,788)	(499,652)	(489,273)
<u>193,852</u>	<u>(179,460)</u>	<u>(166,948)</u>	<u>(378,897)</u>
<u>\$ 26,404,537</u>	<u>\$ 30,868,323</u>	<u>\$ 28,740,391</u>	<u>\$ 24,757,740</u>
\$ 10,652,427	\$ 7,788,097	\$ (4,385,329)	\$ (7,324,344)
8,853,529	(822,403)	(1,918,864)	(3,030,244)
<u>\$ 19,505,956</u>	<u>\$ 6,965,694</u>	<u>\$ (6,304,193)</u>	<u>\$ (10,354,588)</u>

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Reserved	\$ 6,714,294	\$ 6,422,735	\$ 2,110,156	\$ 2,197,378
Unreserved	<u>2,667,685</u>	<u>4,277,267</u>	<u>9,546,039</u>	<u>12,435,177</u>
Total general fund	<u><u>\$ 9,381,979</u></u>	<u><u>\$ 10,700,002</u></u>	<u><u>\$ 11,656,195</u></u>	<u><u>\$ 14,632,555</u></u>
All other governmental funds				
Reserved	\$ 524,022	\$ 1,383,845	\$ 6,672,544	\$ 6,089,259
Unreserved, reported in:				
Special revenue funds	7,180,798	7,481,395	8,300,277	10,095,398
Debt service funds	(690,941)	(1,946,929)	(313,308)	(289,670)
Capital projects funds	<u>6,084,646</u>	<u>5,978,948</u>	<u>9,809,894</u>	<u>7,351,812</u>
Total all other governmental funds	<u><u>\$ 13,098,525</u></u>	<u><u>\$ 12,897,259</u></u>	<u><u>\$ 24,469,407</u></u>	<u><u>\$ 23,246,799</u></u>

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ -	\$ -	\$ 546,925	\$ 5,013
<u>17,021,153</u>	<u>17,686,555</u>	<u>17,094,067</u>	<u>17,587,279</u>
<u>\$ 17,021,153</u>	<u>\$ 17,686,555</u>	<u>\$ 17,640,992</u>	<u>\$ 17,592,292</u>
\$ 14,470,360	\$ 1,255,854	\$ 1,883,553	\$ 1,313,680
3,004,014	12,048,634	11,359,223	11,529,459
(304,156)	38,651,853	34,010,895	23,106,470
<u>12,365,664</u>	<u>29,659,709</u>	<u>23,216,796</u>	<u>16,331,898</u>
<u>\$ 29,535,882</u>	<u>\$ 81,616,050</u>	<u>\$ 70,470,467</u>	<u>\$ 52,281,507</u>

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
Taxes	\$ 9,170,108	\$ 10,157,037	\$ 15,470,448	\$ 20,032,577
Licenses & permits	3,074,520	3,590,372	8,114,884	10,854,816
Fines & forfeitures	330,868	347,979	344,442	270,221
Investment income	348,456	170,726	491,966	1,339,294
Intergovernmental	6,400,125	5,265,911	4,154,501	4,691,900
Charges for services	1,664,178	2,156,871	2,279,639	2,850,938
Other revenue	89,807	148,981	310,416	1,740,403
Total revenues	<u>21,078,062</u>	<u>21,837,877</u>	<u>31,166,296</u>	<u>41,780,149</u>
Expenditures				
General government	2,958,168	3,453,804	4,049,347	2,737,172
Public safety	5,331,411	5,783,864	6,914,374	7,686,653
Transportation	1,357,089	2,028,771	5,195,394	6,229,216
Culture and recreation	1,537,699	1,962,789	1,896,733	2,793,204
Community development	3,266,462	3,511,421	4,850,538	6,235,437
Health	19,269	36,409	-	-
Capital outlay	3,464,232	4,049,891	4,132,944	13,321,512
Debt service				
Principal	403,750	417,500	435,577	578,602
Interest	196,101	195,487	137,311	556,878
Pass-Through Agreements				
Debt issue costs	-	-	444,207	
Total expenditures	<u>18,534,181</u>	<u>21,439,936</u>	<u>28,056,425</u>	<u>40,138,674</u>
Excess of revenues over (under) expenditures	2,543,881	397,941	3,109,871	1,641,475
Other financing sources (uses)				
Transfers in	2,569,397	2,602,026	4,921,278	453,347
Transfers out	(1,688,371)	(1,641,762)	(3,682,716)	(453,347)
Transfer to Agency Fund	-	-	-	-
Payment to refunding escrow agent	-	(241,448)	-	-
Bond proceeds	-	-	8,130,000	-
Premium on bonds	-	-	49,908	-
Total other financing sources (uses)	<u>881,026</u>	<u>718,816</u>	<u>9,418,470</u>	<u>-</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>
Debt service as a percentage of noncapital expenditures	4.1%	3.7%	2.5%	4.4%

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 26,950,090	\$ 33,501,685	\$ 30,939,770	\$ 27,901,025
6,854,873	3,206,675	1,887,117	1,289,438
332,520	304,502	256,286	677,847
1,748,713	3,870,731	1,676,919	781,680
3,991,008	6,361,818	5,459,295	8,326,444
2,854,451	1,880,474	2,075,526	1,710,654
850,299	288,102	573,052	280,646
<u>43,581,954</u>	<u>49,413,987</u>	<u>42,867,965</u>	<u>40,967,734</u>
2,902,773	3,321,030	2,762,209	1,229,444
9,109,124	10,352,133	11,618,591	11,659,112
6,329,832	4,516,941	8,943,287	5,838,362
3,439,782	3,686,296	3,797,115	3,898,837
6,472,588	7,458,977	8,273,777	14,480,657
-	-	-	-
13,512,547	9,589,502	12,703,815	16,891,968
587,956	1,557,245	1,701,616	1,839,827
603,772	3,220,495	3,166,831	3,011,497
	1,341,736	1,329,805	844,963
1,012,494	1,036,953	-	-
<u>43,970,868</u>	<u>46,081,308</u>	<u>54,297,046</u>	<u>59,694,667</u>
(388,914)	3,332,679	(11,429,081)	(18,726,933)
6,268,509	12,682,479	9,058,685	21,672,848
(5,984,473)	(11,889,691)	(8,559,033)	(21,183,575)
-	-	(261,717)	-
-	-	-	-
9,067,464	48,585,000	-	-
(284,905)	35,102	-	-
<u>9,066,595</u>	<u>49,412,890</u>	<u>237,935</u>	<u>489,273</u>
<u>\$ 8,677,681</u>	<u>\$ 52,745,569</u>	<u>\$ (11,191,146)</u>	<u>\$ (18,237,660)</u>

4.1%

17.5%

15.1%

14.2%

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Vacant Land
2001	1,745,947,598	139,826,035	18,031,948	197,011,147
2002	1,842,058,706	143,951,456	19,146,551	185,319,289
2003	1,963,534,907	155,362,669	19,368,118	183,817,121
2004	2,150,609,817	163,267,677	20,180,871	189,747,260
2005	2,489,438,754	169,228,003	76,930,383	209,898,269
2006	2,903,209,136	185,807,290	80,859,615	318,287,291
2007	3,702,610,075	218,826,360	85,520,475	422,316,489
2008	4,400,289,170	244,221,927	91,173,729	510,056,236
2009	4,427,159,519	370,595,628	104,193,318	527,756,171
2010	3,727,991,951	451,912,848	109,259,356	508,707,791

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 2009/2010 Combined Tax Rolls

<u>Unsecured</u>	<u>Other</u>	<u>Less: Tax-Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
59,907,005	41,294,329	-	2,202,018,062	0.07395%
57,694,363	38,725,914	-	2,286,896,279	0.07615%
77,948,527	40,474,276	-	2,440,505,618	0.08355%
70,946,145	45,385,216	-	2,640,136,986	0.09310%
84,718,542	48,891,755	-	3,079,105,706	0.10755%
109,822,596	51,850,870	-	3,649,836,798	0.12947%
118,624,490	63,047,232	-	4,610,945,121	0.16646%
129,233,682	71,450,735	-	5,446,425,479	0.18415%
154,190,423	87,406,824	-	5,671,301,883	0.18399%
169,846,550	80,709,595	-	5,048,428,091	0.16801%

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City Direct Rates:										
City Basic Rate	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438
Overlapping Rates:										
A V Fire Protection District	*	*	*	*	*	0.09302	0.09263	0.09263	0.09263	0.09263
Apple Valley Unified	*	*	*	*	*	0.34330	0.31078	0.31079	0.31079	0.31079
County Free Library	*	*	*	*	*	**	0.01431	0.01431	0.01431	0.01431
San Bernardino County	*	*	*	*	*	0.18465	0.14778	0.14778	0.14778	0.14778
County Superintendent	*	*	*	*	*	**	0.01006	0.01006	0.01006	0.01006
Csa 60 Victorville	*	*	*	*	*	**	0.01024	0.01024	0.01024	0.01024
Education Revenue Aug Fund	*	*	*	*	*	**	0.22378	0.22378	0.22378	0.22378
Flood Control Admin 3-6	*	*	*	*	*	0.02446	0.00089	0.00089	0.00089	0.00089
Flood Control Zone 4	*	*	*	*	*	**	0.02335	0.02335	0.02335	0.02335
Mojave Desert Resource Conservation District	*	*	*	*	*	**	0.00013	0.00013	0.00013	0.00013
Mojave Water Agency	*	*	*	*	*	**	0.00526	0.00526	0.00526	0.00526
Victor Valley Com. College	*	*	*	*	*	0.06728	0.06641	0.06641	0.06641	0.06641
Other	*	*	*	*	*	0.24177	-	-	-	-
Total Prop. 13 Rate	*	*	*	*	*	1.04886	1.00000	1.00000	1.00000	1.00000
Apple Valley Unified	*	*	*	*	*	*	0.03030	0.02470	0.02550	0.02550
Mojave Water Agency - Land Only	*	*	*	*	*	*	0.11250	0.11250	0.11250	0.11250
Morongo Water Agency	*	*	*	*	*	*	0.05500	0.05500	0.05500	0.05500
Total Voter Approved Rate	*	*	*	*	*	0.19871	0.19780	0.19220	0.19300	0.19300
Total Tax Rate	*	*	*	*	*	1.24757	1.19780	1.19220	1.19300	1.19300

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 2000/01 - 2009/10 Tax Rate Table as summarized by HdL Coren & Cone

* Information not available

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

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

<u>Taxpayer</u>	<u>2010</u>		<u>2001</u>	
	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total City Taxable Assessed Value</u>
Wal Mart Store East Limited Partnership	\$ 113,510,273	2.25%	\$ -	
WRI Alliance Riley Venture	64,373,053	1.28%	-	
Apple Valley Rancho Water Company	32,701,418	0.65%	24,077,241	1.09%
Target Corporation	24,277,576	0.48%	-	
Apple Valley Commons I	23,637,745	0.47%	-	
Lowe's H/W INC	21,524,305	0.43%	-	
Winco Foods LLC	18,724,685	0.37%	-	
Watson Land Company	18,397,255	0.36%	-	
Apple Valley Acquisitions LLC	17,045,715	0.34%	-	
Carl E Ross Living Trust	16,813,670	0.33%	-	
Dayton Hudson Corporation			7,863,464	0.36%
Heave Lift Helicopter			7,377,179	0.34%
Apple Valley Shopping Center			7,198,268	0.33%
Wal Mart Stores, Inc.			7,018,020	0.32%
American Stores Properties			6,299,018	0.29%
Jess Ranch Development Company			6,173,932	0.28%
Merrill Gardens			5,870,771	0.27%
Son of Caduceus			5,601,237	0.25%
Albertson's			5,312,079	0.24%
	<u>\$ 351,005,695</u>	<u>6.95%</u>	<u>\$ 82,791,209</u>	<u>3.76%</u>

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

Source: San Bernardino County Assessor 2000/01 and 2009/10 Combined Tax Rolls as summarized by HdL Coren & Cone

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

Fiscal Year Ended June 30	Taxes Levied (2) for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date (1)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	3,772,351	3,772,351	100.00%	-	3,772,351	100.00%

Source: HdL Coren & Cone, San Bernardino County Assessor 2009/10 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 \$4,719,743

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

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

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Participation	Tax Allocation Bonds	Capital Lease Payable	Certificates of Participation	Special Assessment Bonds	Capital Lease Payable	Installment Purchase Agreement			
2003	7,897,000	-	-	813,000	7,012,778	173,294	2,882,500	18,778,572	*	318
2004	7,479,500	-	-	760,500	6,089,445	164,466	2,955,000	17,448,911	1508.60%	284
2005	7,053,250	8,130,000	155,139	706,750	5,636,112	-	2,808,125	24,489,376	1981.82%	384
2006	6,614,500	8,000,000	145,287	650,500	5,265,000	-	2,665,208	23,340,495	1714.70%	347
2007	6,162,000	16,860,000	134,879	593,000	4,715,000	-	2,518,958	30,983,837	2130.30%	443
2008	17,065,750	53,005,000	123,884	534,250	3,750,000	-	2,366,250	76,845,134	5274.75%	1,104
2009	16,280,750	52,090,000	112,268	474,250	3,410,000	-	2,210,205	74,577,473	5211.22%	1,069
2010	15,403,250	51,140,000	99,997	411,750	3,015,000	-	2,048,958	72,118,955	4419.02%	1,019

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

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

* Data unavailable

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

<u>General Bonded Debt Outstanding</u>				
<u>Fiscal Year</u>	<u>Tax Allocation Bonds</u>	<u>Total</u>	<u>Percent of Assessed Value</u>	<u>Per Capita</u>
2006	8,000,000	8,000,000	0.22%	119
2007	16,860,000	16,860,000	0.37%	241
2008	53,005,000	53,005,000	0.97%	761
2009	52,090,000	52,090,000	0.92%	747
2010	51,140,000	51,140,000	1.01%	723

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

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

Town of Apple Valley
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

City Assessed Valuation	\$ 5,042,123,993
Redevelopment Agency Incremental Valuation	<u>1,062,224,333</u>
Total Assessed Valuation	<u><u>\$ 3,979,899,660</u></u>

Governmental Unit	Debt Outstanding	Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Overlapping Tax and Assessment Debt:			
Mojave Water Agency	\$ 19,095,000	17.5320%	\$ 3,347,735
Victor Valley Joint Community College District	\$ 136,022,028	21.0570%	\$ 28,642,158
Victor Valley Union High School District	88,614,287	0.0003%	266
Apple Valley Unified School District	33,753,758	78.1280%	26,371,136
Oro Grande School District	697,300	0.0130%	91
Town of Apple Valley 1915 Act Bonds	5,205,000	100.0000%	5,205,000
Direct and Overlapping General Fund Debt:			
San Bernardino County General Fund Obligations	725,835,000	3.3570%	24,366,281
San Bernardino County Pension Obligations	648,360,591	3.3570%	21,765,465
San Bernardino County Flood Control General Fund Obligations	114,710,000	3.3570%	3,850,815
Victor Valley Union High School District Certificates of Participation	8,080,000	0.0003%	24
Apple Valley Unified School District Certificates of Participation	5,335,000	78.1280%	4,168,129
Hesperia Unified School District Certificates of Participation	105,000	0.0040%	4,200
Subtotal, overlapping debt			117,721,300
City direct debt	15815000	100.0000%	15,815,000
Total direct and overlapping debt			\$ 133,536,300

Notes:

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

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

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

Source: San Bernardino County Assessor and Auditor

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assessed valuation	3,649,295,318	4,610,716,666	5,445,989,305	5,670,597,064	5,048,428,091
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	912,323,830	1,152,679,167	1,361,497,326	1,417,649,266	1,262,107,023
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	136,848,574	172,901,875	204,224,599	212,647,390	189,316,053
Total net debt applicable to limit: Certificates of Participation	<u>7,265,000</u>	<u>6,755,000</u>	<u>17,590,000</u>	<u>16,755,000</u>	<u>15,815,000</u>
Legal debt margin	<u><u>129,583,574</u></u>	<u><u>166,146,875</u></u>	<u><u>186,634,599</u></u>	<u><u>195,892,390</u></u>	<u><u>173,501,053</u></u>
Total debt applicable to the limit as a percentage of debt limit	5.3%	3.9%	8.6%	7.9%	8.4%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time 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 2009/2010 Combined Tax Rolls

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

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

Special Assessment Bonds							
Fiscal Year	Gross Revenues (1)	Gross Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2001	2,145,421	2,528,665	(383,244)	478,000	764,508	1,242,508	-30.84%
2002	2,910,478	2,589,854	320,624	509,750	690,632	1,200,382	26.71%
2003	2,466,716	1,435,673	1,031,043	501,250	555,926	1,057,176	97.53%
2004	2,623,577	1,570,861	1,052,716	546,328	507,780	1,054,108	99.87%
2005	4,522,768	1,862,646	2,660,122	542,778	449,535	992,313	268.07%
2006	4,273,523	2,716,227	1,557,296	576,250	422,108	998,358	155.99%
2007	4,231,588	2,705,872	1,525,716	607,500	386,338	993,838	153.52%
2008	3,474,982	3,332,796	142,186	1,023,750	301,310	1,325,060	10.73%
2009	3,814,764	3,607,565	207,199	400,000	247,590	647,590	32.00%
2010	4,197,645	3,464,210	733,435	457,500	215,977	673,477	108.90%

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 Year	Population (1)	Personal Income In Thousands	Per Capita Personal Income (2)	Unemployment Rate (3)
2001	55,409	991,929	17,902	5.60%
2002	57,161	1,025,716	17,944	6.70%
2003	59,046	1,076,274	18,228	6.90%
2004	61,464	1,156,630	18,818	6.40%
2005	63,738	1,235,704	19,387	5.80%
2006	67,276	1,361,200	20,233	5.30%
2007	69,941	1,454,437	20,795	6.10%
2008	69,622	1,456,850	20,925	8.70%
2009	69,748	1,431,094	20,518	14.30%
2010 (4)	70,754	1,632,012	23,066	15.60%

Source 1: California State Department of Finance

Source 2: ESRI - Demographic Estimates are based on the last available Census

Source 3: California Employment Development Department

Note 4: Current Year information provided by Town of Apple Valley Economic Development Department

Prior Year information provided by HdL, Coren & Cone

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

<u>Employer</u>	<u>2010</u>		<u>2001</u>	
	<u>Number of Employees</u>	<u>Percent of Total Employment</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
St. Mary Regional Medical Center	1,688	6.16%	*	*
Apple Valley Unified School District	1,643	6.00%	*	*
Wal-Mart Distribution Center	1,072	3.91%	*	*
Target Stores, Inc. (2 stores)	483	1.76%	*	*
Wal-Mart	250	0.91%	*	*
Stater Bros. (2 stores)	248	0.91%	*	*
WinCo Foods	220	0.80%	*	*
High Desert Law & Justice Center	169	0.62%	*	*
Apple Valley Christian Care Center	150	0.55%	*	*
Best Buy	120	0.44%	*	*

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

Source: Town of Apple Valley Economic Development Department

* Data unavailable

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

<u>Function</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	32	52	53	46	47	57	33	34	33	33
Public safety	47	48	49	49	53	55	40	39	35	30
Economic Development	3	4	5	4	4	4	7	7	9	9
Public Works/Wastewater	6	4	5	6	6	9	14	13	14	21
Community Development	4	4	6	4	6	6	9	8	12	12
Parks & Recreation (1)	*	69	64	47	65	75	124	118	109	107
Total	92	181	182	156	181	206	227	219	212	212

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**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police:										
Arrests	982	1,060	1,083	1,152	1,317	1,544	1,996	2,009	1,952	1,937
Parking citations issued		126	245	345	249	97	57	78	78	93
Public works:										
Street resurfacing (miles)	4.09	28.37	68.37	29.50	97.08	31.13	52.92	48.10	65.28	5.97
Parks and recreation:										
Number of recreation classes	*	120	193	195	230	227	499	483	552	584
Number of facility rentals (1)	*	13,250	3,467	3,873	4,172	3,764	4,713	4,086	3,925	3,886
Sewer:										
New connections	416	398	486	563	1,181	1,464	829	576	327	180
Average daily sewage treatment (thousands of gallons)	1402	1524	1271	1380	2044	1971	1567	1930	1919	1670

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

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public works:					
Streets (miles)	414.57	417.17	422.71	422.71	422.71
Streetlights	625	628	628	628	628
Traffic signals	17	17	21	22	22
Parks and recreation:					
Parks	13	14	13	13	13
Community centers	2	2	2	2	2
Wastewater:					
Sanitary sewers (miles)	*	140	142	142	142
Storm drains (miles)	*	1	2	2	2
Number of Service Connections	*	12,313	13,179	13,506	13,686

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

Source: Town of Apple Valley

* Data unavailable