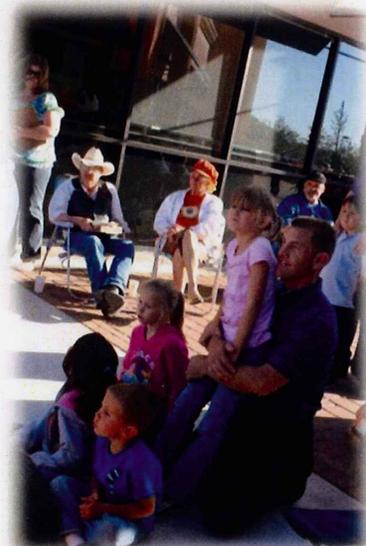
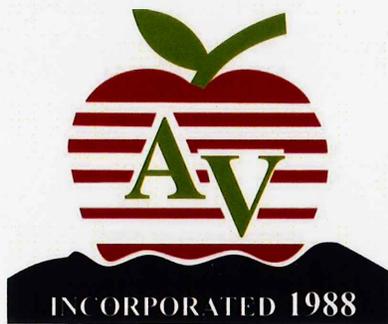


Town of Apple Valley

California

Comprehensive Annual Financial Report

Fiscal Year July 1, 2010 - June 30, 2011



TOWN OF APPLE VALLEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2011

Prepared by
Finance Department

Marc Puckett
Director of Finance

**Town of Apple Valley, California
Comprehensive Annual Financial Report
Year Ended June 30, 2011**

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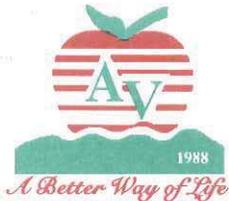
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INTRODUCTORY SECTION



Town of Apple Valley

14955 Dale Evans Parkway • Apple Valley, California 92307

December 22, 2011

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, 2011.

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, 2011, 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 that contributed to this change was due to the fact 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

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

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

Since 2005, more than 200 stores have opened in Apple Valley. Retailers recently opening a store in Apple Valley within the last 12 months include Burlington Coat Factory (replacing a former Mervyn’s site), Dollar Tree, Radio Shack, and Toys R Us Express. Also, a Walmart super store was recently approved and is expected to open during the summer of 2012.

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

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

Capital Improvement Program

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

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 crimes that are in progress.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Town's comprehensive financial report for the year ended June 30, 2010, 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.

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

Sincerely,



Marc Puckett
Director of Finance

Town of Apple Valley

Comprehensive Annual Financial Report

Fiscal Year 2010/11

Town Officials

Town Council

Scott Nassif
Mayor

Barb Stanton
Mayor Pro-Tem

Ginger Coleman
Councilwoman



Rick Roelle
Councilman

Curt Emick
Councilman

Town Staff

Frank Robinson
Town Manager

John Brown, *Town Attorney*

LaVonda Pearson, *CMC, Town Clerk*

Marc Puckett, *Finance Director*

Captain Bart Belknap, *Chief of Police*

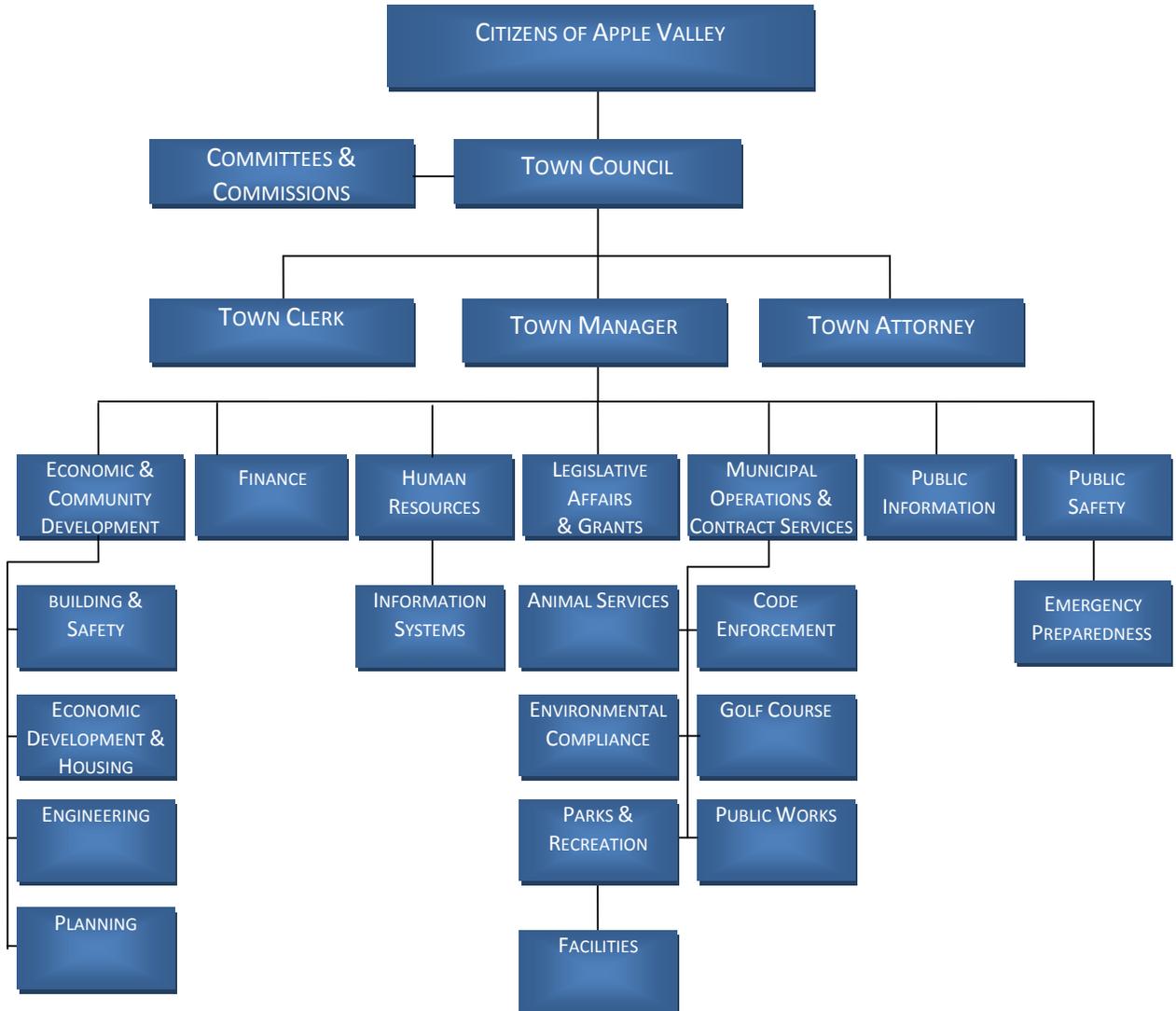
Nikki Salas, *Human Resources Director*

Ken Henderson, *Assistant Town Manager*
*Economic and Community Development/
Executive Director Redevelopment Agency*

Dennis Cron, *Assistant Town Manager,
Municipal Operations and Contract Services*

Town of Apple Valley ORGANIZATIONAL CHART

Fiscal Year 2010-2011



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, 2010

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.



Linda C. Davison

President

Jeffrey R. Egan

Executive Director

FINANCIAL SECTION

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley, California, as of and for the year ended June 30, 2011, 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, 2011, 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.

As described in Note IV) 1) to the financial statements, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the budgetary comparison information and schedule of funding progress for OPEB on pages 64 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or to provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The introductory section, supplementary information section, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The statements and schedules included in the supplementary information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Teaman Ramirez & Smith, Inc.

December 22, 2011

Town of Apple Valley Management Discussion and Analysis

As management of the Town of Apple Valley (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the Fiscal Year 2010-11 by \$449,914,052 (*net assets*). Of this amount, -\$5,832,195(*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 \$9,367,842 from the prior fiscal year total of \$459,281,894.
- As of FY 2010-11 year end, the Town’s governmental funds reported combined ending fund balances of \$64,218,460, a decrease of \$5,655,339 in comparison with the prior fiscal year. Of this total amount, 12.7 percent or \$8,162,327, is available for spending at the government’s discretion (*unrestricted fund balance*).
- At the end of fiscal year 2011, unrestricted fund balance for the general fund was \$8,366,303, or 55.2 percent of total general fund expenditures.
- The Town of Apple Valley’s total debt decreased by \$2,530,860, or 3.4 percent, during fiscal year 2011. No new debt was issued in the current fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *statement of net 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 13-15 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 16-21 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 22-24 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 25.

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 26-63 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 non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$449,914,052 at the close of the most recent fiscal year.

The largest portion of the Town's net assets (93.3 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* (-\$5,832,195) 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 its investment in capital assets and net assets subject to external restrictions 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 \$9,367,842 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$77,030,340	\$84,782,354	\$15,011,413	\$17,862,707	\$92,041,753	\$102,645,061
Capital assets	<u>403,294,567</u>	<u>406,060,527</u>	<u>33,794,812</u>	<u>34,793,210</u>	<u>437,089,379</u>	<u>440,853,737</u>
Total assets	<u>\$480,324,907</u>	<u>\$490,842,881</u>	<u>\$48,806,225</u>	<u>\$52,655,917</u>	<u>\$529,131,132</u>	<u>\$543,498,798</u>
Long-term liabilities outstanding	65,385,680	67,910,256	4,116,542	4,802,238	69,502,222	72,712,494
Other liabilities	<u>7,338,787</u>	<u>9,018,114</u>	<u>2,376,071</u>	<u>2,486,296</u>	<u>9,714,858</u>	<u>11,504,410</u>
Total liabilities	<u>\$72,724,467</u>	<u>\$76,928,370</u>	<u>\$6,492,613</u>	<u>\$7,288,534</u>	<u>\$79,217,080</u>	<u>\$84,216,904</u>
Net assets:						
Invested in capital assets, net of related debt	388,785,477	390,657,277	30,868,062	31,382,013	419,653,539	422,039,290
Restricted	34,274,504	32,983,379	1,818,204	1,818,186	36,092,708	34,801,565
Unrestricted	<u>(15,459,541)</u>	<u>(9,726,145)</u>	<u>9,627,346</u>	<u>12,167,184</u>	<u>(5,832,195)</u>	<u>2,441,039</u>
Total net assets	<u>\$407,600,440</u>	<u>\$413,914,511</u>	<u>\$42,313,612</u>	<u>\$45,367,383</u>	<u>\$449,914,052</u>	<u>\$459,281,894</u>

Governmental activities

Governmental activities decreased the Town's net assets by \$6,314,071 (1.5 percent). Key elements of this increase are as follows:

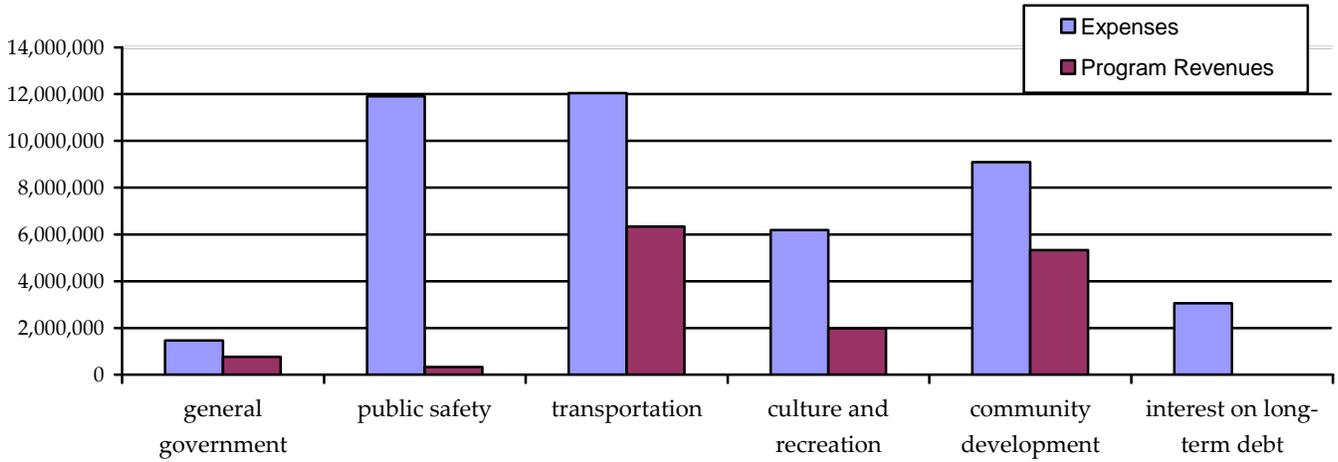
- Investment income decreased \$475,535 (61 percent). This is due to the decline in interest rates.
- Tax Increment revenues decreased \$1,954,299 (26 percent). This is due to a reduction in taxable assessed values by the County Tax Assessor due to declining real estate market sales.
- Property Tax revenues decreased \$1,491,979 (7 percent). This is also due to a reduction in taxable assessed values by the County Tax Assessor due to declining real estate market sales.
- Intergovernmental revenues decreased by \$1,337,670 (16 percent).

Overall, General Governmental fund expenditures declined by \$17,106,480 (29 percent) due to completion of the construction of the Development Services and Animal Shelter Services buildings.

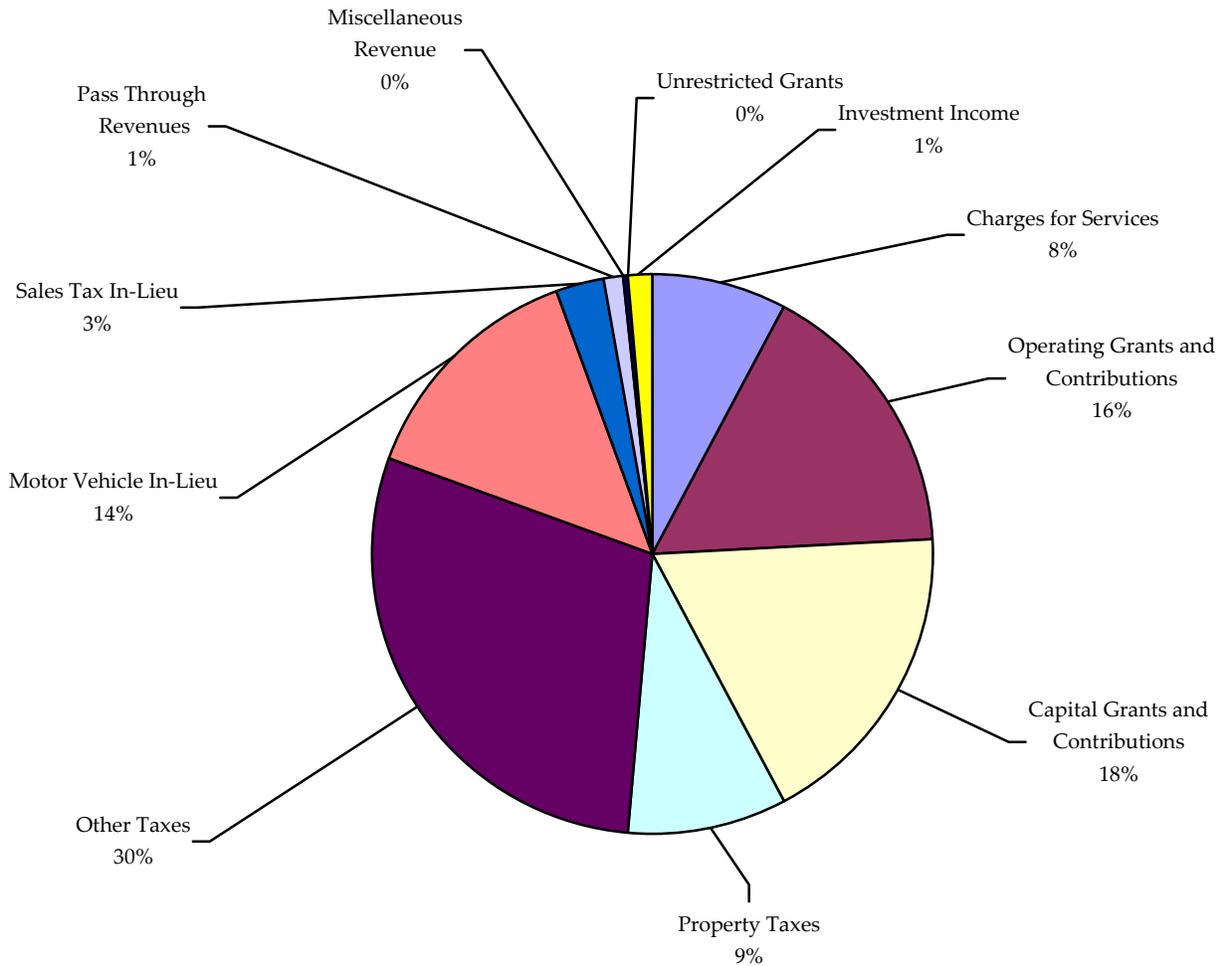
Town of Apple Valley's Changes in Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues:						
Charges for service	\$3,896,669	\$3,918,626	\$14,725,266	\$14,571,174	\$18,621,935	\$18,489,800
Operating grants and contributions	5,595,047	8,423,410	25,066		5,620,113	8,423,410
Capital grants and contributions	5,234,738	5,218,590	474,689	438,301	5,709,427	5,656,891
General revenues:						
Property taxes	3,601,017	3,816,749			3,601,017	3,816,749
Other taxes	11,241,275	12,468,777			11,241,275	12,468,777
Motor Vehicle in-Lieu	5,487,173	5,931,473			5,487,173	5,931,473
Sales Tax in-Lieu	1,382,393	1,189,135			1,382,393	1,189,135
Pass Through Revenues	288,495	488,762			288,495	488,762
Miscellaneous Revenues	50,623	112,597			50,623	112,597
Grants and contribution not restricted to specific programs	10,985	11,498			10,985	11,498
Investment Income	172,385	628,373	149,328	110,376	321,713	738,749
Total revenues	36,960,800	42,207,990	15,374,349	15,119,851	52,335,149	57,327,841
Expenses						
General government	1,461,718	1,841,391			1,461,718	1,841,391
Public safety	11,904,334	11,784,128			11,904,334	11,784,128
Transportation	12,045,684	12,126,936			12,045,684	12,126,936
Culture and recreation	6,188,596	5,893,089			6,188,596	5,893,089
Community Development	9,087,396	15,313,506			9,087,396	15,313,506
Interest on long-term debt	3,057,653	3,062,557			3,057,653	3,062,557
Golf Club			1,978,306	3,092,747	1,978,306	3,092,747
Sewer			6,576,431	5,995,219	6,576,431	5,995,219
Waste Management			9,402,873	8,572,856	9,402,873	8,572,856
Total expenses	43,745,381	50,021,607	17,957,610	17,660,822	61,702,991	67,682,429
Change in net assets before transfers	(6,784,581)	(7,813,617)	(2,583,261)	(2,540,971)	(9,367,842)	(10,354,588)
Transfers	470,510	489,273	(470,510)	(489,273)	0	0
Change in net assets	(6,314,071)	(7,324,344)	(3,053,771)	(3,030,244)	(9,367,842)	(10,354,588)
Net assets (beginning)	413,914,511	421,238,855	45,367,383	48,397,627	459,281,894	469,636,482
Prior Period Adjustment	0	0	0	0	0	0
Net assets (ending)	\$407,600,440	\$413,914,511	\$42,313,612	\$45,367,383	\$449,914,052	\$459,281,894

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

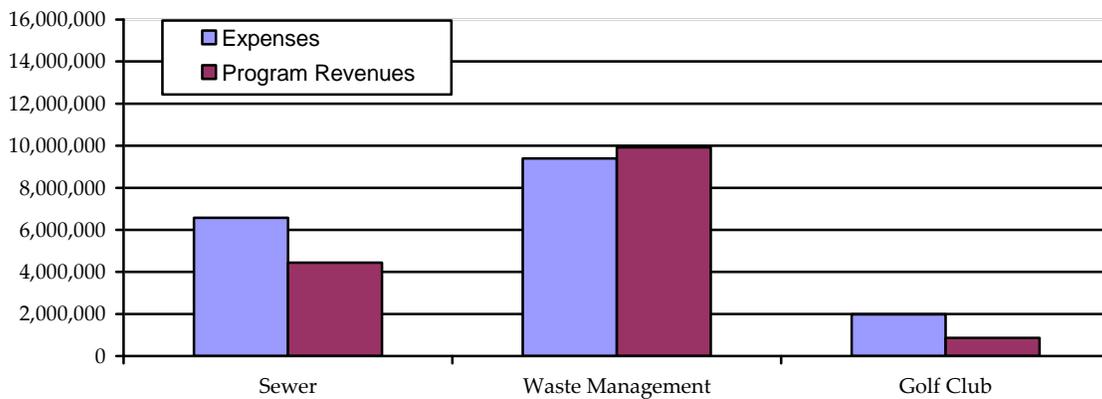


Business-type activities

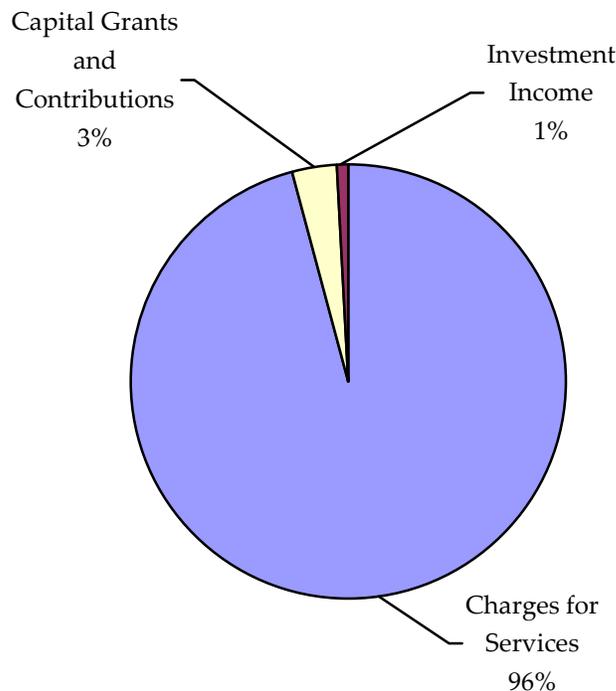
Business-type activities decreased the Town’s net assets by \$3,053,771. Key elements of this decrease are as follows:

- The Sewer fund’s net assets decreased by \$2,134,564 this fiscal year. This was mainly due to greater maintenance costs and no corresponding increase in charges for services in the 2010-11 fiscal year.
- The Apple Valley Golf Club fund’s net assets decreased by \$1,114,246 this fiscal year. The Town is currently in escrow to purchase the golf course. Once escrow closes, the Town will capitalize course assets which will reduce the overall accumulated operating deficit.
- Investment income increased slightly by \$38,952 (35 percent).

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Town's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$64,218,460, a decrease of \$5,655,339 in comparison with the prior fiscal year. Approximately 13 percent of this total amount (\$8,162,327) constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance (\$56,056,133) is either *restricted* or *non-spendable*.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the General Fund fund balance amounted to \$18,345,820. Of this amount, \$8,366,303 was unrestricted at the end of the fiscal year. As a measure of the general fund's liquidity, it may be useful to compare the unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 55 percent of total general fund expenditures. The fund balance of the Town's General Fund increased by \$753,528 during the current fiscal year.

The Article 8 fund has a total fund balance of \$79,348 which is reported as restricted. The net decrease in fund balance during the current year in the Article 8 fund was \$89,712. This decrease in fund balance was due to the planned utilization of fund balance to complete a street maintenance project in the current fiscal year.

The Parks and Recreation fund has a total accumulated fund deficit of \$(5,275,409), which is reported as unassigned. The net decrease in fund balance during the current year in the Parks and Recreation fund was \$1,329,740. This is primarily due to program costs exceeding available revenues and a reduction of property tax revenues due to reduced property assessments.

The Low/Moderate Income Housing fund has a fund balance of \$16,243,788, which is all reported as restricted. This fund represents 20% of the tax increment revenues from the Town's two RDA project areas'. The net increase in fund balance during the current fiscal year was \$1,255,517.

The RDA Debt Service Fund has a total fund balance of \$16,652,645 at year end. The net decrease in fund balance during the current year was \$7,767,505. This decrease resulted from payments on RDA financed construction projects.

The Capital Projects fund has a fund balance of \$9,104,848 at year end, which is all reported as assigned. This fund represents transportation impact fees collected by the Town and will be used for capacity enhancing street projects in the Town.

The Government Facilities Capital Projects fund has a fund deficit of \$(75,630) at year end, which is reported as unassigned. In July, 2007, Lease Revenue Bonds were issued in the amount of \$11,355,000. The proceeds were used to complete the Town Hall Expansion project.

The Measure I fund has a fund balance of \$5,757,994 at year end, all of which is reported as restricted. The net increase in the fund balance during the current year for the Measure I fund was \$1,501,224. This increase was due to a reduction in the total dollars spent this year on Measure I projects and the planned accumulation of resources for future major capital 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.

As of the end of the fiscal year, unrestricted net assets of the Sewer fund were \$9,076,099. The total decrease in net assets for the fiscal year in the Sewer fund was \$2,489,669. For the Solid Waste Management fund, unrestricted net assets totaled \$3,843,634 at year end. The total increase in net assets for the Solid Waste Management fund for the fiscal year was \$82,863. Correspondingly, unrestricted net assets for the Apple Valley Golf Club fund as of June 30, 2011 amounted to \$(3,292,387).

General Fund Budgetary Highlights

The original budget as approved by the Town Council projected a \$283,163 utilization of available fund balance for the year. The final adopted budget, as amended, anticipated utilization of \$814,714 of available fund balance. At year end, actual budgetary performance resulted in a net increase in fund balance of \$753,528. Tax revenues increased slightly from budgetary projections by \$67,540. The declines in taxable property values due to the recession appear to have leveled off and some areas within the Town are now seeing growth in taxable values. Sales tax revenues were up five consecutive quarters on a year-over-year basis at the end of the fiscal year signaling a clear growth trend. Sales taxes increased over the prior fiscal year levels due to several new retail outlets opening. Actual expenditures in the General Fund ended the fiscal year under the amended budget by \$1,543,282 due to the continuation of spending controls put in place as precautionary measures during the prior two budget cycles.

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, 2011, amounts to \$437,089,379 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the Town’s investment in capital assets for the current fiscal year was \$3,764,358 (a \$2,765,960 decrease for governmental activities and a \$998,398 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 98,526,741	\$ 98,526,741	\$ 385,744	\$ 385,744	\$ 98,912,485	\$ 98,912,485
Water Rights			750,000		750,000	
Construction in Progress	11,541,462	16,716,519	35,242	70,772	11,576,704	16,787,291
Furniture and Equipment	2,616,513	780,324			2,616,513	780,324
Trucks and Automobiles	242,009	348,919	271,988	342,593	513,997	691,512
Structures and Improvements	68,504,894	60,180,027			68,504,894	60,180,027
Infrastructure	221,862,948	229,507,997			221,862,948	229,507,997
Building and System			104,086	109,896	104,086	109,896
Machinery and Equipment			135,497	102,115	135,497	102,115
Collector Lines			<u>32,112,255</u>	<u>33,782,090</u>	<u>32,112,255</u>	<u>33,782,090</u>
Total Capital Assets	\$ <u>403,294,567</u>	\$ <u>406,060,527</u>	\$ <u>33,794,812</u>	\$ <u>34,793,210</u>	\$ <u>437,089,379</u>	\$ <u>440,853,737</u>

Additional information on the Town of Apple Valley’s capital assets can be found in note IV.E on pages 40-41 of this report.

Long-term debt. At the end of the current fiscal year, the Town had total bonded debt outstanding of \$67,404,079. Of this amount, \$64,404,632 comprises debt backed by the full faith and credit of the government and \$2,999,447 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The Town’s total bonded debt outstanding decreased by \$2,565,921 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 \$170,681,779, 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Certificates of Participation	\$ 4,238,250	\$ 4,738,250	\$ 346,750	\$ 411,750	\$ 4,585,000	\$ 5,150,000
Tax Allocation Bonds	50,055,273	51,036,541			50,055,273	51,036,541
Lease Revenue Bonds	10,183,806	10,585,876			10,183,806	10,585,876
Claims Payable	45,000	45,000			45,000	45,000
Special assessment debt with Governmental commitment			2,580,000	2,999,447	2,580,000	2,999,447
California Housing Loan	250,000	250,000			250,000	250,000
Compensated Absences	1,110,798	1,081,341			1,110,798	1,081,341
Pension-related Debt	1,729,740	1,740,976			1,729,740	1,740,976
Net OPEB Obligation	673,844	448,474			673,844	448,474
Capital Lease Payable	87,034	99,997			87,034	99,997
Installment Purchase Agreement			1,880,625	2,048,958	1,880,625	2,048,958
Total	<u>\$ 68,373,745</u>	<u>\$ 70,026,455</u>	<u>\$ 4,807,375</u>	<u>\$ 5,460,155</u>	<u>\$ 73,181,120</u>	<u>\$ 75,486,610</u>

Additional information of the Town of Apple Valley’s long-term debt can be found in note IV.F on pages 42-52 of this report.

Requests for Information

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

Town of Apple Valley, California
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 35,985,114	\$ 10,940,759	\$ 46,925,873
Accounts Receivable	1,723,287	1,337,912	3,061,199
Interest Receivable	13,990	3,252	17,242
Due from Other Governments, Net	6,074,775	104,703	6,179,478
Internal Balances	3,200,326	(3,200,326)	-
Special Assessments Receivable		2,005,425	2,005,425
Loans Receivable	4,148,259		4,148,259
Prepaid Items	93,470		93,470
Investment in Joint Venture		1,854,226	1,854,226
Debt Issuance Costs	1,329,012	147,258	1,476,270
Restricted Assets:			
Cash with Fiscal Agent	24,462,107	1,818,204	26,280,311
Capital Assets, Not Being Depreciated:			
Land	98,526,741	385,744	98,912,485
Water Rights		750,000	750,000
Construction in Progress	11,541,462	35,242	11,576,704
Capital Assets, Net of Accumulated Depreciation:			
Structures and Improvements	68,504,894	104,086	68,608,980
Machinery and Equipment	2,616,513	135,497	2,752,010
Trucks and Automobiles	242,009	271,988	513,997
Collector Lines		32,112,255	32,112,255
Infrastructure	221,862,948		221,862,948
Total Assets	<u>480,324,907</u>	<u>48,806,225</u>	<u>529,131,132</u>
LIABILITIES			
Accounts Payable	2,933,955	409,933	3,343,888
Accrued Liabilities	938,537	138,212	1,076,749
Interest Payable	369,746	59,333	429,079
Due to Other Governments	5,601	471,240	476,841
Unearned Revenue	102,883	561,925	664,808
Amounts Due Bondholders		44,595	44,595
Noncurrent Liabilities:			
Due Within One Year	2,988,065	690,833	3,678,898
Due in More Than One Year, Net of Unamortized Premium	65,385,680	4,116,542	69,502,222
Total Liabilities	<u>72,724,467</u>	<u>6,492,613</u>	<u>79,217,080</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	388,785,477	30,868,062	419,653,539
Restricted for:			
Transportation	5,762,294		5,762,294
Culture and Recreation	33,562		33,562
Community Development	27,584,804		27,584,804
Capital Projects		1,106,943	1,106,943
Debt Service	893,844	711,261	1,605,105
Unrestricted	(15,459,541)	9,627,346	(5,832,195)
Total Net Assets	<u>\$ 407,600,440</u>	<u>\$ 42,313,612</u>	<u>\$ 449,914,052</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,461,718	\$ 754,552	\$	\$
Public Safety	11,904,334	172,376	153,265	
Transportation	12,045,684	53,300	2,239,891	4,046,913
Culture and Recreation	6,188,596	1,121,273	-	859,900
Community Development	9,087,396	1,795,168	3,201,891	327,925
Interest on Long-Term Debt	3,057,653			
Total Governmental Activities	<u>43,745,381</u>	<u>3,896,669</u>	<u>5,595,047</u>	<u>5,234,738</u>
Business-type Activities:				
Sewer	6,576,431	3,967,178		474,689
Waste Management	9,402,873	9,894,028	25,066	
Apple Valley Golf Club	1,978,306	864,060		
Total Business-type Activities	<u>17,957,610</u>	<u>14,725,266</u>	<u>25,066</u>	<u>474,689</u>
Total Primary Government	<u>\$ 61,702,991</u>	<u>\$ 18,621,935</u>	<u>\$ 5,620,113</u>	<u>\$ 5,709,427</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
\$ (707,166)	\$	\$ (707,166)
(11,578,693)		(11,578,693)
(5,705,580)		(5,705,580)
(4,207,423)		(4,207,423)
(3,762,412)		(3,762,412)
(3,057,653)		(3,057,653)
(29,018,927)	-	(29,018,927)
	(2,134,564)	(2,134,564)
	516,221	516,221
	(1,114,246)	(1,114,246)
-	(2,732,589)	(2,732,589)
(29,018,927)	(2,732,589)	(31,751,516)
3,601,017		3,601,017
5,688,809		5,688,809
1,727,194		1,727,194
3,819,221		3,819,221
6,051		6,051
5,487,173		5,487,173
1,382,393		1,382,393
288,495		288,495
50,623		50,623
10,985		10,985
172,385	149,328	321,713
470,510	(470,510)	-
22,704,856	(321,182)	22,383,674
(6,314,071)	(3,053,771)	(9,367,842)
413,914,511	45,367,383	459,281,894
\$ 407,600,440	\$ 42,313,612	\$ 449,914,052

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Balance Sheet
Governmental Funds
Year Ended June 30, 2011

	General	Article 8	Parks and Recreation	Low/Moderate Housing	RDA Debt Service
ASSETS					
Cash and Investments	\$ 1,952,484	\$	\$ 700	\$ 11,153,546	\$ 1,583,845
Cash with Fiscal Agent				4,640,576	19,506,058
Accounts Receivable	1,325,558		40,870		
Interest Receivable	3,973			2,994	1,939
Due from Other Funds	6,138,412				
Due from Other Governments	3,733,522	435,262	154,268	468,544	547,549
Advances to Other Funds	9,942,235				
Loans Receivable					
Prepaid Items	37,282				56,188
	<u> </u>				
Total Assets	<u>\$ 23,133,466</u>	<u>\$ 435,262</u>	<u>\$ 195,838</u>	<u>\$ 16,265,660</u>	<u>\$ 21,695,579</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 511,353	\$	\$ 151,585	\$ 10,150	\$ 282,592
Accrued Liabilities	262,779	83	96,497	11,722	17,787
Due to Other Governments					
Due to Other Funds		355,831			
Advances From Other Funds			5,199,680		4,742,555
Deferred Revenue	4,013,514		23,485		
	<u> </u>				
Total Liabilities	<u>4,787,646</u>	<u>355,914</u>	<u>5,471,247</u>	<u>21,872</u>	<u>5,042,934</u>
Fund Balances:					
Nonspendable	9,979,517				56,188
Restricted		79,348		16,243,788	20,799,836
Committed	3,789,352				
Assigned					
Unassigned	4,576,951		(5,275,409)		(4,203,379)
	<u> </u>				
Total Fund Balances	<u>18,345,820</u>	<u>79,348</u>	<u>(5,275,409)</u>	<u>16,243,788</u>	<u>16,652,645</u>
Total Liabilities and Fund Balances	<u>\$ 23,133,466</u>	<u>\$ 435,262</u>	<u>\$ 195,838</u>	<u>\$ 16,265,660</u>	<u>\$ 21,695,579</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
\$ 9,109,830	\$	\$ 883,596	\$ 5,509,952	\$	\$ 5,791,161	\$ 35,985,114
7,300		141,883			315,473	24,462,107
2,473			1,447		207,676	1,723,287
					1,164	13,990
8,849			253,986	924,840	2,341,983	6,138,412
				4,500	4,143,759	8,868,803
						9,942,235
						4,148,259
						93,470
<u>\$ 9,128,452</u>	<u>\$ -</u>	<u>\$ 1,025,479</u>	<u>\$ 5,765,385</u>	<u>\$ 929,340</u>	<u>\$ 12,801,216</u>	<u>\$ 91,375,677</u>
\$ 23,604	\$ 11,158	\$ 672,066	\$ 7,391	\$ 118,867	\$ 1,145,189	\$ 2,933,955
	43,821	480,770			25,078	938,537
	367	4,983			251	5,601
	20,284	77,250		770,447	1,714,274	2,938,086
		141,883		682,945	5,536,976	9,942,235
						10,398,803
<u>23,604</u>	<u>75,630</u>	<u>1,376,952</u>	<u>7,391</u>	<u>1,572,259</u>	<u>8,421,768</u>	<u>27,157,217</u>
						10,035,705
			5,757,994		3,139,462	46,020,428
9,104,848					2,516,790	3,789,352
	(75,630)	(351,473)		(642,919)	(1,276,804)	11,621,638
						(7,248,663)
<u>9,104,848</u>	<u>(75,630)</u>	<u>(351,473)</u>	<u>5,757,994</u>	<u>(642,919)</u>	<u>4,379,448</u>	<u>64,218,460</u>
<u>\$ 9,128,452</u>	<u>\$ -</u>	<u>\$ 1,025,479</u>	<u>\$ 5,765,385</u>	<u>\$ 929,340</u>	<u>\$ 12,801,216</u>	<u>\$ 91,375,677</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, 2011

Fund balances of governmental funds	\$ 64,218,460
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.	403,294,567
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	7,501,892
Long term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated Absences	(1,110,798)
Claims Payable	(45,000)
Certificates of Participation	(4,238,250)
Tax Allocation Bonds	(50,155,000)
Lease Revenue Bonds	(10,260,000)
Unamortized Premium	(146,398)
Unamortized Discount	322,319
Capital Lease Payable	(87,034)
CA Housing Loan	(250,000)
Pension-related Debt	(1,729,740)
Net OPEB Obligation	(673,844)
Issuance costs net of accumulated amortization were recorded as expenditures in the governmental funds.	1,329,012
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(369,746)
Net assets of governmental activities	\$ 407,600,440

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, 2011

	General	Article 8	Parks and Recreation	Low/Moderate Housing	RDA Debt Service
REVENUES					
Taxes	\$ 14,653,540	\$ 435,557	\$ 1,658,004	\$ 1,692,953	\$ 3,965,751
Licenses & Permits	778,987				
Fines & Forfeitures	293,531				
Investment Income	67,608			68,307	35,775
Intergovernmental	1,794,554				
Charges for Services	1,168,140		868,717		
Other Revenue	679,145		253,766		
Total Revenues	19,435,505	435,557	2,780,487	1,761,260	4,001,526
EXPENDITURES					
Current:					
General Government	752,242				
Public Safety	11,470,972				
Transportation		525,269			
Culture and Recreation			4,110,227		
Community Development	2,636,181			212,388	784,769
Capital Outlay	279,931				
Debt Service:					
Principal	12,963			81,836	903,164
Interest & Fiscal Charges	5,117			211,519	2,273,675
Pass-Through Agreements					659,969
Total Expenditures	15,157,406	525,269	4,110,227	505,743	4,621,577
Excess (Deficiency) of Revenues over Expenditures	4,278,099	(89,712)	(1,329,740)	1,255,517	(620,051)
OTHER FINANCING SOURCES (USES)					
Transfer In	470,510				
Transfer Out	(3,995,081)				(7,147,454)
Total Other Financing Sources (Uses)	(3,524,571)	-	-	-	(7,147,454)
Net Change in Fund Balances	753,528	(89,712)	(1,329,740)	1,255,517	(7,767,505)
Fund Balances, Beginning	17,592,292	169,060	(3,945,669)	14,988,271	24,420,150
Fund Balances, Ending	<u>\$ 18,345,820</u>	<u>\$ 79,348</u>	<u>\$ (5,275,409)</u>	<u>\$ 16,243,788</u>	<u>\$ 16,652,645</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
\$ 384,559	\$	\$	\$ 1,680,074	\$	\$ 368,868	\$ 24,454,747
					186,084	1,349,630
74,995			33,019		26,441	293,531
				1,344,777	3,849,443	306,145
11,568		8,887		23,488	55,800	6,988,774
						2,036,857
471,122	-	8,887	1,713,093	1,368,265	4,486,636	1,032,654
					100,073	852,315
			211,869			11,470,972
					3,516,849	4,253,987
					87,824	4,198,051
849,967	1,368,428	2,128,716		938,491	1,678,420	8,378,965
		5,360,778		4,814		7,863,918
		18,320			905,000	1,902,963
					498,416	3,007,047
						659,969
849,967	1,368,428	7,507,814	211,869	943,305	6,786,582	42,588,187
(378,845)	(1,368,428)	(7,498,927)	1,501,224	424,960	(2,299,946)	(6,125,849)
	525,913	7,147,454			4,014,961	12,158,838
					(545,793)	(11,688,328)
-	525,913	7,147,454	-	-	3,469,168	470,510
(378,845)	(842,515)	(351,473)	1,501,224	424,960	1,169,222	(5,655,339)
9,483,693	766,885	-	4,256,770	(1,067,879)	3,210,226	69,873,799
<u>\$ 9,104,848</u>	<u>\$ (75,630)</u>	<u>\$ (351,473)</u>	<u>\$ 5,757,994</u>	<u>\$ (642,919)</u>	<u>\$ 4,379,448</u>	<u>\$ 64,218,460</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, 2011

Net change in fund balances-total governmental funds \$ (5,655,339)

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

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

Excess Depreciation over Capital Outlay (2,765,960)

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. 498,462

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	1,902,963
Decrease in Pension-related Debt	11,236

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. (225,370)

Accrued interest for long-term debt. This is the net change in accrued interest for the current period. 8,360

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	(29,457)
Net Change in Claims Payable	-

Change in Net Assets of Governmental Activities \$ (6,314,071)

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Sewer	Solid Waste Management	Apple Valley Golf Club	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 7,576,628	\$ 3,336,051	\$ 28,080	\$ 10,940,759
Accounts Receivable	380,646	935,266	22,000	1,337,912
Interest Receivable	2,157	1,095		3,252
Due from Other Governments	31,684	73,019		104,703
Due from Other Funds				-
Total Current Assets	7,991,115	4,345,431	50,080	12,386,626
Noncurrent Assets:				
Special Assessments Receivable	2,005,425			2,005,425
Investment in Joint Venture (Net)		1,854,226		1,854,226
Debt Issuance Costs, Net of Accumulated Amortization	65,813	81,445		147,258
Restricted Assets:				
Cash with Fiscal Agent	1,818,204			1,818,204
Capital Assets, Not Being Depreciated:				
Land	385,744			385,744
Water Rights	750,000			750,000
Construction in Progress	35,242			35,242
Capital Assets, Net of Accumulated Depreciation	32,623,826			32,623,826
Total Noncurrent Assets	37,684,254	1,935,671	-	39,619,925
Total Assets	45,675,369	6,281,102	50,080	52,006,551
LIABILITIES				
Current Liabilities:				
Accounts Payable	194,684	191,162	24,087	409,933
Accrued Liabilities	20,526	2,674	115,012	138,212
Interest Payable	59,333			59,333
Due to Other Governments	468,198		3,042	471,240
Due to Other Funds			3,200,326	3,200,326
Unearned Revenue	198,918	363,007		561,925
Amounts Due Bondholders	44,595			44,595
Current Portion of Long-Term Debt	517,500	173,333		690,833
Total Current Liabilities	1,503,754	730,176	3,342,467	5,576,397
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Debt	2,409,250	1,707,292		4,116,542
Total Noncurrent Liabilities	2,409,250	1,707,292	-	4,116,542
Total Liabilities	3,913,004	2,437,468	3,342,467	9,692,939
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	30,868,062			30,868,062
Restricted for Capital Projects	1,106,943			1,106,943
Restricted for Debt Service	711,261			711,261
Unrestricted	9,076,099	3,843,634	(3,292,387)	9,627,346
Total Net Assets	\$ 41,762,365	\$ 3,843,634	\$ (3,292,387)	\$ 42,313,612

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, 2011

	Sewer	Solid Waste Management	Apple Valley Golf Club	Total
OPERATING REVENUES				
Charges for Services	\$ 3,967,178	\$ 9,894,028	\$ 864,060	\$ 14,725,266
Total Operating Revenue	<u>3,967,178</u>	<u>9,894,028</u>	<u>864,060</u>	<u>14,725,266</u>
OPERATING EXPENSES				
Salaries and Benefits	522,747	65,926		588,673
Contract Services	323,233	7,215,739	452,494	7,991,466
Maintenance and Treatment	1,503,453		284,438	1,787,891
Depreciation	1,765,273			1,765,273
Other	2,222,125	1,905,932	1,241,374	5,369,431
Total Operating Expenses	<u>6,336,831</u>	<u>9,187,597</u>	<u>1,978,306</u>	<u>17,502,734</u>
Operating Income (Loss)	<u>(2,369,653)</u>	<u>706,431</u>	<u>(1,114,246)</u>	<u>(2,777,468)</u>
NONOPERATING REVENUES (EXPENSES)				
Change in Investment in Joint Venture		(67,561)		(67,561)
Investment Income	112,176	37,152		149,328
Grant Revenue		25,066		25,066
Assessment Income - Debt Service	474,689			474,689
Gain/(Loss) on Disposal of Assets	(18,367)			(18,367)
Interest	(186,642)	(137,535)		(324,177)
Bond Issuance Costs	(34,591)	(10,180)		(44,771)
Total Nonoperating Revenues (Expenses)	<u>347,265</u>	<u>(153,058)</u>	<u>-</u>	<u>194,207</u>
Income Before Contributions and Transfers	(2,022,388)	553,373	(1,114,246)	(2,583,261)
Capital Contributions				-
Transfers In			467,281	467,281
Transfers Out	(467,281)	(470,510)		(937,791)
Change in Net Assets	(2,489,669)	82,863	(646,965)	(3,053,771)
Total Net Assets, Beginning	<u>44,252,034</u>	<u>3,760,771</u>	<u>(2,645,422)</u>	<u>45,367,383</u>
Total Net Assets, Ending	<u>\$ 41,762,365</u>	<u>\$ 3,843,634</u>	<u>\$ (3,292,387)</u>	<u>\$ 42,313,612</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Sewer	Solid Waste Management	Apple Valley Golf Club	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 5,135,905	\$ 9,875,012	\$ 844,974	\$ 15,855,891
Cash Paid to Suppliers	(4,292,917)	(9,230,287)	(1,976,559)	(15,499,763)
Cash Paid to Employees for Services	(518,519)	68,144		(450,375)
Net Cash Provided (Used) by Operating Activities	<u>324,469</u>	<u>712,869</u>	<u>(1,131,585)</u>	<u>(94,247)</u>
Cash Flows from Noncapital Financing Activities				
Cash Received from Other Governments				-
Cash Collected on Behalf of Other Governments (Paid to)	70,770		483	71,253
Grant Revenue		25,066		25,066
Advances (to) from Other Funds			647,747	647,747
Cash Paid (to) from Other Funds		(470,510)		(470,510)
Principal Paid on Debt		(168,333)		(168,333)
Interest Paid on Debt		(137,535)		(137,535)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>70,770</u>	<u>(751,312)</u>	<u>648,230</u>	<u>(32,312)</u>
Cash Flows from Capital and Related Financing Activities				
Capital Asset Purchases	(785,242)			(785,242)
Cash Paid (to) from Other Funds	(467,281)		467,281	-
Special Assessments Collected for Debt Service	909,989			909,989
Principal Paid on Debt	(500,000)			(500,000)
Interest Paid on Debt	(196,654)			(196,654)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,039,188)</u>	<u>-</u>	<u>467,281</u>	<u>(571,907)</u>
Cash Flows from Investing Activities				
Interest Received on Investments	115,893	39,312		155,205
Net Cash Provided (Used) by Investing Activities	<u>115,893</u>	<u>39,312</u>	<u>-</u>	<u>155,205</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(528,056)	869	(16,074)	(543,261)
Cash and Cash Equivalents, Beginning of Fiscal Year	<u>9,922,888</u>	<u>3,335,182</u>	<u>44,154</u>	<u>13,302,224</u>
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 9,394,832</u>	<u>\$ 3,336,051</u>	<u>\$ 28,080</u>	<u>\$ 12,758,963</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Cash Flows from Operating Activities				
Operating income (loss)	\$ (2,369,653)	\$ 706,431	\$ (1,114,246)	\$ (2,777,468)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,765,273			1,765,273
(Increase) Decrease in Accounts Receivable	17,012	12,820	(19,086)	10,746
(Increase) Decrease in Due from Other Governments	1,142,796	(31,212)		1,111,584
Increase (Decrease) in Accounts Payable	(244,106)	23,236	(113,265)	(334,135)
Increase (Decrease) in Accrued Liabilities	4,228	2,218	115,012	121,458
Increase (Decrease) in Deferred Revenue	8,919	(624)		8,295
Net Cash Provided (Used) by Operating Activities	<u>\$ 324,469</u>	<u>\$ 712,869</u>	<u>\$ (1,131,585)</u>	<u>\$ (94,247)</u>
Non Cash Investing, Capital and Financing Activities				
Bond Issuance/Refunding Cost Amortization	\$ 34,591	\$ 10,180	\$	\$ 44,771
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
Year Ended June 30, 2011

ASSETS

Cash and Investments	\$ 15,620,607
Cash with Fiscal Agent	245,213
Accounts Receivable	124,418
Interest Receivable	205
Due from Other Governments	1,162,499
Prepaid Items	<u>837</u>
Total Assets	<u><u>17,153,779</u></u>

LIABILITIES

Accounts Payable	3,499
Accrued Liabilities	15,124,173
Deposits	1,694,136
Due to Other Governments	87,046
Amounts Due to Bondholders	<u>244,925</u>
Total Liabilities	<u><u>\$ 17,153,779</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, 2011

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, 2011

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, 2011

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:

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

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

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

Low/Moderate Housing Fund - This accounts for the 20% set aside of tax increment revenue received from the Redevelopment Agency project area and restricted for low/moderate income housing.

RDA Debt Service Fund - This fund accounts for and reports financial resources committed, restricted or assigned for the payment of advances from the Town to the Redevelopment Agency and other Agency debt.

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

Governmental Facilities Fund - This fund accounts for and reports financial resources restricted, committed, or assigned to activities related to the construction of the new Town Hall Annex.

Redevelopment Agency Capital Projects Fund - This fund accounts for tax increment and other revenues, and expenditures associated with the Town's Redevelopment Agency capital projects.

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

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

The Town reports the following major proprietary funds:

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

1) Cash and Investments - Continued

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

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

2) Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by 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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

4) Capital Assets

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

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

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, 2010 and 2011, 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, 2011

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) 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, 2011**

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 \$2,765,960 difference are as follows:

Capital Outlay	\$ 10,283,254
Depreciation Expense	<u>(13,049,214)</u>
 Net adjustment to <i>net change in fund balances -total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i> .	 <u>\$ (2,765,960)</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, 2011:

	<u>Deficit Balance</u>
Special Revenue Funds:	
Street Maintenance	\$ (4,959)
CDBG	(28,290)
HOME	(22,150)
FEMA/OES	(277,547)
SANBAG Stimulus	(943,858)

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, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

A) Cash and Investments - Continued

Cash and Investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 62,546,480
Cash and Investments with Fiscal Agent	<u>26,525,524</u>
Total Cash and Investments	<u>\$ 89,072,004</u>

Cash and investments as of June 30, 2011 consist of the following:

Petty Cash	\$ 3,870
Deposits with Financial Institutions	5,178,684
Local Agency Investment Fund	55,370,676
U.S. Agency Securities	
Federal National MTG Association	1,000,000
Federal Home Loan Banks Bonds	993,250
Held by Fiscal Agent:	
Mutual Fund	<u>26,525,524</u>
Total Cash and Investments	<u>\$ 89,072,004</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, 2011

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, 2011 the Town had the following investments:

<u>Investment Type</u>	<u>Maturity Date</u>
State Investment Pool - LAIF	N/A
U.S. Agency Securities	
Federal National MTG Association	2012
Federal Home Loan Banks Bonds	2013
Held by Bond Trustee:	
Mutual Fund	N/A
Total	

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

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	\$ 55,370,676	N/A	\$	\$	\$ 55,370,676
U.S. Agency Securities					
Federal National MTG Association	1,000,000	N/A	1,000,000		
Federal Home Loan Banks Bonds	993,250	N/A	993,250		
Held by Bond Trustee:					
Mutual Fund	<u>26,525,524</u>	N/A	<u>26,525,524</u>		
 Total	 <u>\$ 83,889,450</u>		 <u>\$ 28,518,774</u>	 <u>\$ -</u>	 <u>\$ 55,370,676</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, 2011

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, 2011, 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
U.S. Treasury Mutual Fund	\$ 26,525,524

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, 2011 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 6,138,412	\$
Article 8 Fund		355,831
Nonmajor Funds		1,714,274
Governmental Facilities Fund		20,284
RDA Capital Projects		77,250
Project Manager Grants Fund		770,447
Apple Valley Golf Club (Proprietary Fund)		3,200,326
Total	\$ 6,138,412	\$ 6,138,412

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

Advances:

The General Fund advanced \$5,199,680 and \$4,742,555 to the Parks and Recreation and RDA Debt Service funds, respectively, to fund activities in those funds. These advances are expected to be repaid with future revenues.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

B) Interfund Receivables, Payables, and Transfers - Continued

Interfund transfers for the year ended June 30, 2011 are as follows:

		TRANSFERS IN					
		General	Governmental	RDA Capital	Non-Major	Apple Valley	
		Fund	Facilities	Projects	Governmental	Golf Club	Total
		Fund	Fund	Fund	Funds	Fund	
TRANSFERS OUT	General Fund	\$	\$	\$	\$ 3,995,081	\$	\$ 3,995,081
	RDA Debt Service Fund			7,147,454			7,147,454
	Non-Major Governmental Funds		525,913		19,880		545,793
	Sewer Fund					467,281	467,281
	Solid Waste Fund	470,510					470,510
	Total	\$ 470,510	\$ 525,913	\$ 7,147,454	\$ 4,014,961	\$ 467,281	\$12,620,119

The General Fund transferred \$3,995,081 to various non-major funds to eliminate deficits and fund activities in those funds. The RDA Debt Service Fund transferred \$7,147,454 of bond proceeds to the RDA Capital Projects Fund to be used for RDA projects. The Development Impact Fee Fund transferred \$19,880 and \$525,913 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 Sewer Fund transferred \$467,281 to the Apple Valley Golf Club Fund to finance purchase of water rights while the transfer from the Solid Waste to the General Fund was for franchise fees.

C) Due from Other Governments

The Town receives various grants and appropriations from several Federal, State and County agencies, as well as incurs certain State mandated costs. As of June 30, 2011, the amount receivable from the various agencies was \$8,868,803. Included in this balance is \$2,794,028 of State mandated costs; however it uncertain if these costs will ever be reimbursed and received from the State considering the current financial situation of the State. As a result a provision for doubtful accounts of \$2,794,028 has been made and reported as uncollectible in the Statement of Net Assets at June 30, 2011.

D) Loans Receivable

The Town administers a Residential Rehabilitation Loan Program and a down payment assistance program for low-to-moderate income families. The loans provided by the program have a 30-year term, and bear an interest rate of 0%. The notes may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2011, the outstanding loans receivable totaled \$4,148,259.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Capital Assets

Capital asset activity for the year ended June 30, 2011 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	\$ 98,526,741	\$	\$	\$ 98,526,741
Construction in Progress	<u>16,716,519</u>	<u>10,221,378</u>	<u>(15,396,435)</u>	<u>11,541,462</u>
Total Capital Assets, Not Being Depreciated	<u>115,243,260</u>	<u>10,221,378</u>	<u>(15,396,435)</u>	<u>110,068,203</u>
Capital Assets Being Depreciated:				
Furniture and Equipment	1,099,116	1,874,237		2,973,353
Computer Equipment	1,160,894	273,842		1,434,736
Trucks and Automobiles	1,434,704			1,434,704
Structures and Improvements	74,457,209	10,785,465		85,242,674
Infrastructure	<u>346,713,292</u>	<u>2,524,767</u>		<u>349,238,059</u>
Total Capital Assets Being Depreciated	<u>424,865,215</u>	<u>15,458,311</u>	<u>-</u>	<u>440,323,526</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(936,587)	(95,365)		(1,031,952)
Computer Equipment	(543,099)	(216,525)		(759,624)
Trucks and Automobiles	(1,085,785)	(106,910)		(1,192,695)
Structures and Improvements	(14,277,182)	(2,460,598)		(16,737,780)
Infrastructure	<u>(117,205,295)</u>	<u>(10,169,816)</u>		<u>(127,375,111)</u>
Total Accumulated Depreciation	<u>(134,047,948)</u>	<u>(13,049,214)</u>	<u>-</u>	<u>(147,097,162)</u>
Total Capital Assets Being Depreciated, Net	<u>290,817,267</u>	<u>2,409,097</u>	<u>-</u>	<u>293,226,364</u>
Governmental Activities Capital Assets, Net	<u>\$ 406,060,527</u>	<u>\$ 12,630,475</u>	<u>\$ (15,396,435)</u>	<u>\$ 403,294,567</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

E) Capital Assets - Continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 385,744	\$	\$	\$ 385,744
Water Rights		750,000		750,000
Construction in Progress	70,772	35,242	(70,772)	35,242
Total Capital Assets, Not Being Depreciated	456,516	785,242	(70,772)	1,170,986
Capital Assets Being Depreciated:				
Buildings and System	177,664			177,664
Machinery and Equipment	271,585	70,772		342,357
Trucks and Automobiles	501,958		(59,262)	442,696
Collector Lines	68,173,189			68,173,189
Total Capital Assets Being Depreciated	69,124,396	70,772	(59,262)	69,135,906
Less Accumulated Depreciation:				
Buildings and System	(67,768)	(5,810)		(73,578)
Machinery and Equipment	(169,470)	(37,390)		(206,860)
Trucks and Automobiles	(159,365)	(52,238)	40,895	(170,708)
Collector Lines	(34,391,099)	(1,669,835)		(36,060,934)
Total Accumulated Depreciation	(34,787,702)	(1,765,273)	40,895	(36,512,080)
Total Capital Assets Being Depreciated, Net	34,336,694	(1,694,501)	(18,367)	32,623,826
Business-type Activities Capital Assets, Net	\$ 34,793,210	\$ (909,259)	\$ (89,139)	\$ 33,794,812

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

Governmental Activities:	
General Government	\$ 386,285
Public Safety	433,362
Transportation	10,209,908
Culture and Recreation	1,982,980
Community Development	36,679
Total Depreciation Expense – Governmental Activities	\$ 13,049,214
Business-type Activities:	
Sewer	\$ 1,765,273
Total Depreciation Expense – Business-type Activities	\$ 1,765,273

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt

Long term liabilities for the year ended June 30, 2011 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Certificates of Participation:					
1999 Certificates of Participation	\$ 3,445,000	\$	\$ (305,000)	\$ 3,140,000	\$ 315,000
2001 Certificates of Participation	1,293,250		(195,000)	1,098,250	202,500
Total Certificates of Participation	4,738,250	-	(500,000)	4,238,250	517,500
2005 Tax Allocation Bonds	7,380,000		(175,000)	7,205,000	175,000
Unamortized Premium on Tax Allocation Bonds	41,450		(1,664)	39,786	-
2007 Tax Allocation Bonds VVEDA Project Area	8,565,000		(145,000)	8,420,000	160,000
Unamortized Discount on Tax Allocation Bonds VVEDA Project Area	(255,622)		9,497	(246,125)	-
2007 Tax Allocation Bonds Project Area 2	35,195,000		(665,000)	34,530,000	695,000
Unamortized Premium on Tax Allocation Bonds Project Area 2	110,713		(4,101)	106,612	-
Total Tax Allocation Bonds	51,036,541	-	(981,268)	50,055,273	1,030,000
2007 Lease Revenue Bonds Series A	10,665,000		(405,000)	10,260,000	420,000
Unamortized Discount on Lease Revenue Bonds	(79,124)		2,930	(76,194)	-
Total Lease Revenue Bonds	10,585,876	-	(402,070)	10,183,806	420,000
Capital Lease Payable	99,997		(12,963)	87,034	13,694
California Housing Loan	250,000			250,000	-
Compensated Absences	1,081,341	980,518	(951,061)	1,110,798	950,000
Claims Payable	45,000			45,000	40,000
Pension-related Debt	1,740,976		(11,236)	1,729,740	16,857
Net OPEB Obligation	448,474	225,370		673,844	-
Governmental Activities Long-term Liabilities	<u>\$ 70,026,455</u>	<u>\$ 1,205,888</u>	<u>\$ (2,858,598)</u>	<u>\$ 68,373,745</u>	<u>\$ 2,988,065</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
2001 Certificates of Participation	\$ 411,750	\$	\$ (65,000)	\$ 346,750	\$ 67,500
Special Assessment Debt with Government Commitment:					
Special Assessment No. 2B-R	3,015,000		(435,000)	2,580,000	450,000
Less Deferred Amounts:					
On Refunding	(15,553)		15,553	-	-
Total Special Assessment Debt	<u>2,999,447</u>	<u>-</u>	<u>(419,447)</u>	<u>2,580,000</u>	<u>450,000</u>
Obligation Under Installment Purchase Agreement	<u>2,048,958</u>	<u>-</u>	<u>(168,333)</u>	<u>1,880,625</u>	<u>173,333</u>
Business-type Activity Long-term Liabilities	<u>\$ 5,460,155</u>	<u>\$ -</u>	<u>\$ (652,780)</u>	<u>\$ 4,807,375</u>	<u>\$ 690,833</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, 2011 is \$3,140,000. As of June 30, 2011, the future annual maturities are as follows:

Year Ending	Principal	Interest
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	<u>385,000</u>	<u>42,075</u>
	<u>\$ 3,140,000</u>	<u>\$ 986,563</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

1) Certificates of Participation - Continued

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

The Certificates were executed and delivered in fully registered form without coupons in the minimum denominations of \$100,000 or any integral multiple of \$5,000 above \$100,000. After the Conversion Date, the Certificates were executed and delivered in denominations of \$5,000 or any integral multiple thereof. Interest is payable at an adjustable interest rate, on each Wednesday, or in the event any Wednesday is not a business day then on the next preceding business day (the "Interest Rate Calculation Date"), the Remarketing Agent will establish the adjustable interest rate for the period commencing the Thursday next following the Interest Rate Calculation Date to and including Wednesday of the following week (the "Interest Rate Period"), except that the final Interest Rate Period will end on September 1, 2015. The principal balance outstanding at June 30, 2011 is \$1,445,000, allocated \$1,098,250 and \$346,750 to governmental activities and business-type activities, respectively.

As of June 30, 2011, the future annual maturities are as follows:

Year Ending	Principal	Interest
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
	\$ 1,445,000	\$ 133,786

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

2) Tax Allocation Bonds

2005 VVEDA Tax Allocation Bonds

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

The purpose of the bonds is to finance certain public capital improvements benefiting the portion of the Victor Valley Economic Development Authority (VVEDA) Project Area that is within the Jurisdiction of the Town. The VVEDA is a joint exercise of powers authority established in 1989 of which the Town is a member. The bonds are special obligations of the Agency and are payable exclusively from Pledged Tax Revenues. The bonds are not a debt of the Town of Apple Valley, the VVEDA or its members, the State of California or any of its political subdivisions, other than the Agency, and neither the Town of Apple Valley, the VVEDA or its members, the State of California nor any of its political subdivisions, other than the Agency, is liable therefore. In no event shall the bonds be payable out of any funds or properties other than those of the Agency. At June 30, 2011, the Bond Reserve Fund was \$513,865 which was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Year Ending	Principal	Interest
2012	\$ 175,000	\$ 333,095
2013	185,000	327,213
2014	190,000	320,448
2015	200,000	313,270
2016	205,000	305,552
2017-2021	1,170,000	1,391,618
2022-2026	1,440,000	1,110,083
2027-2031	1,825,000	729,987
2032-2035	1,815,000	230,212
	\$ 7,205,000	\$ 5,061,478

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, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

2) Tax Allocation Bonds - Continued

The purpose of the bonds is to finance certain redevelopment projects benefiting the portion of the Victor Valley Economic Development Authority (VVEDA) Project Area within the jurisdiction of the Town of Apple Valley. The bonds are special obligations of the Agency and are payable exclusively from Pledged Tax Revenues. The bonds are not a debt of the Town of Apple Valley, the VVEDA or its members, State of California, or any of its political subdivisions, other than the Agency, and neither the Town of Apple Valley, the VVEDA or its members, the State of California nor any of its political subdivisions, other than the Agency, is liable therefore. In no event shall the bonds be payable out of any funds or properties other than those of the Agency. At June 30, 2011, 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
2012	\$ 160,000	\$ 390,582
2013	160,000	384,183
2014	170,000	377,783
2015	175,000	370,558
2016	185,000	363,120
2017-2021	1,035,000	1,690,694
2022-2026	1,310,000	1,432,238
2027-2031	1,640,000	1,092,025
2032-2036	2,575,000	665,000
2037	1,010,000	47,975
	\$ 8,420,000	\$ 6,814,158

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, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) Long-Term Debt - Continued

2) Tax Allocation Bonds - Continued

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

Year Ending	Principal	Interest	Total
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
Total	<u>\$ 34,530,000</u>	<u>\$ 27,446,585</u>	<u>\$ 61,976,585</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, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) 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>
2012	\$ 420,000	\$ 462,243	\$ 882,243
2013	440,000	445,051	885,051
2014	455,000	427,143	882,143
2015	475,000	408,544	883,544
2016	490,000	388,018	878,018
2017	515,000	365,405	880,405
2018	535,000	341,781	876,781
2019	560,000	317,494	877,494
2020	585,000	292,447	877,447
2021	610,000	265,925	875,925
2022	640,000	237,800	877,800
2023	670,000	208,325	878,325
2024	700,000	175,750	875,750
2025	735,000	139,875	874,875
2026	770,000	102,250	872,250
2027	810,000	62,750	872,750
2028	850,000	21,250	871,250
Total	<u>\$ 10,260,000</u>	<u>\$ 4,662,051</u>	<u>\$ 14,922,051</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, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) 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, 2011. The future annual maturities as of June 30, 2011, are as follows:

Year Ending	Principal	Interest
2012	\$ 450,000	\$ 163,185
2013	480,000	131,100
2014	515,000	96,600
2015	545,000	59,685
2016	590,000	20,355
	\$ 2,580,000	\$ 470,925

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, 2011, future lease payments are as follows:

Year Ending	Principal	Interest
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
	\$ 87,034	\$ 14,244

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) 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, 2011 is \$250,000. As of June 30, 2011, 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, 2011 is \$1,880,625. As of June 30, 2011, installment purchase payment requirements to maturity are as follows:

Year Ending	Principal	Interest
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	228,959	11,804
	\$ 1,880,625	\$ 493,667

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) 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>	
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>\$ 1,729,740</u>	<u>\$ 1,501,746</u>	<u>\$ 3,231,486</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

F) 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>(48,241)</u>	<u>(249,472)</u>	<u>(194,152)</u>	<u>(45,908)</u>	<u>(71,265)</u>	<u>(609,038)</u>
Unamortized portion of debt issuance costs	<u>\$ 3,445</u>	<u>\$ 62,368</u>	<u>\$ 1,030,625</u>	<u>\$ 298,389</u>	<u>\$ 81,443</u>	<u>\$ 1,476,270</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>

G) Debt Issued Without Governmental Commitment

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

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

On May 1, 2001, the Town issued Health Facility Revenue Certificates of Participation (Apple Valley Christian Centers) Series 2001 in the amount of \$9,525,000. The certificates were issued in order to advance refund the \$8,500,000 Insured Health Facility Revenue Certificates of Participation Series 1990A. The certificates were issued in denominations of \$5,000 and mature June 1, 2003 through June 1, 2026 with interest rates ranging from 3.65% to 5.5%. As of June 30, 2011, the outstanding balance is \$7,175,000.

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, 2011 the outstanding balance is \$2,085,000.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

H) Net Assets

In the Government-wide financial statements; net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation on these assets reduces this category.

Restricted Net Assets

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

Unrestricted Net Assets

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

I) Fund Balance

The Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Town considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Town considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

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

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

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

I) Fund Balance - Continued

Committed Fund Balance - Continued

The Town's committed fund balance includes:

- General Fund Emergency Operating Contingency

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

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

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

The details of fund balances as of June 30, 2011 are as follows:

	General Fund	Article 8 Fund	Parks and Recreation Fund	Low/Moderate Housing Fund	RDA Debt Service Fund	Capital Projects Fund
Nonspendable:						
Prepaid Items	\$ 37,282	\$	\$	\$	\$ 56,188	\$
Long-term Receivables	9,942,235					
Restricted for:						
Debt Service					1,245,396	
Streets and Transportation		79,348				
Low/Moderate Income Housing				16,243,788		
Community Development					19,554,440	
Culture and Recreation						
Committed for:						
Emergency Contingency	3,789,352					
Assigned for:						
Debt Service						
Capital Projects						9,104,848
Community Development						
Unassigned	4,576,951		(5,275,409)		(4,203,379)	
Total Fund Balance	<u>\$ 18,345,820</u>	<u>\$ 79,348</u>	<u>\$ (5,275,409)</u>	<u>\$ 16,243,788</u>	<u>\$ 16,652,645</u>	<u>\$ 9,104,848</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

IV) DETAILED NOTES ON ALL FUNDS - Continued

I) Fund Balance – Continued

	Governmental Facilities Fund	RDA Capital Projects Fund	Measure I Fund	Projects Manager Grants Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaid Items	\$	\$	\$	\$	\$	\$ 93,470
Long-term Receivables						9,942,235
Restricted for:						
Debt Service						1,245,396
Streets and Transportation			5,757,994		4,300	5,841,642
Low/Moderate Income Housing						16,243,788
Community Development					3,101,600	22,656,040
Culture and Recreation					33,562	33,562
Committed for:						
Emergency Contingency						3,789,352
Assigned for:						
Debt Service					885,796	885,796
Capital Projects						9,104,848
Community Development					1,630,994	1,630,994
Unassigned	(75,630)	(351,473)		(642,919)	(1,276,804)	(7,248,663)
Total Fund Balance	<u>\$ (75,630)</u>	<u>\$ (351,473)</u>	<u>\$ 5,757,994</u>	<u>\$ (642,919)</u>	<u>\$ 4,379,448</u>	<u>\$ 64,218,460</u>

V) OTHER INFORMATION

A) Risk Management

The Town is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 121 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.

A revised cost allocation methodology was introduced in 2010-11, however it retains many elements of the previous cost allocation methodology. Each member pays an annual contribution (formerly called the primary deposit) to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

V) OTHER INFORMATION - Continued

A) Risk Management - Continued

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

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. On a cumulative basis for all 2010-11 reinsurance contracts the annual aggregate deductible is \$5.5 million. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$35 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$20 million in excess insurance. The excess insurance layer has a \$20 million annual aggregate.

The Town also participates in the worker's compensation pool administered by the Authority. In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$4 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$4 million to \$10 million are pooled among members.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

V) OTHER INFORMATION – Continued

A) Risk Management - Continued

The Town participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the Town. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

The Town participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Town property is currently insured according to a schedule of covered property submitted by the Town to the Authority. Town property currently has all-risk property insurance protection in the amount of \$30,850,588. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

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

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

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2011, 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:

	2010-2011	2009-2010
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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

V) OTHER INFORMATION – Continued

B) Participation in Joint Ventures - Continued

Victor Valley Wastewater Reclamation Authority – Continued

The Town makes monthly payments to VVWRA for sewer treatment and connection fee services. During the 2010-2011 fiscal year, the Town remitted approximately \$2,591,938 to VVWRA.

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

Mojave Desert and Mountain Integrated Waste Management Authority - The Town of Apple Valley is a member of the Mojave Desert and Mountain Integrated Waste Management Authority (“Authority”), a joint powers agreement between local governments for the purpose of studying and planning ways and means to develop source reduction and recycling elements for their respective boundaries pursuant to Public Resources Code Section 40950 (A.B. 939). The governing body of the Authority is made up of representatives from each significant participants in the Authority. Budgeting and financing are the responsibility of the Authority. Contribution rates from member agencies are based on each member’s current population as a percentage of the total population of the Authority. The Town of Apple Valley maintains a 50% interest in the Materials Recovery Facility (MRF). The Town’s net investment in the Joint Venture at June 30, 2011 was \$1,854,226. 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, 2011

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 13.731% 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
6/30/09	1,010,394	100%
6/30/10	981,910	100%
6/30/11	977,516	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, 2011

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 2011 were as follows:

Annual Required Contribution	\$ 282,546
Interest on Net Pension Obligation (Asset)	25,680
Adjustment to Annual Required Contribution	(65,268)
Annual OPEB Cost	<u>242,958</u>
Contributions Made	(17,588)
Pension Asset Amortization	<u>-</u>
Increase (Decrease) in Net Pension Obligation (Asset)	225,370
Net Pension Obligation (Asset) Beginning of Year	448,474
Net Pension Obligation (Asset) End of Year	<u>\$ 673,844</u>

For 2011, the Town's annual OPEB cost (expense) of \$242,958 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 2011 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>
6/30/11	\$ 242,958	7.2%	673,844
6/30/10	\$ 255,426	1.3%	448,474
6/30/09	\$ 214,794	9%	196,366

*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, 2011

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
Amortization Period	30 years
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%
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, 2011

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.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each local government would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city, special district or county "may use any available funds not otherwise obligated for other uses" to make this payment. The Town of Apple Valley (Town) and the Agency intend to use available monies as necessary for this purpose, which may include monies from other Town resources. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the receivable recognized by funds of the Town that had previously loaned or advanced funds to the redevelopment agency would become uncollectible with a loss recognized to the Town. Additionally, the Town would be impacted by the elimination of reimbursements previously paid to the Town by the redevelopment agency for shared administrative services.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2011

V) OTHER INFORMATION - Continued

E) Commitments and Contingent Liabilities - Continued

Recent Changes in Legislation Affecting California Redevelopment Agencies - Continued

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB X1 26.

On August 2, 2011, Town of Apple Valley Ordinances No. 421 and No. 422 were adopted indicating that the Town will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the Town is estimated to be \$3,032,313 million with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$720,619 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABX1 26.

It is not clear whether the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012 and thereafter. For example, tax increment revenue for the VVEDA Project Area may decrease in the 2011-12 due to current Sate legislation. In addition, required debt service payments in the 2010-11 fiscal year, including pass-through obligations, exceeded revenues in debt service funds for both project areas. The nature and extent of the operation of redevelopment agencies in the State of California in general are dependent upon the outcome of litigation surrounding the actions of the State. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's declared intent to eliminate redevelopment agencies and to reduce their funding.

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 14,555,000	\$ 14,586,000	\$ 14,653,540	\$ 67,540
Licenses & Permits	756,000	741,000	778,987	37,987
Fines & Forfeitures	170,000	847,000	293,531	(553,469)
Investment Income	250,000	40,000	67,608	27,608
Intergovernmental	403,000	216,377	1,794,554	1,578,177
Charges for Services	777,500	530,500	1,168,140	637,640
Other Revenue	332,100	690,550	679,145	(11,405)
Total Revenues	<u>17,243,600</u>	<u>17,651,427</u>	<u>19,435,505</u>	<u>1,784,078</u>
EXPENDITURES				
Current:				
General Government	915,589	1,423,873	752,242	671,631
Public Safety	12,028,175	12,126,277	11,470,972	655,305
Community Development	2,823,546	2,873,544	2,636,181	237,363
Capital Outlay	40,000	254,994	279,931	(24,937)
Debt Service:				
Principal	15,000	15,000	12,963	2,037
Interest and Fiscal Charges	7,000	7,000	5,117	1,883
Total Expenditures	<u>15,829,310</u>	<u>16,700,688</u>	<u>15,157,406</u>	<u>1,543,282</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,414,290</u>	<u>950,739</u>	<u>4,278,099</u>	<u>3,327,360</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			470,510	470,510
Transfers Out	(1,697,453)	(1,765,453)	(3,995,081)	(2,229,628)
Total Other Financing Sources (Uses)	<u>(1,697,453)</u>	<u>(1,765,453)</u>	<u>(3,524,571)</u>	<u>(1,759,118)</u>
Net Change in Fund Balances	(283,163)	(814,714)	753,528	1,568,242
Fund Balances, Beginning	<u>17,592,292</u>	<u>17,592,292</u>	<u>17,592,292</u>	
Fund Balances, Ending	<u>\$ 17,309,129</u>	<u>\$ 16,777,578</u>	<u>\$ 18,345,820</u>	<u>\$ 1,568,242</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,000,000	\$ 566,306	\$ 435,557	\$ (130,749)
Investment Income	6,000	6,000		(6,000)
Total Revenues	<u>1,006,000</u>	<u>572,306</u>	<u>435,557</u>	<u>(136,749)</u>
EXPENDITURES				
Current:				
Transportation	<u>272,306</u>	<u>572,306</u>	<u>525,269</u>	<u>47,037</u>
Total Expenditures	<u>272,306</u>	<u>572,306</u>	<u>525,269</u>	<u>47,037</u>
Excess (Deficiency) of Revenues over Expenditures	<u>733,694</u>	<u>-</u>	<u>(89,712)</u>	<u>(89,712)</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	733,694	-	(89,712)	(89,712)
Fund Balances, Beginning	<u>169,060</u>	<u>169,060</u>	<u>169,060</u>	
Fund Balances, Ending	<u>\$ 902,754</u>	<u>\$ 169,060</u>	<u>\$ 79,348</u>	<u>\$ (89,712)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,872,400	\$ 1,872,400	\$ 1,658,004	\$ (214,396)
Intergovernmental				-
Charges for Services	794,323	940,673	868,717	(71,956)
Other Revenue	185,000	248,902	253,766	4,864
Total Revenues	<u>2,851,723</u>	<u>3,061,975</u>	<u>2,780,487</u>	<u>(281,488)</u>
EXPENDITURES				
Current:				
Culture and Recreation	3,687,228	4,103,000	4,110,227	(7,227)
Capital Outlay	2,500			-
Total Expenditures	<u>3,689,728</u>	<u>4,103,000</u>	<u>4,110,227</u>	<u>(7,227)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(838,005)</u>	<u>(1,041,025)</u>	<u>(1,329,740)</u>	<u>(288,715)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(838,005)	(1,041,025)	(1,329,740)	(288,715)
Fund Balance, Beginning	<u>(3,945,669)</u>	<u>(3,945,669)</u>	<u>(3,945,669)</u>	
Fund Balance, Ending	<u>\$ (4,783,674)</u>	<u>\$ (4,986,694)</u>	<u>\$ (5,275,409)</u>	<u>\$ (288,715)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,692,953	\$ 92,953
Investment Income	120,000	120,000	68,307	(51,693)
Total Revenues	<u>1,720,000</u>	<u>1,720,000</u>	<u>1,761,260</u>	<u>41,260</u>
EXPENDITURES				
Current:				
Community Development	6,678,080	6,678,080	212,388	6,465,692
Capital Outlay	1,000,000	1,000,000		1,000,000
Debt Service:				
Principal	79,800	79,800	81,836	(2,036)
Interest	206,256	206,256	211,519	(5,263)
Total Expenditures	<u>7,964,136</u>	<u>7,964,136</u>	<u>505,743</u>	<u>7,458,393</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(6,244,136)</u>	<u>(6,244,136)</u>	<u>1,255,517</u>	<u>7,499,653</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	(6,244,136)	(6,244,136)	1,255,517	7,499,653
Fund Balance, Beginning	<u>14,988,271</u>	<u>14,988,271</u>	<u>14,988,271</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 8,744,135</u>	<u>\$ 8,744,135</u>	<u>\$ 16,243,788</u>	<u>\$ 7,499,653</u>

Town of Apple Valley, California
Schedule of Funding Progress for AVRHP
Year Ended June 30, 2011

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, 2011

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.

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, Governmental Facilities, Prop 1B, NAVISP Infrastructure, and Storm Drains.

The following fund had an excess of expenditures over appropriations:

- Parks and Recreation

SUPPLEMENTARY INFORMATION

Town of Apple Valley, California Nonmajor Governmental Funds

Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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.

SANBAG Stimulus Fund – To account for revenues received for local projects approved under the SANBAG Local Stimulus Program.

Capital Projects Funds:

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

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

Town of Apple Valley, California
Nonmajor Governmental Funds - Continued

Capital Projects Funds - Continued:

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

Debt Service Funds:

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

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

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

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Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds
Year Ended June 30, 2011

	Special Revenue			
	Street Maintenance	CDBG	Air Pollution Control District	Neighborhood Stabilization Program
ASSETS				
Cash and Investments	\$	\$	\$ 109,002	\$
Cash with Fiscal Agent				
Accounts Receivable	91,814			
Interest Receivable			28	
Due from Other Funds				
Due from Other Governments	207,862	140,997	99	552
Loans Receivable				1,245,010
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 299,676</u>	<u>\$ 140,997</u>	<u>\$ 109,129</u>	<u>\$ 1,245,562</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 66,147	\$ 23,497	\$	\$
Accrued Liabilities	16,674	4,319		
Due to other Governments				
Due to Other Funds	221,814	113,181		552
Deferred Revenue		28,290		1,245,010
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>304,635</u>	<u>169,287</u>	<u>-</u>	<u>1,245,562</u>
Fund Balances:				
Restricted			109,129	
Assigned				
Unassigned	(4,959)	(28,290)		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>(4,959)</u>	<u>(28,290)</u>	<u>109,129</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 299,676</u>	<u>\$ 140,997</u>	<u>\$ 109,129</u>	<u>\$ 1,245,562</u>

Special Revenue

Assessment District L-1	HOME	Prop 1B	ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees	FEMA/OES
\$ 755,498	\$ 18	\$ 3,918	\$ 1	\$	\$ 33,449	\$
	167					
190		1			25	
2,578	507,067	381			88	531,537
	1,263,192			185,434		
<u>\$ 758,266</u>	<u>\$ 1,770,444</u>	<u>\$ 4,300</u>	<u>\$ 1</u>	<u>\$ 185,434</u>	<u>\$ 33,562</u>	<u>\$ 531,537</u>
\$ 15,385	\$ 352,645					
	4,085					
	150,504					525,550
	1,285,360			185,434		283,534
<u>15,385</u>	<u>1,792,594</u>	<u>-</u>	<u>-</u>	<u>185,434</u>	<u>-</u>	<u>809,084</u>
742,881		4,300	1		33,562	
	(22,150)					(277,547)
<u>742,881</u>	<u>(22,150)</u>	<u>4,300</u>	<u>1</u>	<u>-</u>	<u>33,562</u>	<u>(277,547)</u>
<u>\$ 758,266</u>	<u>\$ 1,770,444</u>	<u>\$ 4,300</u>	<u>\$ 1</u>	<u>\$ 185,434</u>	<u>\$ 33,562</u>	<u>\$ 531,537</u>

Continued

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds - Continued
June 30, 2011

	Special Revenue			
	HUD ADDI	HCD State Program Income	CDBG Program Income	SANBAG Stimulus
ASSETS				
Cash and Investments	\$	\$ 10,009	\$ 3,403	\$
Cash with Fiscal Agent				
Accounts Receivable			115,695	
Interest Receivable		2		
Due from Other Funds				
Due from Other Governments	4,001	6	1	943,530
Loans Receivable		775,496	674,627	
Total Assets	<u>\$ 4,001</u>	<u>\$ 785,513</u>	<u>\$ 793,726</u>	<u>\$ 943,530</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 4,001	\$	\$	\$ 556,404
Accrued Liabilities				
Due to other Governments				251
Due to Other Funds				387,203
Deferred Revenue		775,496	790,322	943,530
Total Liabilities	<u>4,001</u>	<u>775,496</u>	<u>790,322</u>	<u>1,887,388</u>
Fund Balances:				
Restricted		10,017	3,404	
Assigned				
Unassigned				(943,858)
Total Fund Balances	<u>-</u>	<u>10,017</u>	<u>3,404</u>	<u>(943,858)</u>
Total Liabilities and Fund Balances	<u>\$ 4,001</u>	<u>\$ 785,513</u>	<u>\$ 793,726</u>	<u>\$ 943,530</u>

Capital Projects			Debt Service			Total Nonmajor Governmental Funds
NAVISP Infrastructure	Storm Drains	Development Impact Fees	2007 Town Hall Revenue Bonds	1999 COPS	2001 COPS	
\$ 1,630,318	\$ 1,265,881	\$ 1,093,871	\$ 885,793	\$ 117,807	\$ 197,666	\$ 5,791,161
148	373	397				315,473
528	1,335	1,421				207,676
						1,164
						-
						2,341,983
						4,143,759
<u>\$ 1,630,994</u>	<u>\$ 1,267,589</u>	<u>\$ 1,095,689</u>	<u>\$ 885,793</u>	<u>\$ 117,807</u>	<u>\$ 197,666</u>	<u>\$ 12,801,216</u>
\$	\$ 127,110	\$	\$	\$	\$	\$ 1,145,189
						25,078
						251
				117,806	197,664	1,714,274
						5,536,976
-	127,110	-	-	117,806	197,664	8,421,768
1,630,994	1,140,479	1,095,689	885,793	1	2	3,139,462
						2,516,790
						(1,276,804)
<u>1,630,994</u>	<u>1,140,479</u>	<u>1,095,689</u>	<u>885,793</u>	<u>1</u>	<u>2</u>	<u>4,379,448</u>
<u>\$ 1,630,994</u>	<u>\$ 1,267,589</u>	<u>\$ 1,095,689</u>	<u>\$ 885,793</u>	<u>\$ 117,807</u>	<u>\$ 197,666</u>	<u>\$ 12,801,216</u>

Town of Apple Valley, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2011

	Special Revenue			
	Street Maintenance	CDBG	Air Pollution Control District	Neighborhood Stabilization Program
REVENUES				
Taxes	\$	\$	\$ 47,320	\$
Licenses and Permits				
Investment Income			543	
Intergovernmental	1,796,901	622,288		29,135
Other Revenue	14,406	284		
	<u>1,811,307</u>	<u>622,572</u>	<u>47,863</u>	<u>29,135</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government				
Public Safety				
Transportation	1,816,266		25,000	
Culture and Recreation				
Community Development		632,975		29,135
Capital Outlay				
Debt Service:				
Principal				
Interest and Fiscal Charges				
	<u>1,816,266</u>	<u>632,975</u>	<u>25,000</u>	<u>29,135</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,959)</u>	<u>(10,403)</u>	<u>22,863</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(4,959)	(10,403)	22,863	-
Fund Balances - Beginning	-	(17,887)	86,266	-
Fund Balances - Ending	<u>\$ (4,959)</u>	<u>\$ (28,290)</u>	<u>\$ 109,129</u>	<u>\$ -</u>

Assessment District L-1	Special Revenue					
	HOME	Prop 1B	ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees	FEMA/OES
\$ 321,548	\$	\$	\$	\$	\$	\$
3,862	36				9,624	
95	659,635	4,300			758	733,183
	18,727					
<u>325,505</u>	<u>678,398</u>	<u>4,300</u>	<u>-</u>	<u>-</u>	<u>10,382</u>	<u>733,183</u>
148,252						583,473
	700,548				87,824	
<u>148,252</u>	<u>700,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,824</u>	<u>583,473</u>
<u>177,253</u>	<u>(22,150)</u>	<u>4,300</u>	<u>-</u>	<u>-</u>	<u>(77,442)</u>	<u>149,710</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>177,253</u>	<u>(22,150)</u>	<u>4,300</u>	<u>-</u>	<u>-</u>	<u>(77,442)</u>	<u>149,710</u>
<u>565,628</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>111,004</u>	<u>(427,257)</u>
<u>\$ 742,881</u>	<u>\$ (22,150)</u>	<u>\$ 4,300</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 33,562</u>	<u>\$ (277,547)</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, 2011

	Special Revenue			
	HUD ADDI	HCD State Program Income	CDBG Program Income	SANBAG Stimulus
REVENUES				
Taxes	\$	\$	\$	\$
Licenses and Permits				
Investment Income		30	25	
Intergovernmental	4,001			
Other Revenue		18,885	3,403	
	<u>4,001</u>	<u>18,885</u>	<u>3,428</u>	<u>-</u>
Total Revenues	<u>4,001</u>	<u>18,915</u>	<u>3,428</u>	<u>-</u>
EXPENDITURES				
Current:				
General Government				
Public Safety				
Transportation				943,858
Culture and Recreation				
Community Development	4,001	8,900	64	
Capital Outlay				
Debt Service:				
Principal				
Interest and Fiscal Charges				
	<u>4,001</u>	<u>8,900</u>	<u>64</u>	<u>943,858</u>
Total Expenditures	<u>4,001</u>	<u>8,900</u>	<u>64</u>	<u>943,858</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>10,015</u>	<u>3,364</u>	<u>(943,858)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	10,015	3,364	(943,858)
Fund Balances - Beginning	-	2	40	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 10,017</u>	<u>\$ 3,404</u>	<u>\$ (943,858)</u>

Capital ProjectS			Debt Service			Total Nonmajor Governmental Funds
NAVISP Infrastructure	Storm Drains	Development Impact Fees	2007 Town Hall Revenue Bonds	1999 COPS	2001 COPS	
\$	\$	\$	\$	\$	\$	\$ 368,868
	94,912	81,548				186,084
690	9,570	10,924		1	2	26,441
						3,849,443
						55,800
690	104,482	92,472	-	1	2	4,486,636
		4,625	2,555	68,327	24,566	100,073
						-
						3,516,849
						87,824
	302,797					1,678,420
						-
			405,000	305,000	195,000	905,000
			478,237	9,299	10,880	498,416
-	302,797	4,625	885,792	382,626	230,446	6,786,582
690	(198,315)	87,847	(885,792)	(382,625)	(230,444)	(2,299,946)
1,630,304		(545,793)	1,771,585	382,626	230,446	4,014,961
						(545,793)
1,630,304	-	(545,793)	1,771,585	382,626	230,446	3,469,168
1,630,994	(198,315)	(457,946)	885,793	1	2	1,169,222
-	1,338,794	1,553,635	-	-	-	3,210,226
<u>\$ 1,630,994</u>	<u>\$ 1,140,479</u>	<u>\$ 1,095,689</u>	<u>\$ 885,793</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 4,379,448</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,000,000	\$ 5,000,000	\$ 3,965,751	\$ (1,034,249)
Investment Income	240,000	240,000	35,775	(204,225)
Total Revenues	<u>5,240,000</u>	<u>5,240,000</u>	<u>4,001,526</u>	<u>(1,238,474)</u>
EXPENDITURES				
Current:				
Community Development	6,000	771,767	784,769	(13,002)
Debt Service:				
Principal	985,000	985,000	903,164	81,836
Interest and Fiscal Charges	2,450,942	2,450,942	2,273,675	177,267
Pass-Through Agreements	1,000,000	1,000,000	659,969	340,031
Capital Outlay	10,000,000	-	-	-
Total Expenditures	<u>14,441,942</u>	<u>5,207,709</u>	<u>4,621,577</u>	<u>586,132</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(9,201,942)</u>	<u>32,291</u>	<u>(620,051)</u>	<u>(652,342)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out	<u>(23,308,723)</u>	<u>(23,308,273)</u>	<u>(7,147,454)</u>	<u>16,160,819</u>
Total Other Financing Sources (Uses)	<u>(23,308,723)</u>	<u>(23,308,273)</u>	<u>(7,147,454)</u>	<u>16,160,819</u>
Net Change in Fund Balances	<u>(32,510,665)</u>	<u>(23,275,982)</u>	<u>(7,767,505)</u>	<u>15,508,477</u>
Fund Balance, Beginning	<u>24,420,150</u>	<u>24,420,150</u>	<u>24,420,150</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (8,090,515)</u>	<u>\$ 1,144,168</u>	<u>\$ 16,652,645</u>	<u>\$ 15,508,477</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 300,000	\$ 8,850,000	\$ 384,559	\$ (8,465,441)
Investment Income	200,000	200,000	74,995	(125,005)
Other Revenue			11,568	11,568
Total Revenues	<u>500,000</u>	<u>9,050,000</u>	<u>471,122</u>	<u>(8,578,878)</u>
EXPENDITURES				
Capital Outlay	<u>9,050,000</u>	<u>8,650,000</u>	<u>849,967</u>	<u>7,800,033</u>
Total Expenditures	<u>9,050,000</u>	<u>8,650,000</u>	<u>849,967</u>	<u>7,800,033</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(8,550,000)</u>	<u>400,000</u>	<u>(378,845)</u>	<u>(778,845)</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	(8,550,000)	400,000	(378,845)	(778,845)
Fund Balance, Beginning	<u>9,483,693</u>	<u>9,483,693</u>	<u>9,483,693</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 933,693</u>	<u>\$ 9,883,693</u>	<u>\$ 9,104,848</u>	<u>\$ (778,845)</u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$	\$ -
Other Revenue			8,887	8,887
Total Revenues	-	-	8,887	8,887
EXPENDITURES				
Current:				
Community Development	1,990,358	2,374,013	2,128,716	245,297
Debt Service:				
Interest			18,320	(18,320)
Capital Outlay	20,422,332	20,422,332	5,360,778	15,061,554
Total Expenditures	22,412,690	22,796,345	7,507,814	15,288,531
Excess (Deficiency) of Revenues over Expenditures	(22,412,690)	(22,796,345)	(7,498,927)	15,297,418
OTHER FINANCING SOURCES (USES)				
Transfers In	25,484,971	23,308,273	7,147,454	(16,160,819)
Transfers Out				-
Total Other Financing Sources (Uses)	25,484,971	23,308,273	7,147,454	(16,160,819)
Net Change in Fund Balances	3,072,281	511,928	(351,473)	(863,401)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ 3,072,281	\$ 511,928	\$ (351,473)	\$ (863,401)

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure I Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,685,000	\$ 2,073,300	\$ 1,680,074	\$ (393,226)
Investment Income	14,000	14,000	33,019	19,019
Intergovernmental				-
Other Revenue	1,500			-
Total Revenues	<u>2,700,500</u>	<u>2,087,300</u>	<u>1,713,093</u>	<u>(374,207)</u>
EXPENDITURES				
Current:				
Transportation	<u>3,088,800</u>	<u>2,088,800</u>	<u>211,869</u>	<u>1,876,931</u>
Total Expenditures	<u>3,088,800</u>	<u>2,088,800</u>	<u>211,869</u>	<u>1,876,931</u>
Excess (Deficiency) of Revenues over Expenditures	(388,300)	(1,500)	1,501,224	1,502,724
Fund Balance, Beginning	<u>4,256,770</u>	<u>4,256,770</u>	<u>4,256,770</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 3,868,470</u>	<u>\$ 4,255,270</u>	<u>\$ 5,757,994</u>	<u>\$ 1,502,724</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,032,695	\$ 1,082,401	\$ 1,344,777	\$ 262,376
Other Income	30,000	33,522	23,488	(10,034)
Total Revenues	<u>3,062,695</u>	<u>1,115,923</u>	<u>1,368,265</u>	<u>252,342</u>
EXPENDITURES				
Current:				
Community Development	3,062,695	1,161,483	938,491	222,992
Capital Outlay			4,814	(4,814)
Total Expenditures	<u>3,062,695</u>	<u>1,161,483</u>	<u>943,305</u>	<u>218,178</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(45,560)</u>	<u>424,960</u>	<u>470,520</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		120,000		(120,000)
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
Net Change in Fund Balances	-	74,440	424,960	350,520
Fund Balances, Beginning	<u>(1,067,879)</u>	<u>(1,067,879)</u>	<u>(1,067,879)</u>	
Fund Balances, Ending	<u>\$ (1,067,879)</u>	<u>\$ (993,439)</u>	<u>\$ (642,919)</u>	<u>\$ 350,520</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,597,500	\$ 1,597,500	\$ 1,796,901	\$ 199,401
Other Revenue	20,000	20,000	14,406	(5,594)
Total Revenues	<u>1,617,500</u>	<u>1,617,500</u>	<u>1,811,307</u>	<u>193,807</u>
EXPENDITURES				
Current:				
Transportation	1,587,500	1,587,500	1,816,266	(228,766)
Capital Outlay	30,000	30,000		30,000
Total Expenditures	<u>1,617,500</u>	<u>1,617,500</u>	<u>1,816,266</u>	<u>(198,766)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(4,959)</u>	<u>(4,959)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	(4,959)	(4,959)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,959)</u>	<u>\$ (4,959)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,162,048	\$ 1,162,739	\$ 622,288	\$ (540,451)
Other Revenue			284	284
Total Revenues	<u>1,162,048</u>	<u>1,162,739</u>	<u>622,572</u>	<u>(540,167)</u>
EXPENDITURES				
Current:				
Community Development	<u>1,162,048</u>	<u>1,162,739</u>	<u>632,975</u>	<u>529,764</u>
Total Expenditures	<u>1,162,048</u>	<u>1,162,739</u>	<u>632,975</u>	<u>529,764</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(10,403)</u>	<u>(10,403)</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	-	-	(10,403)	(10,403)
Fund Balance, Beginning	<u>(17,887)</u>	<u>(17,887)</u>	<u>(17,887)</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ (17,887)</u></u>	<u><u>\$ (17,887)</u></u>	<u><u>\$ (28,290)</u></u>	<u><u>\$ (10,403)</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Neighborhood Stabilization Program Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,052,593	\$ 2,052,593	\$ 29,135	\$ (2,023,458)
Total Revenues	2,052,593	2,052,593	29,135	(2,023,458)
EXPENDITURES				
Community Development	2,052,593	2,052,593	29,135	2,023,458
Total Expenditures	2,052,593	2,052,593	29,135	2,023,458
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - HOME Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 36	\$ -
Intergovernmental	1,567,395	1,641,525	659,635	(981,890)
			<u>18,727</u>	<u>18,727</u>
Total Revenues	<u>1,567,395</u>	<u>1,641,525</u>	<u>678,398</u>	<u>(963,163)</u>
EXPENDITURES				
Current:				
Community Development	<u>1,732,318</u>	<u>1,806,448</u>	<u>700,548</u>	<u>1,105,900</u>
Total Expenditures	<u>1,732,318</u>	<u>1,806,448</u>	<u>700,548</u>	<u>1,105,900</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(164,923)</u>	<u>(164,923)</u>	<u>(22,150)</u>	<u>142,737</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	(164,923)	(164,923)	(22,150)	142,737
Fund Balance, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (164,923)</u>	<u>\$ (164,923)</u>	<u>\$ (22,150)</u>	<u>\$ 142,737</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 20,000	\$ -	\$ 9,624	\$ 9,624
Investment Income	2,000	-	758	758
Total Revenues	<u>22,000</u>	<u>-</u>	<u>10,382</u>	<u>10,382</u>
EXPENDITURES				
Culture and Recreation	-	-	87,824	(87,824)
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>87,824</u>	<u>(87,824)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>22,000</u>	<u>-</u>	<u>(77,442)</u>	<u>(77,442)</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	22,000	-	(77,442)	(77,442)
Fund Balance, Beginning	<u>111,004</u>	<u>111,004</u>	<u>111,004</u>	<u>111,004</u>
Fund Balance, Ending	<u>\$ 133,004</u>	<u>\$ 111,004</u>	<u>\$ 33,562</u>	<u>\$ (77,442)</u>

Town of Apple Valley
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - HUD ADDI Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,001	\$ 4,001	\$ 4,001	\$ -
Total Revenues	4,001	4,001	4,001	-
EXPENDITURES				
Current:				
Community Development	4,001	4,001	4,001	
Total Expenditures	4,001	4,001	4,001	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - SANBAG Stimulus Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$ 990,333	\$	\$ (990,333)
Total Revenues	-	990,333	-	(990,333)
EXPENDITURES				
Transportation		990,333	943,858	46,475
Total Expenditures	-	990,333	943,858	46,475
Excess (Deficiency) of Revenues over Expenditures	-	-	(943,858)	(943,858)
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$	\$	\$ (943,858)	\$ (943,858)

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Development Impact Fees
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses & Permits	\$	\$ 380,000	\$ 81,548	\$ (298,452)
Investment Income	20,000	20,000	10,924	(9,076)
Total Revenues	20,000	400,000	92,472	(307,528)
EXPENDITURES				
Current:				
General Government			4,625	(4,625)
Capital Outlay	600,000	400,000		400,000
Total Expenditures	600,000	400,000	4,625	395,375
Excess (Deficiency) of Revenues over Expenditures	(580,000)	-	87,847	87,847
OTHER FINANCING SOURCES (USES)				
Transfer In				-
Transfers Out			(545,793)	(545,793)
Total Other Financing Sources (Uses)	-	-	(545,793)	(545,793)
Net Change in Fund Balances	(580,000)	-	(457,946)	(457,946)
Fund Balance, Beginning	1,553,635	1,553,635	1,553,635	-
Fund Balance, Ending	\$ 973,635	\$ 1,553,635	\$ 1,095,689	\$ (457,946)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
General Government			2,555	(2,555)
Debt Service				
Principal	405,000	405,000	405,000	-
Interest and Fiscal Charges	478,237	478,237	478,237	-
Total Expenditures	883,237	883,237	885,792	(2,555)
Excess (Deficiency) of Revenues over Expenditures	(883,237)	(883,237)	(885,792)	(2,555)
OTHER FINANCING SOURCES (USES)				
Transfers In	883,237	883,237	1,771,585	888,348
Total Other Financing Sources (Uses)	883,237	883,237	1,771,585	888,348
Net Change in Fund Balances	-	-	885,793	885,793
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ 885,793	\$ 885,793

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 1999 COPS Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 1	\$ 1
Total Revenues	-	-	1	1
EXPENDITURES				
Current:				
General Government			68,327	(68,327)
Debt Service				
Principal	305,000	305,000	305,000	
Interest and Fiscal Charges	197,725	197,725	9,299	188,426
Total Expenditures	502,725	502,725	382,626	120,099
Excess (Deficiency) of Revenues over Expenditures	(502,725)	(502,725)	(382,625)	120,100
OTHER FINANCING SOURCES (USES)				
Transfers In	502,725	502,725	382,626	(120,099)
Total Other Financing Sources (Uses)	502,725	502,725	382,626	(120,099)
Net Change in Fund Balances	-	-	1	1
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ 1	\$ 1

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2001 COPS Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	2	2
Total Revenues	-	-	2	2
EXPENDITURES				
Current:				
General Government			24,566	(24,566)
Debt Service				
Principal	260,000	260,000	195,000	65,000
Interest and Fiscal Charges	51,491	51,491	10,880	40,611
Total Expenditures	311,491	311,491	230,446	81,045
Excess (Deficiency) of Revenues over Expenditures	(311,491)	(311,491)	(230,444)	81,047
OTHER FINANCING SOURCES (USES)				
Transfers In	311,491	311,491	230,446	(81,045)
Total Other Financing Sources (Uses)	311,491	311,491	230,446	(81,045)
Net Change in Fund Balances	-	-	2	2
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$ -	\$ -	\$ 2	\$ 2

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
Year Ended June 30, 2011

	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	\$ 663,378	\$ 1,720	\$	\$ 791,508	\$ 13,913,086	\$ 250,915	\$ 15,620,607
Cash with Fiscal Agent			245,213				245,213
Accounts Receivable				27,585		96,833	124,418
Interest Receivable				205			205
Due from Other Governments				9,022	1,153,477		1,162,499
Prepaid Items						837	837
	<u>\$ 663,378</u>	<u>\$ 1,720</u>	<u>\$ 245,213</u>	<u>\$ 828,320</u>	<u>\$ 15,066,563</u>	<u>\$ 348,585</u>	<u>\$ 17,153,779</u>
LIABILITIES							
Accounts Payable	\$	\$ 1,720	\$	\$ 1,779	\$	\$	\$ 3,499
Accrued Liabilites			63	26,914	15,066,563	30,633	15,124,173
Deposits	663,378			799,627		231,131	1,694,136
Due to Other Governments			225			86,821	87,046
Amounts Due Bondholders			244,925				244,925
	<u>\$ 663,378</u>	<u>\$ 1,720</u>	<u>\$ 245,213</u>	<u>\$ 828,320</u>	<u>\$ 15,066,563</u>	<u>\$ 348,585</u>	<u>\$ 17,153,779</u>

Town of Apple Valley, California
Statement of Changes in Fiduciary Net Assets
Agency Funds
Year Ended June 30, 2011

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
<u>TRUST AND FIDUCIARY FUND</u>				
ASSETS				
Cash and Investments	\$ 622,844	\$ 84,330	\$ 43,796	\$ 663,378
Total Assets	<u>\$ 622,844</u>	<u>\$ 84,330</u>	<u>\$ 43,796</u>	<u>\$ 663,378</u>
LIABILITIES				
Deposits	\$ 622,844	\$ 121,408	\$ 80,874	\$ 663,378
Total Liabilities	<u>\$ 622,844</u>	<u>\$ 121,408</u>	<u>\$ 80,874</u>	<u>\$ 663,378</u>
<u>VICTOR VALLEY TRANSIT AUTHORITY FUND</u>				
ASSETS				
Cash and Investments	\$ 1,090	\$ 7,590	\$ 6,960	\$ 1,720
Due From Other Governments	-			-
Total Assets	<u>\$ 1,090</u>	<u>\$ 7,590</u>	<u>\$ 6,960</u>	<u>\$ 1,720</u>
LIABILITIES				
Accounts Payable	\$ 1,090	\$ 7,590	\$ 6,960	\$ 1,720
Due to Other Governments	-			-
Total Liabilities	<u>\$ 1,090</u>	<u>\$ 7,590</u>	<u>\$ 6,960</u>	<u>\$ 1,720</u>
<u>ASSESSMENT DISTRICT 98-1</u>				
ASSETS				
Cash and Investments	\$ -	\$ -	\$ -	\$ -
Cash with Fiscal Agent	245,211	230,043	230,041	245,213
Total Assets	<u>\$ 245,211</u>	<u>\$ 230,043</u>	<u>\$ 230,041</u>	<u>\$ 245,213</u>
LIABILITIES				
Amount Due Bondholders	\$ 244,782	\$ 231,824	\$ 231,681	\$ 244,925
Accounts Payable				-
Accrued Liabilities	179	63	179	63
Due to Other Governments	250	225	250	225
Total Liabilities	<u>\$ 245,211</u>	<u>\$ 232,112</u>	<u>\$ 232,110</u>	<u>\$ 245,213</u>
<u>VILLAGE PBID</u>				
ASSETS				
Cash and Investments	\$ 654,419	\$ 362,181	\$ 225,092	\$ 791,508
Accounts Receivable		27,585		27,585
Interest Receivable	481	205	481	205
Due From Other Governments	8,427	9,022	8,427	9,022
Total Assets	<u>\$ 663,327</u>	<u>\$ 398,993</u>	<u>\$ 234,000</u>	<u>\$ 828,320</u>
LIABILITIES				
Accounts Payable	\$ 2,264	\$ 243,467	\$ 243,952	\$ 1,779
Accrued Liabilities	11,045	26,914	11,045	26,914
Deposits	650,018	2,015,041	1,865,432	799,627
Total Liabilities	<u>\$ 663,327</u>	<u>\$ 2,285,422</u>	<u>\$ 2,120,429</u>	<u>\$ 828,320</u>

Town of Apple Valley, California
Statement of Changes in Fiduciary Net Assets
Agency Funds - Continued
Year Ended June 30, 2011

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
<u>VICTOR VALLEY ECONOMIC DEVELOPMENT AUTHORITY</u>				
ASSETS				
Cash and Investments	\$ 16,505,234	\$ 109,378,656	\$ 111,970,804	\$ 13,913,086
Due From Other Governments	868,541	480,410	195,474	1,153,477
Total Assets	<u>\$ 17,373,775</u>	<u>\$ 109,859,066</u>	<u>\$ 112,166,278</u>	<u>\$ 15,066,563</u>
LIABILITIES				
Accrued Liabilities	\$ 17,373,775	\$ 14,081,158	\$ 16,388,370	\$ 15,066,563
Deposits				-
Total Liabilities	<u>\$ 17,373,775</u>	<u>\$ 14,081,158</u>	<u>\$ 16,388,370</u>	<u>\$ 15,066,563</u>
<u>MOJAVE DESERT AND MOUNTAIN INTEGRATED WASTE MANAGEMENT AUTHORITY</u>				
ASSETS				
Cash and Investments	\$ 177,086	\$ 913,354	\$ 839,525	\$ 250,915
Accounts Receivable	50,199	2,948,086	2,901,452	96,833
Due From Other Governments	19,042		19,042	
Prepaid Items		837		837
Total Assets	<u>\$ 246,327</u>	<u>\$ 3,862,277</u>	<u>\$ 3,760,019</u>	<u>\$ 348,585</u>
LIABILITIES				
Accrued Liabilities	\$ 30,982	\$ 30,633	\$ 30,982	\$ 30,633
Deposits	165,487	3,399,311	\$ 3,333,667	231,131
Due to Other Governments	49,858	86,821	49,858	86,821
Total Liabilities	<u>\$ 246,327</u>	<u>\$ 3,516,765</u>	<u>\$ 3,414,507</u>	<u>\$ 348,585</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Investments	\$ 17,960,673	\$ 110,746,111	\$ 113,086,177	\$ 15,620,607
Cash with Fiscal Agent	245,211	230,043	230,041	245,213
Accounts Receivable	50,199	2,975,671	2,901,452	124,418
Interest Receivable	481	205	481	205
Due From Other Governments	896,010	489,432	222,943	1,162,499
Prepaid Items		837		837
Total Assets	<u>\$ 19,152,574</u>	<u>\$ 114,442,299</u>	<u>\$ 116,441,094</u>	<u>\$ 17,153,779</u>
LIABILITIES				
Accounts Payable	\$ 3,354	\$ 251,057	\$ 250,912	\$ 3,499
Accrued Liabilities	17,415,981	14,138,768	16,430,576	15,124,173
Deposits	1,438,349	5,535,760	5,279,973	1,694,136
Amounts Due Bondholders	244,782	231,824	231,681	244,925
Due to Other Governments	50,108	87,046	50,108	87,046
Total Liabilities	<u>\$ 19,152,574</u>	<u>\$ 20,244,455</u>	<u>\$ 22,243,250</u>	<u>\$ 17,153,779</u>

Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source¹
Year Ended June 30, 2011

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$ 98,526,741
Furniture and Equipment	2,973,353
Computer Equipment	1,434,736
Auto Equipment	1,434,704
Structures and Improvements	85,242,674
Infrastructure	349,238,059
Construction in Progress	<u>11,541,462</u>
Total Governmental Funds Capital Assets	<u><u>\$ 550,391,729</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE

General Fund	\$ 216,217,028
Special Revenue Funds	135,593,595
Capital Project Funds	<u>198,581,106</u>
Total Governmental Funds Capital Assets	<u><u>\$ 550,391,729</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.

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Town of Apple Valley, California
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹
Year Ended June 30, 2011

	<u>Land</u>	<u>Furniture and Equipment</u>	<u>Computer Equipment</u>
FUNCTION AND ACTIVITY			
General Government	\$ 2,114,277	\$ 919,401	\$ 1,171,013
Public Safety	1,375,585	693,550	144,353
Transportation	87,620,047		
Culture and Recreation	6,826,654	1,069,547	11,250
Cumminity Development	<u>590,178</u>	<u>290,855</u>	<u>108,120</u>
 Total Governmental Funds Capital Assets	 <u>\$ 98,526,741</u>	 <u>\$ 2,973,353</u>	 <u>\$ 1,434,736</u>

<u>Auto Equipment</u>	<u>Structures and Improvements</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Totals</u>
\$ 86,797	\$ 5,466,306	\$	\$ 47,646	\$ 9,805,440
86,123	11,321,334			13,620,945
807,213		348,758,073	11,493,816	448,679,149
454,571	57,644,341	479,986		66,486,349
	10,810,693			11,799,846
<u>\$ 1,434,704</u>	<u>\$ 85,242,674</u>	<u>\$ 349,238,059</u>	<u>\$ 11,541,462</u>	<u>\$ 550,391,729</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, 2011

	Governmental Funds Capital Assets July 1, 2010	Additions	Deletions	Governmental Funds Capital Assets June 30, 2011
FUNCTION AND ACTIVITY				
General Government	\$ 20,290,716	\$ 938,928	\$ (11,424,204)	\$ 9,805,440
Public Safety	13,641,000	722,286	(742,341)	13,620,945
Transportation	440,207,585	8,471,564		448,679,149
Culture and Recreation	65,378,996	1,107,353		66,486,349
Community Development	590,178	11,209,668		11,799,846
	<u>\$ 540,108,475</u>	<u>\$ 22,449,799</u>	<u>\$ (12,166,545)</u>	<u>\$ 550,391,729</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 Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	<u>2002</u>	<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	*	5,450,039	7,352,641	2,326,377
Total governmental activities net assets	\$ -	\$ 46,916,084	\$ 51,584,722	\$ 61,621,920
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	*	9,306,329	9,653,971	11,975,813
Total business-type activities net assets	\$ -	\$ 15,871,398	\$ 16,670,214	\$ 18,918,167
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	*	14,756,368	17,006,612	14,302,190
Total primary government net assets	\$ -	\$ 62,787,482	\$ 68,254,936	\$ 80,540,087

* Data not available

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 44,949,377	\$ 384,061,630	\$ 387,123,900	\$ 381,677,955	\$ 390,657,277	\$ 388,785,477
24,316,125	25,102,142	51,867,938	40,971,278	32,983,379	34,274,504
10,467,168	10,418,490	(13,367,654)	(1,410,378)	(9,726,145)	(15,459,541)
<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>	<u>\$ 407,600,440</u>
\$ 5,311,877	\$ 33,492,509	\$ 33,768,176	\$ 32,459,593	\$ 31,382,013	\$ 30,868,062
1,740,000	1,792,823	1,816,804	1,818,304	1,818,186	1,818,204
14,021,426	16,231,747	14,731,511	14,119,730	12,167,184	9,627,346
<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>	<u>\$ 42,313,612</u>
\$ 50,261,254	\$ 417,554,139	\$ 420,892,076	\$ 414,137,548	\$ 422,039,290	\$ 419,653,539
26,056,125	26,894,965	53,684,742	42,789,582	34,801,565	36,092,708
24,488,594	26,650,237	1,363,857	12,709,352	2,441,039	(5,832,195)
<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>	<u>\$ 449,914,052</u>

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses				
Governmental activities:				
General government	*	\$ 3,456,533	\$ 4,021,314	\$ 4,589,971
Public safety	*	5,352,003	5,825,048	6,918,109
Transportation	*	1,584,217	2,092,417	5,206,120
Culture and recreation	*	1,718,816	2,162,080	2,075,242
Community development	*	3,082,190	3,539,601	4,880,605
Health	*	19,410	36,409	-
Interest on long-term debt	*	196,101	195,487	166,708
Total governmental activities expenses	-	<u>15,409,270</u>	<u>17,872,356</u>	<u>23,836,755</u>
Business-type activities:				
Sewer	*	1,968,979	2,106,083	2,397,868
Waste Management	*	5,144,538	5,469,778	5,741,487
Apple Valley Golf Club	*	-	-	-
Total business-type activities expenses	-	<u>7,113,517</u>	<u>7,575,861</u>	<u>8,139,355</u>
Total primary government expenses	\$ -	<u>\$ 22,522,787</u>	<u>\$ 25,448,217</u>	<u>\$ 31,976,110</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	*	236,440	267,842	284,055
Public safety	*	276,316	299,352	276,734
Transportation	*	58,035	89,649	178,529
Culture and recreation	*	333,956	383,969	459,414
Community development	*	2,152,251	2,441,845	3,805,029
Operating grants and contributions	*	3,378,546	3,401,284	4,441,304
Capital grants and contributions	*	4,521,524	4,552,971	8,487,126
Total governmental activities program revenues	-	<u>10,957,068</u>	<u>11,436,912</u>	<u>17,932,191</u>
Business-type activities:				
Charges for services:				
Sewer	*	1,687,270	2,233,120	3,275,423
Waste Management	*	6,383,560	6,711,171	7,109,629
Apple Valley Golf Club	*	-	-	-
Operating grants and contributions	*	-	-	-
Capital grants and contributions	*	718,828	317,141	1,109,372
Total business-type activities program revenues	-	<u>8,789,658</u>	<u>9,261,432</u>	<u>11,494,424</u>
Total primary government program revenues	\$ -	<u>\$ 19,746,726</u>	<u>\$ 20,698,344</u>	<u>\$ 29,426,615</u>
Net (expense)/revenue				
Governmental activities	\$ -	\$ (4,452,202)	\$ (6,435,444)	\$ (5,904,564)
Business-type activities	-	<u>1,676,141</u>	<u>1,685,571</u>	<u>3,355,069</u>
Total primary government net expense	\$ -	<u>\$ (2,776,061)</u>	<u>\$ (4,749,873)</u>	<u>\$ (2,549,495)</u>

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 3,353,017	\$ 3,347,001	\$ 3,533,678	\$ 3,351,071	\$ 1,841,391	\$ 1,461,718
7,690,948	9,119,965	10,430,291	11,783,023	11,784,128	11,904,334
6,247,368	8,279,686	9,854,747	14,238,533	12,126,936	12,045,684
3,029,203	5,122,716	5,188,538	5,827,113	5,893,089	6,188,596
6,337,878	7,534,045	8,805,564	9,753,475	15,313,506	9,087,396
-	-	3,539,966	-	-	-
555,475	635,095		3,203,143	3,062,557	3,057,653
<u>27,213,889</u>	<u>34,038,508</u>	<u>41,352,784</u>	<u>48,156,358</u>	<u>50,021,607</u>	<u>43,745,381</u>
3,261,816	4,322,383	4,977,119	5,593,652	5,995,219	6,576,431
6,919,321	7,582,185	8,817,281	8,825,868	8,572,856	9,402,873
-	-	-	1,276,919	3,092,747	1,978,306
<u>10,181,137</u>	<u>11,904,568</u>	<u>13,794,400</u>	<u>15,696,439</u>	<u>17,660,822</u>	<u>17,957,610</u>
<u>\$ 37,395,026</u>	<u>\$ 45,943,076</u>	<u>\$ 55,147,184</u>	<u>\$ 63,852,797</u>	<u>\$ 67,682,429</u>	<u>\$ 61,702,991</u>
533,383	418,186	388,483	301,671	933,000	754,552
203,130	287,931	243,106	163,165	147,533	172,376
197,867	228,453	88,491	39,773	45,510	53,300
602,915	827,385	919,425	938,167	941,862	1,121,273
4,683,154	3,205,184	1,699,164	2,266,134	1,850,721	1,795,168
8,200,337	5,116,858	7,034,992	4,533,857	8,423,410	5,595,047
11,547,363	8,396,253	7,719,437	6,620,923	5,218,590	5,234,738
<u>25,968,149</u>	<u>18,480,250</u>	<u>18,093,098</u>	<u>14,863,690</u>	<u>17,560,626</u>	<u>14,726,454</u>
3,343,651	3,247,042	2,852,961	2,994,301	3,691,818	3,967,178
8,171,421	9,529,788	9,124,792	9,827,664	9,690,701	9,894,028
-	-	-	535,589	1,188,655	864,060
-	-	-	-	-	25,066
620,351	7,787,415	1,173,704	586,969	438,301	474,689
<u>12,135,423</u>	<u>20,564,245</u>	<u>13,151,457</u>	<u>13,944,523</u>	<u>15,009,475</u>	<u>15,225,021</u>
<u>\$ 38,103,572</u>	<u>\$ 39,044,495</u>	<u>\$ 31,244,555</u>	<u>\$ 28,808,213</u>	<u>\$ 32,570,101</u>	<u>\$ 29,951,475</u>
\$ (1,245,740)	\$ (15,558,258)	\$ (23,259,686)	\$ (33,292,668)	\$ (32,460,981)	\$ (29,018,927)
1,954,286	8,659,677	(642,943)	(1,751,916)	(2,651,347)	(2,732,589)
<u>\$ 708,546</u>	<u>\$ (6,898,581)</u>	<u>\$ (23,902,629)</u>	<u>\$ (35,044,584)</u>	<u>\$ (35,112,328)</u>	<u>\$ (31,751,516)</u>

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	*	2,659,056	2,877,102	3,196,875
Tax increment	*	239,570	656,283	2,431,898
Franchise taxes	*	805,889	797,818	890,573
Sales taxes	*	2,568,169	2,801,931	2,409,148
Transient occupancy taxes	*	8,957	10,125	13,367
Motor vehicle in-lieu	*	3,288,941	2,875,445	4,436,541
Sales tax in-lieu	*	-	-	682,603
Pass through revenues	*	91,825	192,790	135,094
Miscellaneous revenues	*	133,406	148,981	237,545
Unrestricted grants and contributions	*	165,231	12,353	16,342
Investment income	*	221,059	12,438	246,687
Transfers	*	881,026	960,264	1,245,089
Total governmental activities	-	11,063,129	11,345,530	15,941,762
Business-type activities:				
Investment income	*	72,516	73,509	137,973
Transfers	*	(881,026)	(960,264)	(1,245,089)
Total business-type activities	-	(808,510)	(886,755)	(1,107,116)
Total primary government	\$ -	\$ 10,254,619	\$ 10,458,775	\$ 14,834,646
Change in Net Assets				
Governmental activities	\$ -	\$ 6,610,927	\$ 4,910,086	\$ 10,037,198
Business-type activities	-	867,631	798,816	2,247,953
Total primary government	\$ -	\$ 7,478,558	\$ 5,708,902	\$ 12,285,151

* Data not available

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
4,310,247	5,035,277	4,825,727	4,190,359	3,816,749	3,601,017
3,364,320	7,350,520	10,097,187	9,469,194	7,203,291	5,688,809
943,162	1,215,293	1,128,946	1,461,374	1,565,696	1,727,194
2,904,475	3,458,264	3,424,928	3,668,463	3,689,967	3,819,221
13,252	21,600	15,175	10,960	9,823	6,051
4,820,766	5,616,051	6,493,901	6,670,204	5,931,473	5,487,173
787,964	1,075,221	1,220,476	1,167,513	1,189,135	1,382,393
164,673	189,851	417,770	563,609	488,762	288,495
595,429	386,446	169,328	105,846	112,597	50,623
16,399	23,094	19,310	9,686	11,498	10,985
1,117,643	1,555,032	2,442,247	1,090,479	628,373	172,385
-	284,036	792,788	499,652	489,273	470,510
<u>19,038,330</u>	<u>26,210,685</u>	<u>31,047,783</u>	<u>28,907,339</u>	<u>25,136,637</u>	<u>22,704,856</u>
356,099	477,888	613,328	332,704	110,376	149,328
(155,249)	(284,036)	(792,788)	(499,652)	(489,273)	(470,510)
<u>200,850</u>	<u>193,852</u>	<u>(179,460)</u>	<u>(166,948)</u>	<u>(378,897)</u>	<u>(321,182)</u>
<u>\$ 19,239,180</u>	<u>\$ 26,404,537</u>	<u>\$ 30,868,323</u>	<u>\$ 28,740,391</u>	<u>\$ 24,757,740</u>	<u>\$ 22,383,674</u>
\$ 17,792,590	\$ 10,652,427	\$ 7,788,097	\$ (4,385,329)	\$ (7,324,344)	\$ (6,314,071)
2,155,136	8,853,529	(822,403)	(1,918,864)	(3,030,244)	(3,053,771)
<u>\$ 19,947,726</u>	<u>\$ 19,505,956</u>	<u>\$ 6,965,694</u>	<u>\$ (6,304,193)</u>	<u>\$ (10,354,588)</u>	<u>\$ (9,367,842)</u>

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund				
Reserved	*	\$ 6,714,294	\$ 6,422,735	\$ 2,110,156
Unreserved	*	2,667,685	4,277,267	9,546,039
Nonspendable	*	-	-	-
Committed	*	-	-	-
Unassigned	*	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ 9,381,979</u>	<u>\$ 10,700,002</u>	<u>\$ 11,656,195</u>
All other governmental funds				
Reserved	*	\$ 524,022	\$ 1,383,845	\$ 6,672,544
Unreserved, reported in:	*			
Special revenue funds	*	7,180,798	7,481,395	8,300,277
Debt service funds	*	(690,941)	(1,946,929)	(313,308)
Capital projects funds	*	6,084,646	5,978,948	9,809,894
Nonspendable	*	-	-	-
Restricted	*	-	-	-
Committed	*	-	-	-
Unassigned	*	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ 13,098,525</u>	<u>\$ 12,897,259</u>	<u>\$ 24,469,407</u>

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

* Data not available

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>(1)</u>	<u>2011</u>
\$ 2,197,378	\$ -	\$ -	\$ 546,925	\$ 5,013		\$ -
12,435,177	17,021,153	17,686,555	17,094,067	17,587,279		-
-	-	-	-	-		\$ 9,979,517
-	-	-	-	-		\$ 3,789,352
-	-	-	-	-		4,576,951
<u>\$ 14,632,555</u>	<u>\$ 17,021,153</u>	<u>\$ 17,686,555</u>	<u>\$ 17,640,992</u>	<u>\$ 17,592,292</u>		<u>\$ 18,345,820</u>
\$ 6,089,259	\$ 14,470,360	\$ 1,255,854	\$ 1,883,553	\$ 1,313,680		\$ -
10,095,398	3,004,014	12,048,634	11,359,223	11,529,459		-
(289,670)	(304,156)	38,651,853	34,010,895	23,106,470		-
7,351,812	12,365,664	29,659,709	23,216,796	16,331,898		-
-	-	-	-	-		56,188
-	-	-	-	-		46,020,428
-	-	-	-	-		11,621,638
-	-	-	-	-		(11,825,614)
<u>\$ 23,246,799</u>	<u>\$ 29,535,882</u>	<u>\$ 81,616,050</u>	<u>\$ 70,470,467</u>	<u>\$ 52,281,507</u>		<u>\$ 45,872,640</u>

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Taxes	*	\$ 9,170,108	\$ 10,157,037	\$ 15,470,448
Licenses & permits	*	3,074,520	3,590,372	8,114,884
Fines & forfeitures	*	330,868	347,979	344,442
Investment income	*	348,456	170,726	491,966
Intergovernmental	*	6,400,125	5,265,911	4,154,501
Charges for services	*	1,664,178	2,156,871	2,279,639
Other revenue	*	89,807	148,981	310,416
Total revenues	-	21,078,062	21,837,877	31,166,296
Expenditures				
General government	*	2,958,168	3,453,804	4,049,347
Public safety	*	5,331,411	5,783,864	6,914,374
Transportation	*	1,357,089	2,028,771	5,195,394
Culture and recreation	*	1,537,699	1,962,789	1,896,733
Community development	*	3,266,462	3,511,421	4,850,538
Health	*	19,269	36,409	-
Capital outlay	*	3,464,232	4,049,891	4,132,944
Debt service				
Principal	*	403,750	417,500	435,577
Interest	*	196,101	195,487	137,311
Pass-Through Agreements	*			
Debt issue costs	*	-	-	444,207
Total expenditures	-	18,534,181	21,439,936	28,056,425
Excess of revenues over (under) expenditures	-	2,543,881	397,941	3,109,871
Other financing sources (uses)				
Transfers in	*	2,569,397	2,602,026	4,921,278
Transfers out	*	(1,688,371)	(1,641,762)	(3,682,716)
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)	-	881,026	718,816	9,418,470
Net change in fund balances	\$ -	\$ 3,424,907	\$ 1,116,757	\$ 12,528,341
Debt service as a percentage of noncapital expenditures	*	4.1%	3.7%	2.5%

* Data not available

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 20,032,577	\$ 26,950,090	\$ 33,501,685	\$ 30,939,770	\$ 27,901,025	\$ 24,454,747
10,854,816	6,854,873	3,206,675	1,887,117	1,289,438	1,349,630
270,221	332,520	304,502	256,286	677,847	293,531
1,339,294	1,748,713	3,870,731	1,676,919	781,680	306,145
4,691,900	3,991,008	6,361,818	5,459,295	8,326,444	6,988,774
2,850,938	2,854,451	1,880,474	2,075,526	1,710,654	2,036,857
1,740,403	850,299	288,102	573,052	280,646	1,032,654
<u>41,780,149</u>	<u>43,581,954</u>	<u>49,413,987</u>	<u>42,867,965</u>	<u>40,967,734</u>	<u>36,462,338</u>
2,737,172	2,902,773	3,321,030	2,762,209	1,229,444	852,315
7,686,653	9,109,124	10,352,133	11,618,591	11,659,112	11,470,972
6,229,216	6,329,832	4,516,941	8,943,287	5,838,362	4,253,987
2,793,204	3,439,782	3,686,296	3,797,115	3,898,837	4,198,051
6,235,437	6,472,588	7,458,977	8,273,777	14,480,657	8,378,965
-	-	-	-	-	-
13,321,512	13,512,547	9,589,502	12,703,815	16,891,968	7,863,918
578,602	587,956	1,557,245	1,701,616	1,839,827	1,902,963
556,878	603,772	3,220,495	3,166,831	3,011,497	3,007,047
		1,341,736	1,329,805	844,963	659,969
	1,012,494	1,036,953	-	-	-
<u>40,138,674</u>	<u>43,970,868</u>	<u>46,081,308</u>	<u>54,297,046</u>	<u>59,694,667</u>	<u>42,588,187</u>
1,641,475	(388,914)	3,332,679	(11,429,081)	(18,726,933)	(6,125,849)
453,347	6,268,509	12,682,479	9,058,685	21,672,848	12,158,838
(453,347)	(5,984,473)	(11,889,691)	(8,559,033)	(21,183,575)	(11,688,328)
-	-	-	(261,717)	-	-
-	-	-	-	-	-
-	9,067,464	48,585,000	-	-	-
-	(284,905)	35,102	-	-	-
<u>-</u>	<u>9,066,595</u>	<u>49,412,890</u>	<u>237,935</u>	<u>489,273</u>	<u>470,510</u>
<u>\$ 1,641,475</u>	<u>\$ 8,677,681</u>	<u>\$ 52,745,569</u>	<u>\$ (11,191,146)</u>	<u>\$ (18,237,660)</u>	<u>\$ (5,655,339)</u>
4.4%	4.1%	17.5%	15.1%	14.2%	17.9%

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Vacant Land
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
2011	3,287,296,617	465,526,817	111,617,208	430,839,207

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 2010/2011 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>
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%
173,885,410	82,348,845	-	4,551,514,104	0.15174%

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	0.09263
Apple Valley Unified	*	*	*	*	0.34330	0.31078	0.31079	0.31079	0.31079	0.31079
County Free Library	*	*	*	*	**	0.01431	0.01431	0.01431	0.01431	0.01431
San Bernardino County	*	*	*	*	0.18465	0.14778	0.14778	0.14778	0.14778	0.14778
County Superintendent	*	*	*	*	**	0.01006	0.01006	0.01006	0.01006	0.01006
Csa 60 Victorville	*	*	*	*	**	0.01024	0.01024	0.01024	0.01024	0.01024
Education Revenue Aug Fund	*	*	*	*	**	0.22378	0.22378	0.22378	0.22378	0.22378
Flood Control Admin 3-6	*	*	*	*	0.02446	0.00089	0.00089	0.00089	0.00089	0.00089
Flood Control Zone 4	*	*	*	*	**	0.02335	0.02335	0.02335	0.02335	0.02335
Mojave Desert Resource Conservation District	*	*	*	*	**	0.00013	0.00013	0.00013	0.00013	0.00013
Mojave Water Agency	*	*	*	*	**	0.00526	0.00526	0.00526	0.00526	0.00526
Victor Valley Com. College	*	*	*	*	0.06728	0.06641	0.06641	0.06641	0.06641	0.06641
Other	*	*	*	*	0.24177	-	-	-	-	-
Total Prop. 13 Rate	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>1.04886</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Apple Valley Unified	*	*	*	*	*	0.03030	0.02470	0.02550	0.02760	0.03870
Mojave Water Agency - Land Only	*	*	*	*	*	0.11250	0.11250	0.11250	0.11250	0.11250
Morongo Water Agency	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>0.05500</u>	<u>0.05500</u>	<u>0.05500</u>	<u>0.05500</u>	<u>0.05500</u>
Total Voter Approved Rate	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>0.19871</u>	<u>0.19780</u>	<u>0.19220</u>	<u>0.19300</u>	<u>0.19510</u>	<u>0.20620</u>
Total Tax Rate	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>1.24757</u></u>	<u><u>1.19780</u></u>	<u><u>1.19220</u></u>	<u><u>1.19300</u></u>	<u><u>1.19510</u></u>	<u><u>1.20620</u></u>

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 2001/02 - 2010/11 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>2011</u>		<u>2002</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	\$ 116,267,151	2.55%	\$ -	
WRI Alliance Riley Venture	68,553,638	1.51%	-	
Apple Valley Rancho Water Company	35,103,249	0.77%	19,906,284	0.87%
Apple Valley Commons I, LLC	27,000,975	0.59%	-	
Target Corporation	23,762,286	0.52%	-	
Federal National Mortgage Association	20,066,008	0.44%	-	
Winco Foods LLC	18,528,383	0.41%	-	
Watson Land Company	18,353,654	0.40%	-	
Lowe's H/W Inc.	16,811,784	0.37%	-	
Pulte Home Corporation	15,104,721	0.33%	-	
American Stores Properties			12,027,210	0.53%
CWS Communities LP			8,093,872	0.35%
Dayton Hudson			7,928,701	0.35%
Walmart Real Estate Business Trust			7,308,629	0.32%
Heavy Lift Helicopter			6,064,794	0.27%
Merrill Gardens			5,988,186	0.26%
Apple Valley Real Estate Holdings LLC			5,791,000	0.25%
Son of Caduceus			5,537,181	0.24%
Troy CMBS Property LLC			5,296,118	0.23%
	<u>\$ 359,551,849</u>	<u>7.90%</u>	<u>\$ 83,941,975</u>	<u>3.67%</u>

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

Source: San Bernardino County Assessor 2001/02 and 2010/11 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
2002	*	*	*	-	*	*
2003	*	*	*	-	*	*
2004	*	*	*	-	*	*
2005	*	*	*	-	*	*
2006	2,919,359	2,919,359	100.00%	-	2,919,359	100.00%
2007	4,005,347	4,005,347	100.00%	-	4,005,347	100.00%
2008	4,579,518	4,579,518	100.00%	-	4,579,518	100.00%
2009	4,120,024	4,120,024	100.00%	-	4,120,024	100.00%
2010	3,772,351	3,772,351	100.00%	-	3,772,351	100.00%
2011	3,502,562	3,502,562	100.00%	-	3,502,562	100.00%

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

(2) Note: 2011 Taxes Levied does not include RDA revenue of \$3,415,698

Source: HdL Coren & Cone, San Bernardino County Assessor 2010/11 Combined Tax Rolls

* Data not available

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

Fiscal Year	Governmental Activities			Business-type Activities		
	Certificates of Participation	Tax Allocation Bonds	Capital Lease Payable	Certificates of Participation	Special Assessment Bonds	Capital Lease Payable
2002	*	*	*	*	*	*
2003	7,897,000	-	-	813,000	7,012,778	173,294
2004	7,479,500	-	-	760,500	6,089,445	164,466
2005	7,053,250	8,130,000	155,139	706,750	5,636,112	-
2006	6,614,500	8,000,000	145,287	650,500	5,265,000	-
2007	6,162,000	16,860,000	134,879	593,000	4,715,000	-
2008	17,065,750	53,005,000	123,884	534,250	3,750,000	-
2009	16,280,750	52,090,000	112,268	474,250	3,410,000	-
2010	15,403,250	51,140,000	99,997	411,750	3,015,000	-
2011	14,498,250	50,155,000	87,034	346,750	2,579,700	-

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

* Data not available

Installment Purchase Agreement	Total Primary Government	Percentage of Personal Income	Per Capita
*	*	*	*
2,882,500	18,778,572	*	318
2,955,000	17,448,911	1508.60%	284
2,808,125	24,489,376	1981.82%	384
2,665,208	23,340,495	1714.70%	347
2,518,958	30,983,837	2130.30%	443
2,366,250	76,845,134	5274.75%	1,104
2,210,205	74,577,473	5211.22%	1,069
2,048,958	72,118,955	5039.43%	1,034
1,880,625	69,547,359	4731.59%	1,001

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

<u>General Bonded Debt Outstanding</u>				
<u>Fiscal Year</u>	<u>Tax Allocation Bonds</u>	<u>Total</u>	<u>Percent of Assessed Value</u>	<u>Per Capita</u>
2002	*	-	*	*
2003	*	-	*	*
2004	*	-	*	*
2005	8,130,000	8,130,000	0.26%	127
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%	733
2011	50,155,000	50,155,000	1.10%	722

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

* Data not available

Town of Apple Valley
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

City Assessed Valuation	\$ 4,545,037,254
Redevelopment Agency Incremental Valuation	841,792,830
Total Assessed Valuation	\$ 3,703,244,424

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Tax and Assessment Debt:			
Mojave Water Agency	\$ 17,945,000	17.9800%	\$ 3,226,511
Victor Valley Joint Community College District	\$ 136,022,028	21.7650%	\$ 29,605,194
Victor Valley Union High School District	87,128,665	0.0003%	261
Apple Valley Unified School District	33,153,758	79.8580%	26,475,928
Oro Grande School District	629,700	0.0130%	82
Town of Apple Valley 1915 Act Bonds	4,664,700	100.0000%	4,664,700
Direct and Overlapping General Fund Debt:			
San Bernardino County General Fund Obligations	649,325,000	3.2500%	21,103,063
San Bernardino County Pension Obligations	601,765,591	3.2500%	19,557,382
San Bernardino County Flood Control General Fund Obligations	111,555,000	3.2500%	3,625,538
Victor Valley Union High School District Certificates of Participation	7,330,000	0.0003%	22
Apple Valley Unified School District Certificates of Participation	4,975,000	79.8580%	3,972,936
Hesperia Unified School District Certificates of Participation	103,490,000	0.0040%	4,140
Oro Grande School district Certificates of Participation	35,715,000	0.0130%	4,643
Subtotal, overlapping debt			112,240,400
City direct debt	14845000	100.0000%	14,845,000
Total direct and overlapping debt			\$ 127,085,400

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 Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Assessed valuation	*	*	*	3,078,656,762	3,649,295,318
Conversion percentage	*	*	*	25%	25%
Adjusted assessed valuation	*	*	*	769,664,191	912,323,830
Debt limit percentage	*	*	*	15%	15%
Debt limit	*	*	*	115,449,629	136,848,574
Total net debt applicable to limit: Certificates of Participation	*	*	*	<u>7,760,000</u>	<u>7,265,000</u>
Legal debt margin	<u>*</u>	<u>*</u>	<u>*</u>	<u>107,689,629</u>	<u>129,583,574</u>
Total debt applicable to the limit as a percentage of debt limit	*	*	*	6.7%	5.3%

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 2010/2011 Combined Tax Rolls

* Data not available

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
4,610,716,666	5,445,989,305	5,670,597,064	5,048,428,091	4,551,514,104
25%	25%	25%	25%	25%
1,152,679,167	1,361,497,326	1,417,649,266	1,262,107,023	1,137,878,526
15%	15%	15%	15%	15%
172,901,875	204,224,599	212,647,390	189,316,053	170,681,779
<u>6,755,000</u>	<u>17,590,000</u>	<u>16,755,000</u>	<u>15,815,000</u>	<u>14,845,000</u>
<u>166,146,875</u>	<u>186,634,599</u>	<u>195,892,390</u>	<u>173,501,053</u>	<u>155,836,779</u>
3.9%	8.6%	7.9%	8.4%	8.7%

**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
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%
2011	4,554,042	5,091,496	(537,454)	500,300	186,642	686,942	-78.24%

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)
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	70,040	1,504,529	21,481	15.60%
2011 *	69,467	1,469,852	21,159	15.30%

* Current year information is provided by Town of Apple Valley Economic Development Dept
Prior Year information provided by HdL, Coren & Cone

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

<u>Employer</u>	<u>2011</u>		<u>2002</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	1,729	6.31%	*	*
Apple Valley Unified School District	1,250	4.56%	*	*
Wal-Mart Distribution Center	750	2.74%	*	*
Stater Bros. (2 stores)	245	0.89%	*	*
Wal-Mart	212	0.77%	*	*
Target Stores, Inc. (2 stores)	198	0.72%	*	*
Town of Apple Valley	164	0.60%	*	*
WinCo Foods	142	0.52%	*	*
Lowe's Home Imp Warehouse	122	0.45%	*	*
The Home Depot	111	0.41%	*	*

"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>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>	<u>2011</u>
General government	52	53	46	47	57	33	34	33	33	35
Public safety	48	49	49	53	55	40	39	35	30	34
Economic Development	4	5	4	4	4	7	7	9	9	10
Public Works/Wastewater	4	5	6	6	9	14	13	14	21	20
Community Development	4	6	4	6	6	9	8	12	12	13
Parks & Recreation	69	64	47	65	75	124	118	109	107	109
Total	181	182	156	181	206	227	219	212	212	221

Source: Town of Apple Valley

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

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police:						
Arrests	1,060	1,083	1,152	1,317	1,544	1,996
Parking citations issued	126	245	345	249	97	57
Public works:						
Street resurfacing (miles)	28.37	68.37	29.50	97.08	31.13	52.92
Parks and recreation:						
Number of recreation classes	120	193	195	230	227	499
Number of facility rentals (1)	13,250	3,467	3,873	4,172	3,764	4,713
Sewer:						
New connections	398	486	563	1,181	1464	829
Average daily sewage treatment (thousands of gallons)	1524	1271	1380	2044	1971	1567

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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
2,009 78	1,952 78	1,937 93	1,927 203
48.10	65.28	5.97	1.30
483 4,086	552 3,925	584 3,886	513 3,628
576 1930	327 1919	180 1670	134 1814

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public works:					
Streets (miles)	*	*	*	411.07	414.57
Streetlights	*	*	*	621	625
Traffic signals	*	*	*	17	17
Parks and recreation:					
Parks	*	*	*	13	13
Community centers	*	*	*	2	2
Wastewater:					
Sanitary sewers (miles)	*	*	*	*	*
Storm drains (miles)	*	*	*	*	*
Number of Service Connections	*	*	*	*	*

Source: Town of Apple Valley
 * Data not available

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
417.17	422.71	422.71	422.71	422.71
628	628	628	628	628
17	21	22	22	22
14	13	13	13	13
2	2	2	2	3
140	142	142	142	142
1	2	2	2	2
12,313	13,179	13,506	13,686	13,820