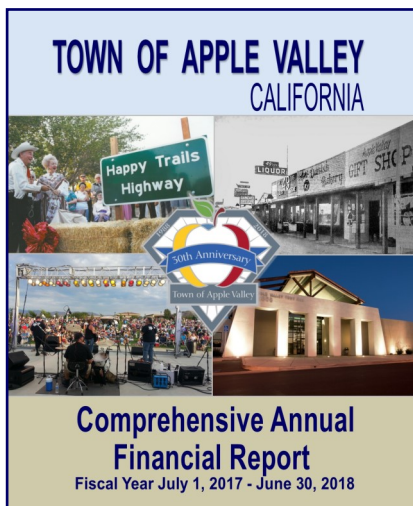


TOWN OF APPLE VALLEY CALIFORNIA



Comprehensive Annual Financial Report

Fiscal Year July 1, 2017 - June 30, 2018



About the Cover

Apple Valley celebrates 30 years of incorporation. In November 1988, an overwhelming 84% of voters approved the measure to incorporate the Town of Apple Valley. From the early days of grassroots leadership, it is still our citizens that drive this community. Originally a destination resort for Hollywood's elite including its most famous residents, Roy Rogers and Dale Evans, Apple Valley still remains a quality residential community. Today, the Town is home to 73,355 residents who enjoy affordable housing, clean air, low crime rates and open spaces that make Apple Valley the land of opportunity for those seeking a better place to live, work and play.

TOWN OF APPLE VALLEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2018

Prepared by
Finance Department

**Town of Apple Valley, California
Comprehensive Annual Financial Report
Year Ended June 30, 2018**

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
Letter of Transmittal	i - viii
Town Officials	ix
Organizational Chart	x
Certificate of Achievement for Excellence in Financial Reporting	xi
FINANCIAL SECTION	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15 - 16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17 - 18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20 - 21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25 - 26
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	28
Notes to Financial Statements	29 - 62
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	63
Transportation Development Act Fund	64
Schedule of Changes in Total OPEB Liability	65
Schedule of the Town's Proportionate Share of the Net Pension Liability	66
Schedule of Plan Contributions	67
Notes to Required Supplementary Information	68
Supplementary Information:	
Non-major Governmental Funds:	
Combining Balance Sheet	69 - 70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	71 - 74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	75 - 78
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Capital Projects Fund	79
Measure I Fund	80
2007 Town Hall Annex Fund	81
Street Maintenance Fund	82
CDBG Fund	83

**Town of Apple Valley, California
Comprehensive Annual Financial Report
Year Ended June 30, 2018**

TABLE OF CONTENTS - Continued

	PAGE
Supplementary Information - Continued	
Air Pollution Control District	84
Neighborhood Stabilization Program Fund	85
Assessment District L-1	86
Quimby Fees Fund	87
HOME Fund	88
NAVISP Infrastructure Fund	89
Storm Drains Fund	90
Project Manager Grants	91
Development Impact Fees Fund	92
1999 COPS Fund	93
Agency Funds:	94
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	95 - 96
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	97 - 99
 STATISTICAL SECTION	
Statistics:	100
Net Position by Component	101 - 102
Changes in Net Position	103 - 106
Fund Balances of Governmental Funds	107 - 108
Changes in Fund Balances of Governmental Funds	109 - 110
Assessed Value of Taxable Property	111 - 112
Direct and Overlapping Property Tax Rates	113
Principal Property Tax Payers	114
Property Tax Levies and Collections	115
Ratios of Outstanding Debt by Type	116 - 117
Ratios of General Bonded Debt Outstanding	118
Direct and Overlapping Governmental Activities Debt	119
Legal Debt Margin Information	120 - 121
Pledged-Revenues Coverage	122
Demographic and Economic Statistics	123
Principal Employers	124
Full-time and Part-time Town Employees by Function	125
Operating Indicators by Function	126 - 127
Capital Asset Statistics by Function	128 - 129

INTRODUCTORY SECTION



Town of Apple Valley

A Better Way of Life

January 28, 2019

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, 2018.

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 exceed anticipated 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 Van Lant & Fankhanel, LLP, a firm of licensed certified public accountants. The independent auditors concluded that the Town's financial statements for the fiscal year ended June 30, 2018, 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

The Reporting Entity

This report combines the financial statements of the Town of Apple Valley, the Apple Valley Public Financing Authority and the Apple Valley Community Resource Foundation 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, attorney services, and golf course management. 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 of the Town

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's founders, Newton 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 to maintain the Apple Valley image desired by locals.

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 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."

The Annual Operating 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 fiscal year's operating 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 latter 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 73,077 in 2017. The three major industries within Apple Valley became building and construction (primarily of single family homes), real estate 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 Apple Valley's continued population growth and significantly increased demand created by a large consumer population ready to spend its dollars in Apple Valley. A commercial market study conducted at that time indicated that 75 percent of the lost sales revenue could be recaptured by the addition of specific commercial retailers. Another contributing growth factor in retail sales was the increasing traffic congestion along major routes to the freeway which encouraged Apple Valley consumers to look within Apple Valley for their needs.

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 1.32 million square foot Walmart Distribution Center and a 140,000 square feet Fresenius Medical Care TruBlu Logistics Center. Major industrial developers, including Watson Land Company are actively marketing large acre parcels for development. This activity continues to be a major revenue source and has been instrumental in pioneering infrastructure development to north Apple Valley. In 2011, the Town Council earmarked \$1.6 million for future infrastructure development in this area, of which a portion has been pledged as part of an attraction of a 1.3 million square foot Big Lots distribution center that is expected to break ground in 2018 and add 400 to 500 permanent jobs and another 300 construction jobs to the region. The center is expected to open in early 2019.

The same attractions which brought people into Apple Valley in the 1980s - moderate housing costs, recreation amenities and rural character offered by the area - continue as a driving force in the Town's economic growth and maintenance of the quality of life offered to its residents.

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 well into the future.

81 Retailers opened a store in Apple Valley within the last 12 months including but not limited to, 18 Tapps Tavern!, A.V. Smoke Shop, Anna's Pet Grooming, Apple Valley Auto Spa, Aromatherapy Relaxation, Beyond Apple Valley, CDS Professional Services, Daggett

Motorsports, Dollar Deal Thrift, ecoATM, LLC, EMK Smog & Repair, Fashion Trendz, Heart Driven, Inc., High End Smokeshop, J's Tees, Larsen Liquidations, Limitless Consulting, Inc., Loui Smoke & Vape Shop, MG Arts Signs, Paradise Water, Premier Auto Sales, and Sprint Connect, LP.

With sustainable economic development as a top Council priority, and a bright vision of the Town's future, Apple Valley Choice Energy (AVCE) launched as a new electric utility service in April 2017. AVCE has been providing electrical service to Apple Valley residents for the past twenty months and currently serves more than 28,000 customers with a 90% participation rate.

Southern California Edison (SCE) continues to provide the Town's customers with electricity delivery, power line maintenance, and billing services; however, AVCE provides the electricity itself. AVCE offers competitive and affordable rates for a greener renewable energy.

Moving energy in-house provides the community with a twofold opportunity: the first - to orient electricity provision to meet the needs of residents and businesses; the second - to meet the Town's goal of increasing local energy efficiency. AVCE offers customers the ability to choose between two products with varying levels of renewable energy content. The Core Choice option (in which all customers are automatically enrolled) includes a 35% renewable energy content, while the More Choice option includes 50% renewable energy for a nominal flat rate cost of \$2 per month added to the residential customer billing.

AVCE serves as a long-term, sustainable revenue source which benefits not only AVCE customers, but the Apple Valley community as a whole. AVCE enables the Town to create an energy generation portfolio, giving Apple Valley the ability to determine the amount of renewable energy sources that will be used in its service area. This provides an opportunity to harness local sustainable resources, such as solar and wind power. As a result, the Town will not only meet the State of California's requirement of using 33% renewable energy by 2020, but will surpass this goal.

Additional benefits with AVCE are personalized customer service and enhanced Town relationships with residents and businesses. Apple Valley's Town Council sets the energy rates, enabling AVCE customers to have greater influence than previously. Customers with rate or other concerns can interact directly with the Town Council, as opposed to the California Public Utilities Commission.

Economic Development efforts continue 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.

The Town 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 tax measure revenues. Recent improvements to this corridor include rehabilitation of Apple Valley Road from Bear Valley Road to Town Center.

With the \$43 million Yucca Loma Bridge project finally completed and open to the public, Apple Valley residents can now enjoy the connection of, Yates Road, Green Tree Boulevard Extension, and Yucca Loma Road Corridor to Victorville with the additional crossing over the Mojave River, and ultimately gain additional access to Interstate 15. The Town is ready to move forward and focus on another significant project that was getting underway during this time frame. The final engineering designs needed to re-engineer and re-align the intersection of Apple Valley Road and Highway 18 is a joint project between the California Department of Transportation (Caltrans) and the Town to improve the functional efficiency of this very heavily traveled intersection, to relieve congestion, and improve safety.

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: Improvements for the Bear Valley Road Bridge rehabilitation project will be constructed in phases. The Engineering Department has retained a consultant for structural engineering services to help analyze and rehab the existing bridge. The consultant will also perform engineering design work to prepare for the widening of the bridge to address the deficient deck conditions. The completed bridge will consist of six east/west travel lanes, a center median, shoulders and a class 1 bike path. The Engineering Department has successfully applied for federal funds under the Highway Bridge Program (HBP) which will fund a majority of the project costs.
- 2-5 years: A joint Highway 18 corridor study between the Town and 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 High Desert Corridor Interchange with Interstate 15 will commence construction during this time frame. This project in Apple Valley is part of a coordinated effort with 13 stakeholder agencies including the County of Los Angeles, County of San Bernardino, SCAG, SBCTA, LA Metro, Caltrans, and all affected municipalities within the Victor Valley, and the Antelope Valley, to construct infrastructure for the development of a new 63 mile long Multi-modal Transportation Corridor. The new High Desert Corridor extends from SR-18 in eastern Apple Valley, to SR-14 in Palmdale, and will provide direct access to the former George Air Force Base, now Southern California Logistics Airport. Environmental Studies and Preliminary Engineering is in progress to design the new Corridor, including a new freeway interchange which will create Apple Valley's first direct access to Interstate 15.

Quality of Life Issues

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

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 Specialist 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, 2017, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). This was the fifteenth year that the Town has received this prestigious award. 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 for the year ended, June 30, 2018, 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.

The Town also received the GFOA's Distinguished Budget Presentation Award for its 2017-18 annual budget document. This was the fourth year that the Town has received this award. To qualify for the Distinguished Budget Presentation Award, the Town's budget had to be judged proficient as a policy document, a financial plan, an operating guide, and a communication device.

Acknowledgments

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

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 continued support of the Town Manager's Office and Town Council. The guidance and suggestions from the accounting firm of Van Lant & Fankhanel, LLP, were also invaluable in completion of this report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sydnie Harris', with a long horizontal flourish extending to the right.

Sydnie Harris, MSA
Director of Finance

Town of Apple Valley

Listing of Public Officials

Town Council

Larry Cusack
Mayor

Scott Nassif
Mayor Pro-Tem

Curt Emick
Councilmember



A Better Way of Life

Art Bishop
Councilmember

Kari Leon
Councilmember

Town Staff

Douglas B. Robertson
Town Manager

Thomas Rice, *Town Attorney*

Sydney Harris, *Director of Finance*

Brad Miller, *Town Engineer*

Gina Whiteside, *Director of Animal Services*

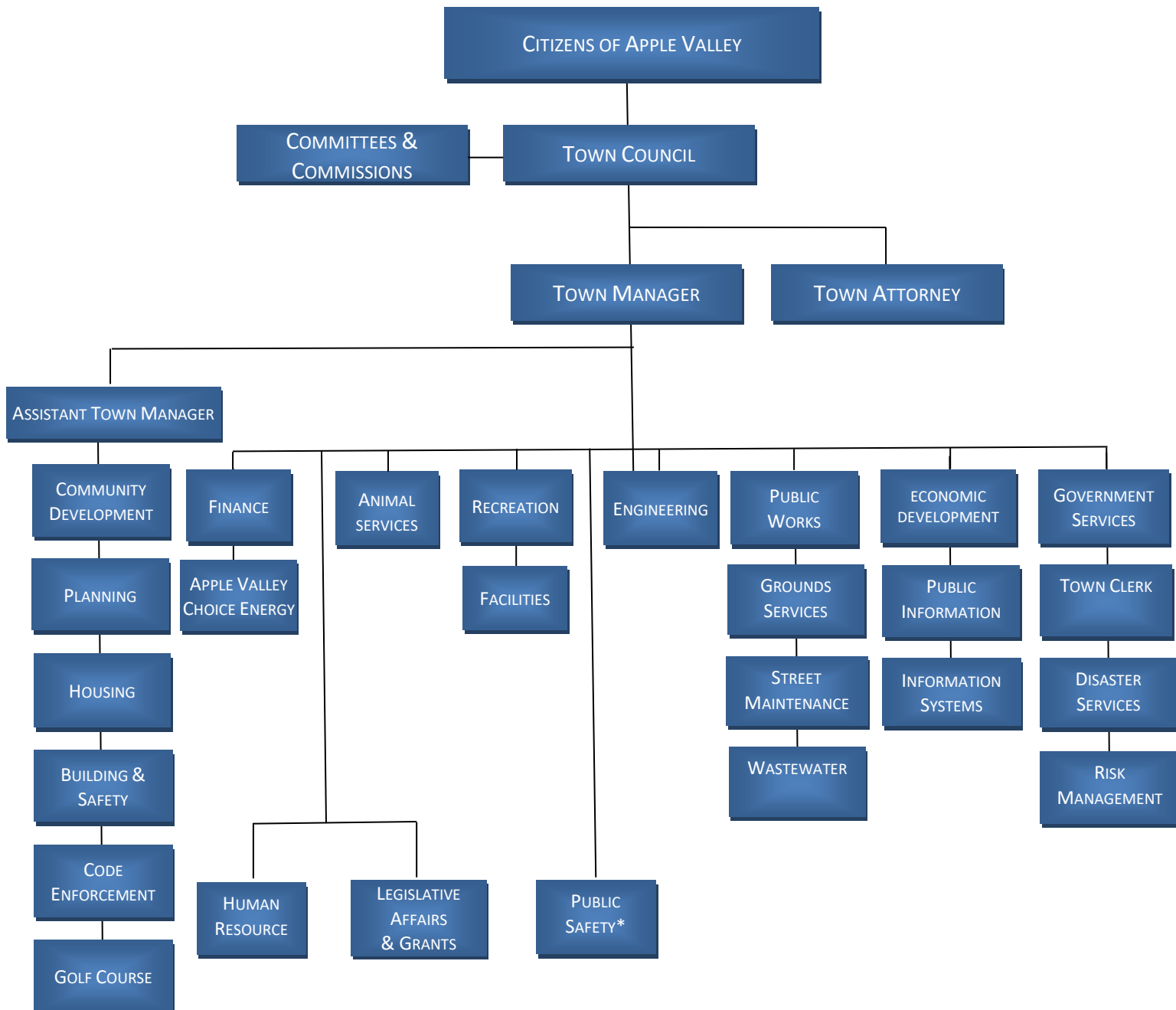
Lori Lamson, *Assistant Town Manager*

LaVonda Pearson, *CMC, Town Clerk/Director of Government Services*

Captain Manny Mendoza, *Chief of Police*

Town of Apple Valley

ORGANIZATIONAL CHART



*Public Safety services are contracted through the San Bernardino County Sheriff's Department



Government Finance Officers Association

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, 2017

Christopher P. Morill

Executive Director/CEO

This page intentionally left blank

FINANCIAL SECTION



Independent Auditor's Report

The Honorable Town Council
Town of Apple Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Financial Condition

As discussed in Note V F, the Town has suffered substantial recurring losses in its General Fund for several years, resulting in an unrestricted fund balance of \$1,770,927. In addition, the Town's Apple Valley Golf Course Fund has a deficit net position of \$1,864,359. The deficit in the Apple Valley Golf Course Fund has resulted in cash advances from the General Fund of \$3,476,703. These issues raise uncertainties regarding future operations. Management's plans in regard to these matters are also described in Notes II A, III B, and IV F. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Change in Accounting Principle

As described in Note IV D to the financial statements, in fiscal year 2017-18, the Town adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, the schedules listed in the supplementary information section of the table of contents, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed in the supplementary information section of the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed in the supplementary information section of the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and on compliance.

Van Lant + Fankhaed, LLP

January 28, 2019

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, 2018. 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-viii 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 2017-18 by \$438,098,086 (*net position*). Of this amount, \$5,931,002 (*unrestricted net position*) may be used to meet the Town’s ongoing obligations to citizens and creditors.
- The Town’s total net position decreased by \$12,756,661 from the prior fiscal year total of \$450,854,747.
- As of FY 2017-18 year end, the Town’s governmental funds reported combined ending fund balances of \$35,068,065, an increase of \$220,594 in comparison with the prior fiscal year. Of this total amount, 31.5 percent or \$11,030,421, is available for spending at the government’s discretion (*unrestricted fund balance*).
- At the end of fiscal year 2017-18, unrestricted fund balance for the general fund was \$1,770,927, or 6.24 percent of total general fund expenditures.
- The Town of Apple Valley’s total outstanding long-term liabilities for Government Activities and Business-type Activities increased by \$1,371,666 or 5.7 percent, during fiscal year 2017. The increase was mainly due to changes in the Town’s Net Pension Liability, Claims Payable and repayment of long-term debt. 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 position* presents information on all of the Town’s assets and liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. 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, and community development. The business-type activities of the Town include sewer services, solid waste management, leisure golf at the Apple Valley Golf Course and Community Choice Aggregation (CCA) through Apple Valley Choice Energy (AVCE).

The Apple Valley Public Financing Authority is a legally separate authority for which the Town is financially accountable. It functions for all practical purposes as a department of the Town of Apple Valley, and therefore has been included in the governmental activities of the Town.

The government-wide financial statements can be found on pages 14-16 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 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Transportation Development Act fund, Capital Projects fund, Measure I fund, and the Town Hall Annex, all of which are considered to be major funds. Data from the other twenty-one 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 17-22 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 services, waste management operations, leisure golf at the Apple Valley Golf Course and CCA through AVCE.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Waste Management, Golf Course and AVCE funds. 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 23-26 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 pages 27-28.

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 29-62 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, 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$438,098,086 at the close of the most recent fiscal year.

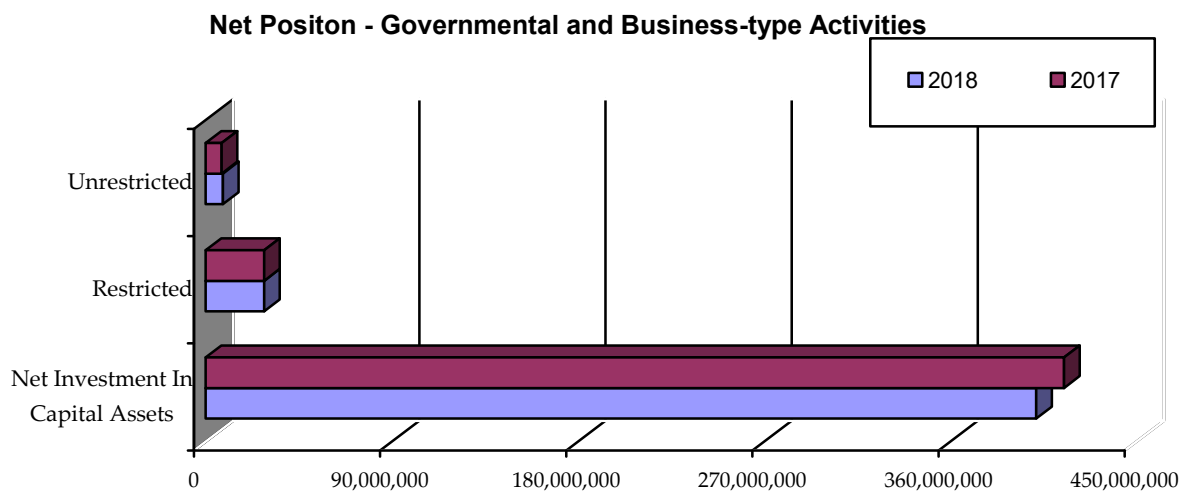
Town of Apple Valley's Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 39,865,566	\$ 40,296,927	\$ 16,662,047	\$ 13,995,492	\$ 56,527,613	\$ 54,292,419
Capital assets	<u>381,652,243</u>	<u>392,857,686</u>	<u>29,611,073</u>	<u>31,382,388</u>	<u>411,263,316</u>	<u>424,240,074</u>
Total assets	<u>\$421,517,809</u>	<u>\$433,154,613</u>	<u>\$ 46,273,120</u>	<u>\$ 45,377,880</u>	<u>\$467,790,929</u>	<u>\$478,532,493</u>
Total Deferred Outflows of Resources	<u>\$ 4,751,291</u>	<u>\$ 4,495,161</u>	<u>\$ 425,073</u>	<u>\$ 369,205</u>	<u>\$ 5,176,364</u>	<u>\$ 4,864,366</u>
Long-term liabilities outstanding	25,733,184	23,785,164	1,719,195	1,621,951	27,452,379	25,407,115
Other liabilities	<u>4,207,156</u>	<u>2,742,986</u>	<u>2,492,912</u>	<u>3,961,257</u>	<u>6,700,068</u>	<u>6,704,243</u>
Total liabilities	<u>\$ 29,940,340</u>	<u>\$ 26,528,150</u>	<u>\$ 4,212,107</u>	<u>\$ 5,583,208</u>	<u>\$ 34,152,447</u>	<u>\$ 32,111,358</u>
Total Deferred Inflows of Resources	<u>\$ 698,625</u>	<u>\$ 398,060</u>	<u>\$ 18,135</u>	<u>\$ 32,694</u>	<u>\$ 716,760</u>	<u>\$ 430,754</u>
Net Position:						
Net investment in capital assets	372,417,243	384,326,300	29,145,941	30,683,607	401,563,184	415,009,907
Restricted	27,374,638	25,111,480	3,229,262	3,090,812	30,603,900	28,202,292
Unrestricted	<u>(4,161,746)</u>	<u>1,285,784</u>	<u>10,092,748</u>	<u>6,356,764</u>	<u>5,931,002</u>	<u>7,642,548</u>
Total net position	<u>\$395,630,135</u>	<u>\$410,723,564</u>	<u>\$ 42,467,951</u>	<u>\$ 40,131,183</u>	<u>\$438,098,086</u>	<u>\$450,854,747</u>

The largest portion of the Town’s net position (91.7 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 position (7.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (1.4 percent) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.



The government’s net position decreased by \$12,756,661 during the current fiscal year.

Governmental activities

Governmental activities decreased the Town’s net position by \$15,093,429 (3.7 percent). Key elements of this decrease are as follows:

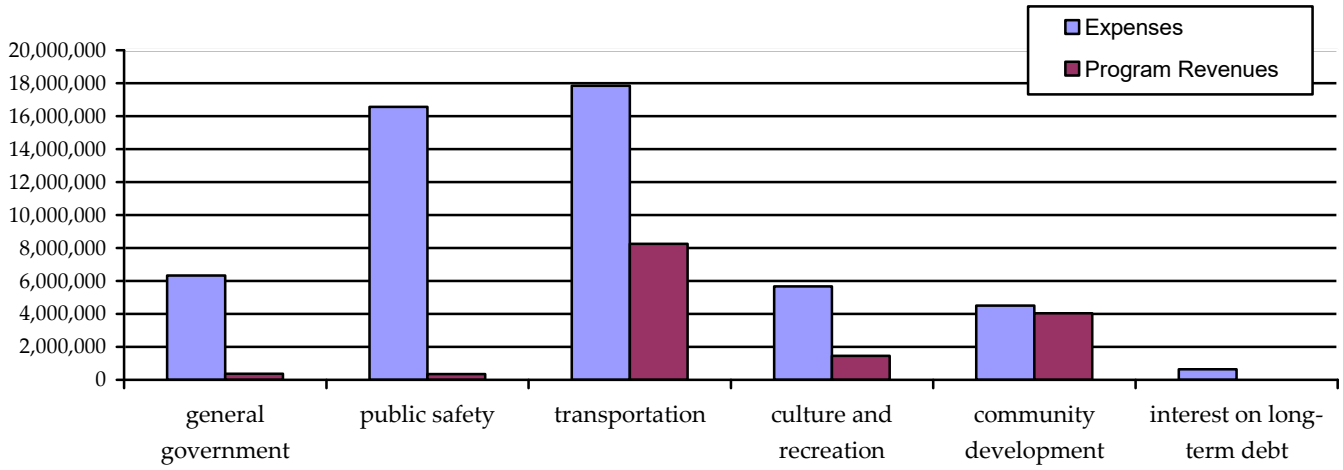
- Other Tax revenue increased \$698,604 (7.1 percent). Of this amount, \$673,154 (96.35 percent) was an increase in Sales tax revenue.
- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. For Governmental funds, depreciation expense exceeded capital outlay exceeded by \$11,205,443. As a result, net position decreased by \$11,205,443.
- A prior period adjustment of \$288,189 as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in fiscal year 2017-18, the beginning net position was reduced by \$288,189.

Overall, General Government expenses increased by \$1,187,180 (23.0 percent) mainly due to expenses incurred for existing litigation in the matter of water company acquisition during this fiscal.

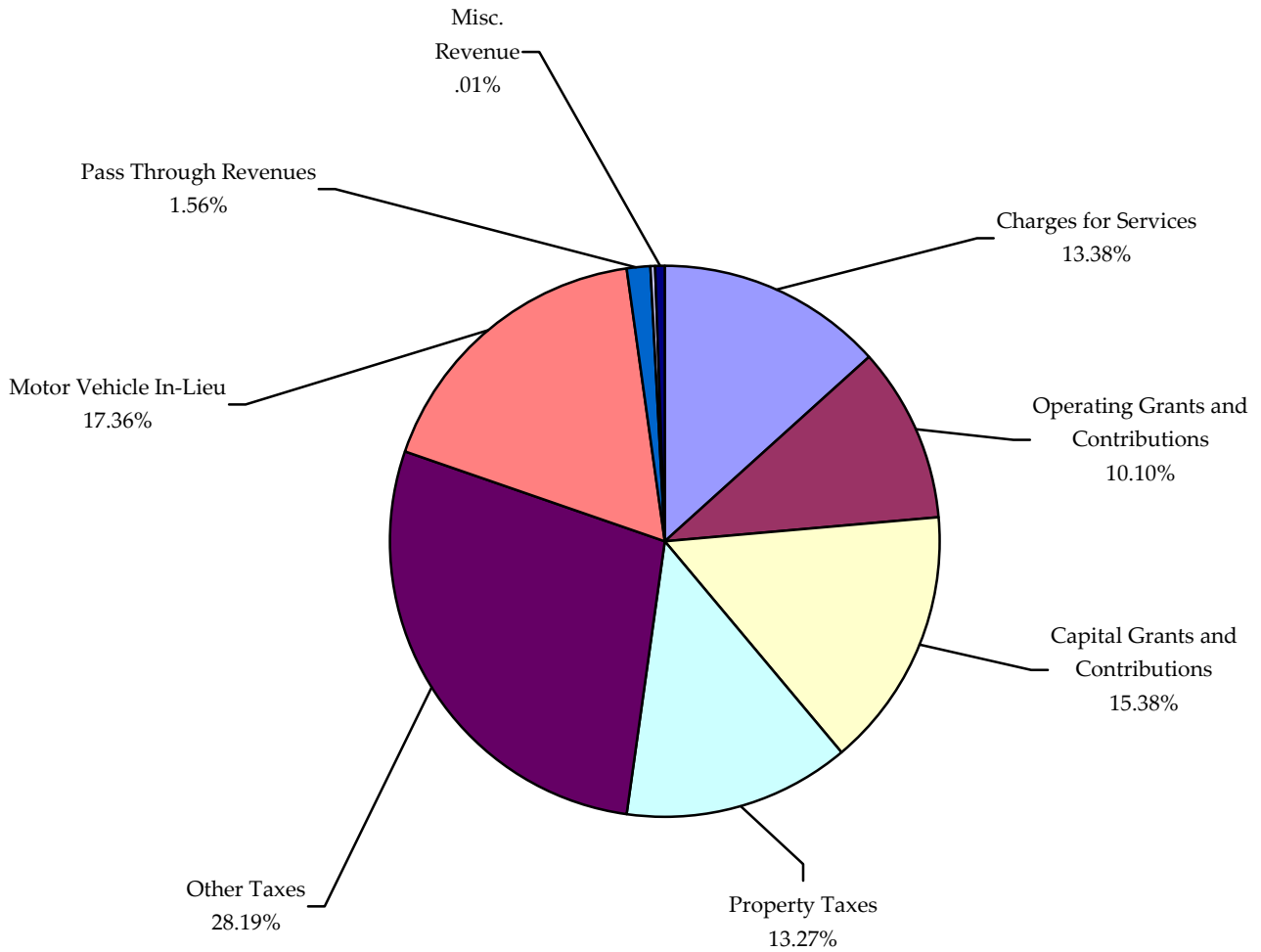
Town of Apple Valley's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenues:						
Charges for service	\$4,974,418	\$5,127,437	\$33,595,704	\$21,164,255	\$38,570,122	\$26,291,692
Operating grants and contributions	3,755,669	4,644,925	39,569	19,829	3,795,238	4,664,754
Capital grants and contributions	5,718,211	13,090,722	311,796	354,653	6,030,007	13,445,375
General revenues:						
Property taxes	4,934,356	4,689,978			4,934,356	4,689,978
Other taxes	10,481,823	9,783,219			10,481,823	9,783,219
Motor Vehicle in-Lieu	6,455,212	6,129,059			6,455,212	6,129,059
Sales Tax in-Lieu						
Pass Through Revenues	580,907	442,593			580,907	442,593
Miscellaneous Revenues	30,029	38,093			30,029	38,093
Gain on Sale of Capital Assets						
Investment Income	254,774	51,146	206,871	85,437	461,645	136,583
Total revenues	37,185,399	43,997,172	34,153,940	21,624,174	71,339,339	65,621,346
Expenses						
General government	6,338,028	5,150,848			6,338,028	5,150,848
Public safety	16,560,665	16,133,239			16,560,665	16,133,239
Transportation	17,844,646	12,993,513			17,844,646	12,993,513
Culture and recreation	5,674,619	5,854,862			5,674,619	5,854,862
Community Development	4,498,196	5,144,327			4,498,196	5,144,327
Interest on long-term debt	637,883	497,928			637,883	497,928
Apple Valley Choice Energy			13,698,907	2,906,247	13,698,907	2,906,247
Golf Course			1,025,932	1,027,848	1,025,932	1,027,848
Sewer			6,320,803	5,789,984	6,320,803	5,789,984
Waste Management			11,208,132	10,849,449	11,208,132	10,849,449
Total expenses	51,554,037	45,774,717	32,253,774	20,573,528	83,807,811	66,348,245
Change in N/P before Transfers	(14,368,638)	(1,777,545)	1,900,166	1,050,646	(12,468,472)	(726,899)
Transfers	(436,602)	(1,056,749)	436,602	1,056,749		
Change in net position	(14,805,240)	(2,834,294)	2,336,768	2,107,395	(12,468,472)	(726,899)
Net position (beginning)	410,723,564	413,036,577	40,131,183	38,023,788	450,854,747	451,060,365
Prior Period Adjustment	(288,189)	521,281			(288,189)	521,281
Net position (ending)	\$395,630,135	\$410,723,564	\$42,467,951	\$40,131,183	\$438,098,086	\$450,854,747

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

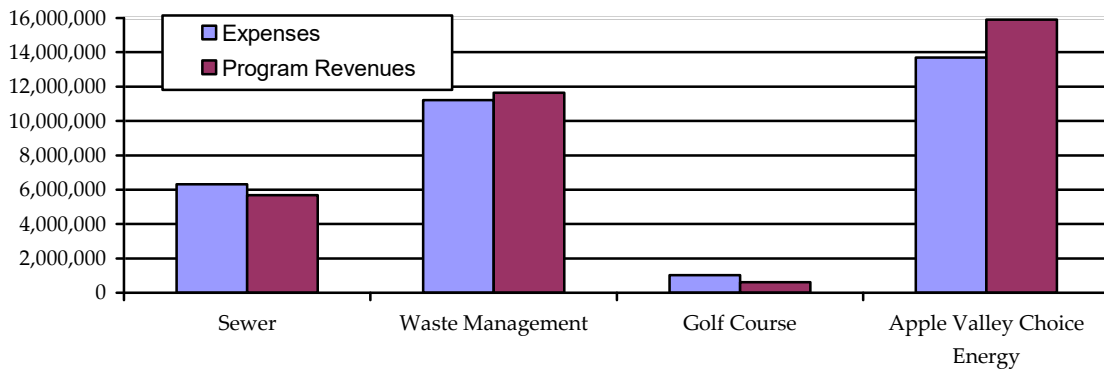


Business-type activities

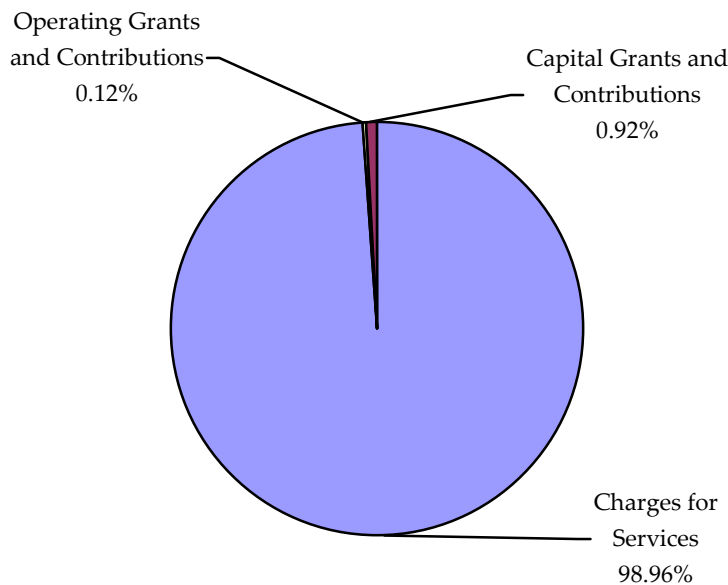
Business-type activities increased the Town’s net position by \$2,336,768. Key elements of this increase are as follows:

- The Sewer fund’s net position decreased by \$333,178 (0.86 percent) this fiscal year. This was mainly due to an increase in operating expenses.
- The Waste Management fund’s net position increased by \$433,413 (17.45 percent). This was mainly due to an increase in charges for services.
- The Apple Valley Golf Course fund’s net position increased by \$29,526 (1.56 percent). This was mainly due to decreases in contract services.
- The Apple Valley Choice Energy fund’s net position increased by \$2,207,007. This was mainly due its implementation midyear during the 2016-17 fiscal year. Fiscal year 2017-18 shows a full twelve months activity as a Proprietary fund.

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 \$35,068,065, an increase of \$220,594 in comparison with the prior fiscal year. Approximately 31.45 percent of this total amount - \$11,030,421 - constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance - \$24,037,644 - 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 \$5,316,793. Of this amount, \$1,770,927 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 6.24 percent of total general fund expenditures. The fund balance of the Town's General Fund decreased by \$7,530,196 during the current fiscal year. This decrease was mainly due to the absorption of the Parks and Recreation Fund into the General Fund. This combination caused increased costs for general government activities.

The Transportation Development Act fund has a fund balance of \$3,364,038 at year end, all of which is reported as restricted. The net increase during the current year was \$1,827,105. This increase was due to the completion of various projects and receipt of all prior year deferred revenues relating to Article 3 and Article 8 projects.

The Capital Projects fund has a fund balance of \$6,695,398 at year end, which is all reported as assigned. This fund represents transportation impact fees collected by the Town and will be used for capacity enhancing street projects in the Town. During the 2017-18 fiscal year, expenditures decreased significantly in comparison to the prior fiscal year due to the completion of several projects.

The Measure I fund has a fund balance of \$3,139,897 at year end, all of which is reported as restricted. The net decrease in the fund balance during the current year for the Measure I fund was \$2,945,325. This decrease was due to the total Measure I dollars spent for capital projects this year exceeding the Measure I revenues received.

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 position of the Sewer fund was \$9,010,487. The total decrease in net position for the fiscal year in the Sewer fund was \$333,178. For the Solid Waste Management fund, unrestricted net position totaled \$2,000,730 at year end. The total increase in net assets for the Solid Waste Management fund for the fiscal year was \$433,413. Correspondingly, unrestricted net position for the Apple Valley Golf Course fund as of June 30, 2018 amounted to \$(3,571,518). At the end of its first full year of operations, Apple Valley Choice Energy's unrestricted net position as of the end of the fiscal year was \$2,653,049.

General Fund Budgetary Highlights

The original budget as approved by the Town Council projected an appropriation from fund balance of \$124,982 for the year. The final adopted budget, as amended, projected a utilization of \$1,844,499 from fund balance. At year end, actual budgetary performance resulted in a net decrease in fund balance of \$930,632. Tax revenues increased from budgetary projections by \$1,248,998 and increased \$3,402,420 over the prior year levels. The increase from budgetary projections for revenues was mainly due to Property tax, Sales tax and Franchise fee revenues (the General Fund's three major revenue sources) coming in at \$1,248,998 (5.8 percent) more than the projections. Overall, General Fund actual revenues exceeded budgetary projections by 6.7 percent. Actual expenditures in the General Fund ended the fiscal year exceeding the amended budget by \$612,127 (2.2 percent). This amount was due to expenses incurred for existing litigation in the matter of water company acquisition during this fiscal.

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, 2018, amounts to \$411,263,316 (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 \$12,976,758 (a \$11,205,443 decrease for governmental activities and a \$1,771,315 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 100,319,713	\$ 100,128,843	\$ 1,819,012	\$ 1,819,012	\$ 102,138,725	\$ 101,947,855
Water Rights			3,650,000	3,650,000	3,650,000	3,650,000
Construction in Progress	3,339,394	13,399,604			3,339,394	13,399,604
Furniture and Equipment	164,186	127,342	132,707		296,893	127,342
Trucks and Automobiles	431,154	18,284	2,950	9,244	434,104	27,528
Structures and Improvements	54,259,459	57,297,881	1,650,444		55,909,903	57,297,881
Infrastructure	223,138,337	221,885,732			223,138,337	221,885,732
Building and System				1,728,099		1,728,099
Machinery and Equipment				169,929		169,929
Collector Lines			<u>22,355,960</u>	<u>24,006,104</u>	<u>22,355,960</u>	<u>24,006,104</u>
Total Capital Assets	<u>\$381,652,243</u>	<u>\$ 392,857,686</u>	<u>\$29,611,073</u>	<u>\$ 31,382,388</u>	<u>\$411,263,316</u>	<u>\$424,240,074</u>

Additional information on the Town of Apple Valley's capital assets can be found in note III.E on pages 43-44 of this report.

Long-term debt: At the end of the current fiscal year, the Town had total bonded debt outstanding of \$9,235,000. This amount comprises debt backed by the full faith and credit of the government. The Town's total bonded debt outstanding increased by \$703,614 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 \$211,734,244, which is \$202,499,244 (legal debt margin) 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>2018</u>	2017	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Certificates of Participation	\$ 760,000	\$ 1,125,000	\$	\$	\$ 760,000	\$ 1,125,000
2017 Loan Payable	8,475,000	7,406,386			8,475,000	7,406,386
Claims Payable	338,610	785,950			338,610	785,950
Special assessment debt with Governmental commitment						
Net Pension Liability	12,654,705	11,239,816	1,254,063	923,170	13,908,768	12,162,986
Compensated Absences	853,515	977,455			853,515	977,455
Pension-related Debt						
Net OPEB Obligation	2,651,358	2,250,557			2,651,358	2,250,557
Installment Purchase Agreement			465,132	698,781	465,132	698,781
Total	<u>\$ 25,733,188</u>	<u>\$ 23,785,164</u>	<u>\$ 1,719,195</u>	<u>\$ 1,621,951</u>	<u>\$ 27,452,383</u>	<u>\$ 25,407,115</u>

Additional information of the Town of Apple Valley's long-term debt can be found in note III.F on pages 45-49 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 Director of Finance, Town of Apple Valley, 14955 Dale Evans Parkway, Apple Valley, CA 92307.

This page intentionally left blank

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

Town of Apple Valley, California
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 27,425,853	\$ 12,632,132	\$ 40,057,985
Accounts Receivable	1,196,845	4,446,671	5,643,516
Interest Receivable	69,236	43,405	112,641
Due from Other Governments, Net	2,076,352	39,247	2,115,599
Internal Balances	3,476,703	(3,476,703)	-
Loans Receivable	5,430,820		5,430,820
Prepaid Items	69,163	-	69,163
Restricted Assets:			
Cash and Investments with Fiscal Agent	120,594	1,115,479	1,236,073
Cash and Investments		1,861,816	1,861,816
Capital Assets, Not Being Depreciated:			
Land	100,319,713	1,819,012	102,138,725
Water Rights		3,650,000	3,650,000
Construction in Progress	3,339,394		3,339,394
Capital Assets, Net of Accumulated Depreciation:			
Structures and Improvements	54,259,459	1,650,444	55,909,903
Furniture and Equipment	164,186	132,707	296,893
Trucks and Automobiles	431,154	2,950	434,104
Collector Lines		22,355,960	22,355,960
Infrastructure	223,138,337		223,138,337
Total Assets	<u>421,517,809</u>	<u>46,273,120</u>	<u>467,790,929</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to OPEB	181,383		181,383
Deferred Amounts Related to Pensions	4,569,908	425,073	4,994,981
Total Deferred Outflows of Resources	<u>4,751,291</u>	<u>425,073</u>	<u>5,176,364</u>
LIABILITIES			
Accounts Payable	3,485,095	1,523,865	5,008,960
Accrued Liabilities	622,857	18,650	641,507
Interest Payable	99,204		99,204
Due to Other Governments		315,281	315,281
Unearned Revenue		590,521	590,521
Amounts Due Bondholders		44,595	44,595
Noncurrent Liabilities:			
Due Within One Year	1,348,402	231,042	1,579,444
Due in More Than One Year, Net	24,384,782	1,488,153	25,872,935
Total Liabilities	<u>29,940,340</u>	<u>4,212,107</u>	<u>34,152,447</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to OPEB	503,652		503,652
Deferred Amounts Related to Pensions	194,973	18,135	213,108
Total Deferred Outflows of Resources	<u>698,625</u>	<u>18,135</u>	<u>716,760</u>
NET POSITION			
Net Investment in Capital Assets	372,417,243	29,145,941	401,563,184
Restricted for:			
Transportation	6,939,244		6,939,244
Culture and Recreation	346,463		346,463
Community Development	7,466,368		7,466,368
Capital Projects	12,622,563	1,115,479	13,738,042
Assessment District Improvements		2,113,783	2,113,783
Unrestricted	(4,161,746)	10,092,748	5,931,002
Total Net Position	<u>\$ 395,630,135</u>	<u>\$ 42,467,951</u>	<u>\$ 438,098,086</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 6,338,028	\$ 263,422	\$ 55,961	\$ 48,154
Public Safety	16,560,665	101,625	231,656	10,723
Transportation	17,844,646		2,733,106	5,510,047
Culture and Recreation	5,674,619	1,271,869	35,564	144,370
Community Development	4,498,196	3,337,502	699,382	4,917
Interest on Long-Term Debt	637,883			
Total Governmental Activities	<u>51,554,037</u>	<u>4,974,418</u>	<u>3,755,669</u>	<u>5,718,211</u>
Business-type Activities:				
Sewer	6,320,803	5,547,876		311,696
Solid Waste Management	11,208,132	11,523,158	39,569	
Apple Valley Golf Course	1,025,932	618,756		100
Apple Valley Choice Energy	13,698,907	15,905,914		
Total Business-type Activities	<u>32,253,774</u>	<u>33,595,704</u>	<u>39,569</u>	<u>311,796</u>
Total Primary Government	<u><u>\$ 83,807,811</u></u>	<u><u>\$ 38,570,122</u></u>	<u><u>\$ 3,795,238</u></u>	<u><u>\$ 6,030,007</u></u>

General Revenues:

Taxes:

Property Taxes

Franchise Taxes

Sales Taxes

Transient Occupancy Taxes

Motor Vehicle in-lieu (intergovernmental, unrestricted)

Pass Through Tax Increment Revenues

Miscellaneous Revenues

Investment Income

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustments

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (5,970,491)	\$	\$ (5,970,491)
(16,216,661)		(16,216,661)
(9,601,493)		(9,601,493)
(4,222,816)		(4,222,816)
(456,395)		(456,395)
(637,883)		(637,883)
<u>(37,105,739)</u>	-	<u>(37,105,739)</u>
	(461,231)	(461,231)
	354,595	354,595
	(407,076)	(407,076)
	<u>2,207,007</u>	<u>2,207,007</u>
-	<u>1,693,295</u>	<u>1,693,295</u>
<u>(37,105,739)</u>	<u>1,693,295</u>	<u>(35,412,444)</u>
4,934,356		4,934,356
3,993,653		3,993,653
6,479,162		6,479,162
9,008		9,008
6,455,212		6,455,212
580,907		580,907
30,029		30,029
254,774	206,871	461,645
(436,602)	436,602	-
<u>22,300,499</u>	<u>643,473</u>	<u>22,943,972</u>
(14,805,240)	2,336,768	(12,468,472)
410,723,564	40,131,183	450,854,747
(288,189)	-	(288,189)
<u>\$ 395,630,135</u>	<u>\$ 42,467,951</u>	<u>\$ 438,098,086</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Balance Sheet
Governmental Funds
June 30, 2018

	General	Special Revenue Fund Transportation Development Act	Capital Projects Funds	
			Capital Projects	Measure I
ASSETS				
Cash and Investments	\$ 1,164,253	\$ 3,364,352	\$ 6,696,376	\$ 5,024,275
Cash with Fiscal Agent				
Accounts Receivable	905,417		47,300	140,276
Interest Receivable	22	9,795	19,415	13,095
Due from Other Funds	138,432			
Due from Other Governments	1,388,300			435,980
Due from Successor Agency				
Advances to Other Funds	3,476,703			
Loans Receivable				
Prepaid Items	69,163			
Total Assets	\$ 7,142,290	\$ 3,374,147	\$ 6,763,091	\$ 5,613,626
LIABILITIES				
Accounts Payable	\$ 915,218	\$ 10,109	\$ 26,563	\$ 2,339,931
Accrued Liabilities	387,292		41,130	133,798
Due to Other Governments				
Due to Other Funds				
Advances From Other Funds				
Total Liabilities	1,302,510	10,109	67,693	2,473,729
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	522,987			
Total Deferred Inflows of Resources	522,987	-	-	-
FUND BALANCE (DEFICITS)				
Nonspendable	3,545,866			
Restricted		3,364,038		3,139,897
Committed				
Assigned			6,695,398	
Unassigned	1,770,927			
Total Fund Balances (Deficits)	5,316,793	3,364,038	6,695,398	3,139,897
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 7,142,290	\$ 3,374,147	\$ 6,763,091	\$ 5,613,626

The accompanying notes are an integral part of this statement.

<u>Debt Service Fund</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
<u>Town Hall Annex</u>		
\$ 903,167	\$ 10,273,430	\$ 27,425,853
	120,594	120,594
	103,852	1,196,845
	26,909	69,236
		138,432
	252,072	2,076,352
		-
		3,476,703
	5,430,820	5,430,820
		69,163
<u>\$ 903,167</u>	<u>\$ 16,207,677</u>	<u>\$ 40,003,998</u>
\$	\$ 193,274	\$ 3,485,095
	60,637	622,857
		-
	138,432	138,432
		-
<u>-</u>	<u>392,343</u>	<u>4,246,384</u>
	166,562	689,549
<u>-</u>	<u>166,562</u>	<u>689,549</u>
		3,545,866
	13,987,843	20,491,778
		-
903,167	1,697,386	9,295,951
	(36,457)	1,734,470
<u>903,167</u>	<u>15,648,772</u>	<u>35,068,065</u>
<u>\$ 903,167</u>	<u>\$ 16,207,677</u>	<u>\$ 40,003,998</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Fund balances of governmental funds	\$ 35,068,065
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	381,652,243
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported as available revenues in the funds.	689,549
Long term liabilities are not due and payable in the current period and are not reported in the funds.	
Certificates of Participation	(760,000)
2017 Loan Payable	(8,475,000)
Compensated Absences	(853,511)
Claims Payable	(338,610)
Net Pension Liability	(12,654,705)
Total OPEB Liability	(2,651,358)
Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability and OPEB Liability are not reported in the funds.	
Deferred Outflows Related to Pensions	4,569,908
Deferred Inflows Related to Pensions	(194,973)
Deferred Outflows Related to OPEB	181,383
Deferred Inflows Related to OPEB	(503,652)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	<u>(99,204)</u>
Net position of governmental activities	<u><u>\$ 395,630,135</u></u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General	Special Revenue Fund Transportation Development Act	Capital Projects Funds	
			Capital Projects	Measure I
REVENUES				
Taxes	\$ 22,888,998	\$	\$	\$ 2,326,746
Licenses & Permits	1,075,986		421,668	
Fines & Forfeitures	359,347			
Investment Income	239,207	24,511	67,846	47,893
Intergovernmental	650,412	2,373,471	1,258,281	251,548
Charges for Services	2,559,544			
Donations				
Other Revenue	562,318			
Total Revenues	28,335,812	2,397,982	1,747,795	2,626,187
EXPENDITURES				
Current:				
General Government	4,681,373	35,536		
Public Safety	15,974,559			
Transportation	273,289	535,100		5,571,512
Culture and Recreation	3,499,008			
Community Development	3,407,657			
Capital Outlay		241	1,259,029	
Debt Service:				
Principal				
Interest & Fiscal Charges	342,472			
Total Expenditures	28,178,358	570,877	1,259,029	5,571,512
Excess (Deficiency) of Revenues over Expenditures	157,454	1,827,105	488,766	(2,945,325)
OTHER FINANCING SOURCES (USES)				
Transfer In				
Transfer Out	(1,088,086)			
Issuance of Debt				
Total Other Financing Sources (Uses)	(1,088,086)	-	-	-
Net Change in Fund Balances	(930,632)	1,827,105	488,766	(2,945,325)
Fund Balances, Beginning	12,846,989	1,536,933	6,206,632	6,085,222
Prior Period Adjustments	(6,599,564)			
Fund Balances, Ending	\$ 5,316,793	\$ 3,364,038	\$ 6,695,398	\$ 3,139,897

The accompanying notes are an integral part of this statement.

Debt Service Fund	Other Govern- mental Funds	Total Govern- mental Funds
Town Hall Annex		
\$	\$ 319,603	\$ 25,535,347
	427,690	1,925,344
		359,347
3,283	92,101	474,841
	2,730,346	7,264,058
		2,559,544
	127,575	127,575
	511,886	1,074,204
<u>3,283</u>	<u>4,209,201</u>	<u>39,320,260</u>
107,379	61,607	4,885,895
	26,649	16,001,208
	1,947,654	8,327,555
	19,360	3,518,368
	695,332	4,102,989
	614,774	1,874,044
7,465,000	365,000	7,830,000
255,533		598,005
<u>7,827,912</u>	<u>3,730,376</u>	<u>47,138,064</u>
(7,824,629)	478,825	(7,817,804)
252,796	398,688	651,484
		(1,088,086)
8,475,000		8,475,000
<u>8,727,796</u>	<u>398,688</u>	<u>8,038,398</u>
903,167	877,513	220,594
-	14,771,259	41,447,035
		(6,599,564)
<u>\$ 903,167</u>	<u>\$ 15,648,772</u>	<u>\$ 35,068,065</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, 2018

Net change in fund balances-total governmental funds \$ 220,594

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

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

Capital Outlay	3,196,333
Depreciation Expense	(14,401,776)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(2,134,861)
--	-------------

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

Amortization of Discounts	(58,614)
Principal Paid on Long-Term Debt	7,830,000
Issuance of Debt	(8,475,000)
Increase in Net Pension Liability	(1,414,889)
Increase in OPEB Liability	(112,612)

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	123,944
Net Change in Claims Payable	447,340
Net Change in Accrued Interest Payable	18,736
Net Change in Deferred Outflows Related to Pensions	74,747
Net Change in Deferred Inflows Related to Pensions	203,087
Net Change in Deferred Outflows Related to OPEB	181,383
Net Change in Deferred Inflows Related to OPEB	(503,652)

Change in net position of governmental activities	<u>\$ (14,805,240)</u>
---	------------------------

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Net Position
Proprietary Funds
June 30, 2018

	Sewer	Solid Waste Management	Apple Valley Golf Course	Apple Valley Choice Energy	Total
ASSETS					
Current Assets:					
Cash and Investments	\$ 10,723,350	\$ 1,556,346	\$	\$ 352,436	\$ 12,632,132
Accounts Receivable	673,006	1,168,482	17,679	2,587,504	4,446,671
Interest Receivable	35,002	8,403			43,405
Due from Other Governments	3,946	35,301			39,247
Prepaid Items					-
Total Current Assets	<u>11,435,304</u>	<u>2,768,532</u>	<u>17,679</u>	<u>2,939,940</u>	<u>17,161,455</u>
Noncurrent Assets:					
Restricted Assets:					
Cash and Investments	1,361,816			500,000	1,861,816
Cash and Investments with Fiscal Agent	1,115,479				1,115,479
Capital Assets, Not Being Depreciated:					
Land	379,012		1,440,000		1,819,012
Water Rights	3,650,000				3,650,000
Capital Assets, Net of Accumulated Depreciation	22,493,603	1,381,299	267,159		24,142,061
Total Noncurrent Assets	<u>28,999,910</u>	<u>1,381,299</u>	<u>1,707,159</u>	<u>500,000</u>	<u>32,588,368</u>
Total Assets	<u>40,435,214</u>	<u>4,149,831</u>	<u>1,724,838</u>	<u>3,439,940</u>	<u>49,749,823</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Items	<u>370,128</u>	<u>54,945</u>			<u>425,073</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	337,555	297,310	104,545	784,455	1,523,865
Accrued Liabilities	7,072	1,193	7,949	2,436	18,650
Due to Other Governments	315,281				315,281
Unearned Revenue	223,232	367,289			590,521
Amounts Due Bondholders	44,595				44,595
Current Portion of Long-Term Debt		231,042			231,042
Total Current Liabilities	<u>927,735</u>	<u>896,834</u>	<u>112,494</u>	<u>786,891</u>	<u>2,723,954</u>
Noncurrent Liabilities:					
Advances from Other Funds			3,476,703		3,476,703
Noncurrent Portion of Long-Term Debt	1,099,452	388,701			1,488,153
Total Noncurrent Liabilities	<u>1,099,452</u>	<u>388,701</u>	<u>3,476,703</u>	<u>-</u>	<u>4,964,856</u>
Total Liabilities	<u>2,027,187</u>	<u>1,285,535</u>	<u>3,589,197</u>	<u>786,891</u>	<u>7,688,810</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Actuarial Amounts	<u>15,791</u>	<u>2,344</u>			<u>18,135</u>
NET POSITION					
Net Investment in Capital Assets	26,522,615	916,167	1,707,159		29,145,941
Restricted for Capital Projects	1,115,479				1,115,479
Restricted for Assessment District Improvements	2,113,783				2,113,783
Unrestricted	9,010,487	2,000,730	(3,571,518)	2,653,049	10,092,748
Total Net Position	<u>\$ 38,762,364</u>	<u>\$ 2,916,897</u>	<u>\$ (1,864,359)</u>	<u>\$ 2,653,049</u>	<u>\$ 42,467,951</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2018

	Sewer	Solid Waste Management	Apple Valley Golf Course	Apple Valley Choice Energy	Total
OPERATING REVENUES					
Charges for Services	\$ 5,547,876	\$ 11,523,158	\$ 618,756	\$ 15,905,914	\$ 33,595,704
Total Operating Revenue	5,547,876	11,523,158	618,756	15,905,914	33,595,704
OPERATING EXPENSES					
Salaries and Benefits	791,960	109,633	10,668		912,261
Contract Services	77,996	7,996,430	389,967	974,691	9,439,084
Maintenance and Treatment	2,377,468		118,176		2,495,644
Franchise Payment		2,208,641			2,208,641
Power Purchases				11,414,361	11,414,361
General Administration	748,400	793,339	170,860	1,294,204	3,006,803
Depreciation	1,814,390	67,561	82,012		1,963,963
Other	510,589	1,907	254,249		766,745
Total Operating Expenses	6,320,803	11,177,511	1,025,932	13,683,256	32,207,502
Operating Income (Loss)	(772,927)	345,647	(407,176)	2,222,658	1,388,202
NONOPERATING REVENUES (EXPENSES)					
Investment Income	128,053	78,818			206,871
Grant Revenue		39,569			39,569
Interest		(30,621)		(15,651)	(46,272)
Total Nonoperating Revenues (Expenses)	128,053	87,766	-	(15,651)	200,168
Income Before Contributions and Transfers	(644,874)	433,413	(407,176)	2,207,007	1,588,370
Capital Contributions	311,696		100		311,796
Transfers In			436,602		436,602
Transfers Out					-
Change in Net Position	(333,178)	433,413	29,526	2,207,007	2,336,768
Total Net Position, Beginning	39,095,542	2,483,484	(1,893,885)	446,042	40,131,183
Total Net Position, Ending	<u>\$ 38,762,364</u>	<u>\$ 2,916,897</u>	<u>\$ (1,864,359)</u>	<u>\$ 2,653,049</u>	<u>\$ 42,467,951</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, 2018

	Sewer	Solid Waste Management	Apple Valley Golf Course
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 5,519,204	\$ 11,503,659	\$ 610,875
Cash Paid to Suppliers	(1,761,698)	(8,911,172)	(950,063)
Cash Paid to Other Funds for Services Provided	(1,855,798)	(2,076,311)	
Cash Paid to Employees for Services	(546,449)	(95,619)	
Net Cash Provided (Used) by Operating Activities	<u>1,355,259</u>	<u>420,557</u>	<u>(339,188)</u>
Cash Flows from Noncapital Financing Activities			
Cash Collected on Behalf of Other Governments (Paid to Grant Revenue)	(506,236)	39,569	
Advances Paid (to) from Other Funds			384,481
Cash Paid (to) from Other Funds			
Principal Paid on Debt		(233,648)	
Interest Paid on Debt		(30,621)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(506,236)</u>	<u>(224,700)</u>	<u>384,481</u>
Cash Flows from Capital and Related Financing Activities			
Capital Asset Purchases	(147,255)		(45,393)
Capital Grants Received	311,696		100
Interest Paid on Debt			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>164,441</u>	<u>-</u>	<u>(45,293)</u>
Cash Flows from Investing Activities			
Interest on Investments	108,212	73,085	
Net Cash Provided (Used) by Investing Activities	<u>108,212</u>	<u>73,085</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,121,676</u>	<u>268,942</u>	<u>-</u>
Cash and Cash Equivalents, Beginning of Fiscal Year	12,078,969	1,287,404	
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 13,200,645</u>	<u>\$ 1,556,346</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Cash Flows from Operating Activities			
Operating income (loss)	\$ (772,927)	\$ 345,647	\$ (407,176)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,814,390	67,561	82,012
(Increase) Decrease in Accounts Receivable	(84,809)	(18,584)	(7,881)
(Increase) Decrease in Due from Other Governments	76,570	9,683	
(Increase) Decrease in Prepaid Items	1,200		
(Increase) Decrease in Deferred Outflows - Pensions	(56,863)	995	
Increase (Decrease) in Accounts Payable	95,757	12,834	4,909
Increase (Decrease) in Accrued Liabilities	(1,833)	893	(11,052)
Increase (Decrease) in Net Pension Liability	316,156	14,736	
Increase (Decrease) in Deferred Inflows - Pensions	(11,949)	(2,610)	
Increase (Decrease) in Unearned Revenue	(20,433)	(10,598)	
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,355,259</u>	<u>\$ 420,557</u>	<u>\$ (339,188)</u>

The accompanying notes are an integral part of this statement.

Apple Valley Choice Energy	<u>Total</u>
\$ 15,607,285	\$ 33,241,023
(14,440,217)	(26,063,150)
(275,625)	(4,207,734)
	(642,068)
<u>891,443</u>	<u>2,328,071</u>
	(506,236)
	39,569
	384,481
(993,805)	(993,805)
	(233,648)
	(30,621)
<u>(993,805)</u>	<u>(1,340,260)</u>
	(192,648)
	311,796
<u>(15,651)</u>	<u>(15,651)</u>
<u>(15,651)</u>	<u>103,497</u>
	181,297
<u>-</u>	<u>181,297</u>
(118,013)	1,272,605
<u>970,449</u>	<u>14,336,822</u>
<u>\$ 852,436</u>	<u>\$ 15,609,427</u>

\$ 2,222,658 \$ 1,388,202

	1,963,963
(298,629)	(409,903)
	86,253
	1,200
	(55,868)
(1,035,022)	(921,522)
2,436	(9,556)
	330,892
	(14,559)
	(31,031)
<u>\$ 891,443</u>	<u>\$ 2,328,071</u>

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Net Position
Fiduciary Funds
June 30, 2018

	Successor Agency Private-purpose Trust Fund	Agency Funds
ASSETS		
Cash and Investments	\$ 1,542,671	\$ 28,415,151
Cash and Investments with Fiscal Agent	1,065,210	239,532
Accounts Receivable	115,747	93,365
Interest Receivable	3,089	1,873
Due from Other Governments		676,557
Prepaid Items		3,501
	<u>2,726,717</u>	<u>\$ 29,429,979</u>
LIABILITIES		
Accounts Payable		\$ 15,199
Accrued Liabilities	6,841	27,690,112
Deposits		1,485,136
Due to Town of Apple Valley		
Interest Payable	170,215	
Bonds Payable	41,856,397	
Amounts Due to Bondholders		239,532
	<u>42,033,453</u>	<u>\$ 29,429,979</u>
NET POSITION		
Net Position Held in Trust for Successor Agency	<u>\$ (39,306,736)</u>	

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Statement of Changes in Net Position
Fiduciary Fund
Year Ended June 30, 2018

	Successor Agency Private-purpose Trust Fund
ADDITIONS	
Taxes	\$ 3,686,900
Investment Income	12,597
Total Additions	3,699,497
DEDUCTIONS	
Administrative Costs	273,257
Project Costs	
Interest on Bonds	2,116,114
Total Deductions	2,389,371
Change in Net Position	1,310,126
Net Position - Beginning of Year	(40,616,862)
Net Position - End of Year	\$ (39,306,736)

The accompanying notes are an integral part of this statement.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Description of Reporting Entity

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

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

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

Apple Valley Public Financing Authority

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

Apple Valley Community Resource Foundation (AVCRF)

The Apple Valley Community Resource Foundation ("Foundation") was established as a 501(C)(3) under the Internal Revenue Code and is exempt from federal income taxes. The Foundation is also exempt from California State income taxes, subject to compliance with applicable laws and regulations. The primary purpose of the Foundation is to lessen the burdens of the Town and to promote and support cultural, recreational, and human services needs in the Town of Apple Valley. The governing board of the Foundation is composed of the same individuals that serve as council members for the Town of Apple Valley. The compiled financial statements of the Foundation can be obtained by request from the Town of Apple Valley at 14955 Dale Evans Parkway, Apple Valley, California 92307.

B) Government-wide and Fund Financial Statements

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

C) Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

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

GASB 83 - Certain Asset Retirement Obligations: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB 84 - Fiduciary Activities: This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB 87 - Leases: This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

GASB 88 – Certain Disclosures Related to Debt. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB 90 – Majority Equity Interests. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In addition, the Town implemented *GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of June 30, 2018. This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except Agency Funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

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

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

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

The Town reports the following major governmental funds:

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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

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

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

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

The Town reports the following major proprietary funds:

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

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

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

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

Additionally, the Town reports the following fund types:

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

The Private-purpose Trust Fund is used to account for the balances and transactions of the Successor Agency to the Redevelopment Agency of the Town of Apple Valley.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Town's enterprise funds are charges to customers for services provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E) Assets, Liabilities, and Net Position or Equity

1) Cash and Investments

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

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

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

2) Receivables and Payables

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

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

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

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3) Restricted Assets

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

4) Capital Assets

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

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Town chose to include all such items acquired in fiscal years ending after June 30, 1980. As the Town constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets received prior to the implementation of GASB 72 were recorded at fair value on the date of donation. Donated capital assets received subsequent to the implementation of GASB 72 are recorded at acquisition value as of the date received.

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

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5) Use of Estimates

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

6) Compensated Absences

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

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

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

7) Claims and Judgments

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

8) Long-Term Obligations

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

Bond discounts and premiums are deferred and amortized on a straight-line basis over the terms of the bonds.

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

9) Transfers

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

10) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town reports deferred outflows relating to pensions and OPEB, in accordance with GASB Statements No. 68 and 75.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has certain items, which arise only under the modified accrual basis of accounting, which qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, grant receivables, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the Town reports deferred inflows relating to pensions and OPEB, in accordance with GASB Statements No. 68 and 75.

11) Net Position

In the Government-wide financial statements; net position is classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Unrestricted Net Position

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

12) Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position, is applied.

13) Fund Balance

Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

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

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

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

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018**

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances. The General Fund is the only fund that reports a positive unassigned fund balance. It is not appropriate to report a positive unassigned fund balance amount in other governmental funds. However, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balances in governmental funds other than the General Fund.

14) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of Apple Valley's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within curtailed defined timeframes. For this report, the following timeframes are used: June 30, 2018 Valuation Date, June 30, 2018 Measurement Date, July 1, 2017 through June 30, 2018 Measurement Period.

II) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances/Net Position

The following non-major funds had deficit fund balances as of June 30, 2018:

	<u>Deficit Balance</u>
FEMA/OES	\$ 123
Project Manager Grants	36,334

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

In addition, the Apple Valley Golf Course proprietary fund has a deficit net position of \$1,864,359 as of June 30, 2018 (\$3,571,518 deficit in Unrestricted Net Position), with a current year operating deficit \$407,176. Additional information on management's plans is discussed in Note IV B.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

III) DETAILED NOTES ON ALL FUNDS

A) Cash and Investments

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

Cash and investments as of June 30, 2018 are as follows:

Statement of Net Position:		Petty Cash	\$ 5,350
Cash and Investments	\$ 40,057,985	Deposits with Financial Institutions	43,836,126
Cash and Investments with Fiscal Agent	1,236,073	Local Agency Investment Fund	19,069,388
Restricted Cash and Investments	1,861,816	Certificates of Deposit	7,593,729
Statement of Fiduciary Net Position		Money Market Mutual Funds	1,372,750
Cash and Investments	29,957,822	Held by Fiscal Agent:	
Cash and Investments with fiscal agent	<u>1,304,742</u>	Money Market Mutual Funds	<u>2,541,095</u>
Total Cash and Investments	<u>\$ 74,418,438</u>	Total Cash and Investments	<u>\$ 74,418,438</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, 2018

III) DETAILED NOTES ON ALL FUNDS - Continued

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2018, the Town had the following investments:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity</u>		
		<u>12 Months Or Less</u>	<u>One to Three Years</u>	<u>Three to Five Years</u>
State Investment Pool - LAIF	\$ 19,069,388	\$ 19,069,388	\$ -	\$ -
Certificates of Deposit	7,593,729	248,400	5,152,354	2,192,975
Money Market Mutual Funds	1,372,750	1,372,750	-	-
Held by Bond Trustee:				
Money Market Mutual Funds	2,541,095	2,541,095	-	-
Total Pooled Investments	\$ 30,576,962	\$ 23,231,633	\$ 5,152,354	\$ 2,192,975

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. LAIF and money market mutual funds are not subject to level reporting.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

III) DETAILED NOTES ON ALL FUNDS - Continued

The Town has the following recurring fair value measurements as of June 30, 2018:

- Negotiable Certificates of Deposit of \$7,593,729, Level 2 inputs

Disclosures Relating to Credit Risk

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

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Not Rated
State Investment Pool - LAIF	\$ 19,069,388	N/A	\$ -	\$ -	\$ 19,069,388
Certificates of Deposit	7,593,729	N/A	-	-	7,593,729
Money Market Mutual Funds	1,372,750	A	1,372,750	-	-
Held by Bond Trustee:					
Money Market Mutual Funds	<u>2,541,095</u>	A	<u>2,541,095</u>	-	-
Total Pooled Investments	<u>\$ 30,576,962</u>		<u>\$ 3,913,845</u>	<u>\$ -</u>	<u>\$ 26,663,117</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.

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, 2018

III) DETAILED NOTES ON ALL FUNDS - Continued

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: The Town did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts.

Investment in State Investment Pool

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

B) Interfund Receivables, Payables, and Transfers

Amounts due to/from other funds at June 30, 2018 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 138,432	\$ -
Nonmajor Funds	-	138,432
Total	<u>\$ 138,432</u>	<u>\$ 138,432</u>

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

Advances:

The General Fund has advanced \$3,476,703 to the Apple Valley Golf Course Fund. This represents amounts advanced to the Golf Course Fund to cover operating deficits over a period of several years. The Town is currently developing a plan to repay these advances to the General Fund. Additional information can be found in Note IV.

Interfund transfers for the year ended June 30, 2018 are as follows:

Transfers Out	Transfers In			Total
	Town Hall Annex Fund	Other Governmental Funds	Apple Valley Golf Course	
General Fund	\$ 252,796	\$ 398,688	\$ 436,602	\$ 1,088,086
	<u>\$ 252,796</u>	<u>\$ 398,688</u>	<u>\$ 436,602</u>	<u>\$ 1,088,086</u>

The General Fund transferred \$252,796 and \$398,688 to the Town Hall Annex Fund and Other Governmental Funds, respectively, to provide funds for debt service costs. In addition, the General Fund transferred \$436,602 to the Apple Valley Golf Course to fund certain expenditures and cover operating deficits.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

III) DETAILED NOTES ON ALL FUNDS - Continued

C) Due from Other Governments

As of June 30, 2018, the amount receivable from the various governmental agencies was \$2,076,352, including an allowance for doubtful accounts of \$1,608,782, established for State mandated costs, due to the uncertainty of when or if these costs will be reimbursed and received from the State.

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 have a 30-year term, and bear no interest. The loans may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2018, the outstanding loans receivable totaled \$5,430,820, which includes an allowance for doubtful accounts of \$1,089,467. The allowance was established for loans that are forgivable after a given period of time, assuming all conditions of the loan are met.

E) Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 100,128,843	\$ 190,870	\$ -	\$ 100,319,713
Construction in Progress	13,399,604	2,660,918	(12,721,128)	3,339,394
Total Capital Assets, Not Depreciated	<u>113,528,447</u>	<u>2,851,788</u>	<u>(12,721,128)</u>	<u>103,659,107</u>
Capital Assets Being Depreciated:				
Furniture and Equipment	3,316,678	119,086	-	3,435,764
Computer Equipment	1,614,945	-	-	1,614,945
Trucks and Automobiles	1,249,601	461,320	-	1,710,921
Structures and Improvements	92,077,420	19,304	-	92,096,724
Infrastructure	411,542,058	12,465,963	-	424,008,021
Total Capital Assets Being Depreciated	<u>509,800,702</u>	<u>13,065,673</u>	<u>-</u>	<u>522,866,375</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(3,231,779)	(60,340)	-	(3,292,119)
Computer Equipment	(1,572,502)	(21,902)	-	(1,594,404)
Trucks and Automobiles	(1,231,317)	(48,450)	-	(1,279,767)
Structures and Improvements	(34,779,539)	(3,057,726)	-	(37,837,265)
Infrastructure	(189,656,326)	(11,213,358)	-	(200,869,684)
Total Accumulated Depreciation	<u>(230,471,463)</u>	<u>(14,401,776)</u>	<u>-</u>	<u>(244,873,239)</u>
Net Capital Assets Being Depreciated	<u>279,329,239</u>	<u>(1,336,103)</u>	<u>-</u>	<u>277,993,136</u>
Governmental Activities, Capital Assets, Net	<u>\$ 392,857,686</u>	<u>\$ 1,515,685</u>	<u>\$ (12,721,128)</u>	<u>\$ 381,652,243</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

III) DETAILED NOTES ON ALL FUNDS - Continued

Business-type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 1,819,012	\$ -	\$ -	\$ 1,819,012
Construction in Progress	-	-	-	-
Water Rights	3,650,000	-	-	3,650,000
Total Capital Assets, Not Depreciated	<u>5,469,012</u>	<u>-</u>	<u>-</u>	<u>5,469,012</u>
Capital Assets Being Depreciated:				
Building and System	3,793,330	55,155	-	3,848,485
Machinery and Equipment	714,372	27,043	-	741,415
Trucks and Automobiles	442,696	-	-	442,696
Collector Lines	70,203,401	110,450	-	70,313,851
Total Capital Assets Being Depreciated	<u>75,153,799</u>	<u>192,648</u>	<u>-</u>	<u>75,346,447</u>
Less Accumulated Depreciation:				
Building and System	(2,065,231)	(132,810)	-	(2,198,041)
Machinery and Equipment	(544,443)	(64,265)	-	(608,708)
Trucks and Automobiles	(433,452)	(6,294)	-	(439,746)
Collector Lines	(46,197,297)	(1,760,594)	-	(47,957,891)
Total Accumulated Depreciation	<u>(49,240,423)</u>	<u>(1,963,963)</u>	<u>-</u>	<u>(51,204,386)</u>
Net Capital Assets Being Depreciated	<u>25,913,376</u>	<u>(1,771,315)</u>	<u>-</u>	<u>24,142,061</u>
Business-type Activities, Capital Assets	<u>\$ 31,382,388</u>	<u>\$ (1,771,315)</u>	<u>\$ -</u>	<u>\$ 29,611,073</u>

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

Governmental Activities:	
General Government	\$ 365,339
Public Safety	559,457
Transportation	10,844,115
Culture and Recreation	2,188,080
Community Development	444,785
Total Depreciation Expense, Governmental Activities	<u>\$ 14,401,776</u>
Business-type Activities:	
Sewer	\$ 1,826,463
Solid Waste Management	67,561
Apple Valley Golf Course	69,939
Total Depreciation Expense, Business-type Activities	<u>\$ 1,963,963</u>

F) Long-Term Debt

Long-term liabilities for the year ended June 30, 2018 were as follows:

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

III) DETAILED NOTES ON ALL FUNDS – Continued

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
1999 Certificates of Participation	\$ 1,125,000	\$ -	\$ (365,000)	\$ 760,000	\$ 375,000
2007 Lease Revenue Bonds Series A	7,465,000	-	(7,465,000)	-	-
Unamortized Discount on Lease Revenue Bonds	(58,614)	-	58,614	-	-
2017 Loan Payable	-	8,475,000	-	8,475,000	720,000
Compensated Absences	977,455	1,135,671	(1,259,615)	853,511	213,402
Claims Payable	785,950	-	(447,340)	338,610	40,000
Net Pension Liability	11,239,816	1,414,889	-	12,654,705	-
Total OPEB Liability	-	2,651,358	-	2,651,358	-
Net OPEB Obligation	2,250,557	-	(2,250,557)	-	-
Long-term Liabilities, Governmental Activities	<u>\$ 23,785,164</u>	<u>\$ 13,676,918</u>	<u>\$ (11,728,898)</u>	<u>\$ 25,733,184</u>	<u>\$ 1,348,402</u>
Business-type Activities:					
Net Pension Liability	\$ 923,170	\$ 330,893	\$ -	\$ 1,254,063	\$ -
Obligation Under Installment Purchase Agreement	698,781	-	(233,649)	465,132	231,042
Long-term Liabilities, Business-type Activities	<u>\$ 1,621,951</u>	<u>\$ 330,893</u>	<u>\$ (233,649)</u>	<u>\$ 1,719,195</u>	<u>\$ 231,042</u>

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

Certificates of Participation

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 to provide law enforcement services to the Town.

The Certificates bear interest at a rate of approximately 5.5%, payable semi-annually on March 1 and September 1. 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, 2018 is \$760,000, and the future debt service requirements are as follows:

Year Ending	Principal	Interest	Total
2019	\$ 375,000	\$ 51,837	\$ 426,837
2020	385,000	42,075	427,075
Total	<u>\$ 760,000</u>	<u>\$ 93,912</u>	<u>\$ 853,912</u>

2017 Loan Payable

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

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

III) DETAILED NOTES ON ALL FUNDS – Continued

The Authority advance refunded the 2007 Lease Revenue Bonds to increase total debt service payments by approximately \$988,000, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$650,000. Future debt service requirements are as follows:

Year Ending	Principal	Interest	Total
2019	\$ 720,000	\$ 235,335	\$ 955,335
2020	765,000	213,803	978,803
2021	785,000	191,328	976,328
2022	815,000	168,128	983,128
2023	835,000	144,203	979,203
2024	860,000	119,625	979,625
2025	885,000	94,323	979,323
2026	910,000	68,295	978,295
2027	940,000	41,470	981,470
2028	960,000	13,920	973,920
Total	<u>\$ 8,475,000</u>	<u>\$ 1,290,430</u>	<u>\$ 9,765,430</u>

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, 2018 is \$465,132, and future debt service requirements are as follows:

Year Ending	Principal	Interest	Total
2019	\$ 231,042	\$ 24,214	\$ 255,256
2020	234,090	11,804	245,894
Total	<u>\$ 465,132</u>	<u>\$ 36,018</u>	<u>\$ 501,150</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

III) DETAILED NOTES ON ALL FUNDS – Continued

G) Fiduciary Fund Long-Term Debt

Fiduciary Fund long-term debt activity for the 2017-18 fiscal year is as follows:

Fiduciary Funds:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2005 Tax Allocation Bonds	\$ 6,035,000	\$ -	\$ (225,000)	\$ 5,810,000	\$ 230,000
Unamortized Premium	29,802	-	(1,664)	28,138	-
2007 Tax Allocation Bonds VVEDA Project Area	7,380,000	-	(195,000)	7,185,000	210,000
Unamortized Discount	(189,143)	-	9,497	(179,646)	-
2007 Tax Allocation Bonds Project Area 2	29,855,000	-	(920,000)	28,935,000	960,000
Unamortized Premium	82,006	-	(4,101)	77,905	-
Long-term Liabilities, Fiduciary Funds	<u>\$ 43,192,665</u>	<u>\$ -</u>	<u>\$ (1,336,268)</u>	<u>\$ 41,856,397</u>	<u>\$ 1,400,000</u>

Tax Allocation Bonds

2005 VVEDA Tax Allocation Bonds

In May of 2005, the former Redevelopment 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 4.75% payable semi-annually on June 1 and December 1. 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. In no event shall the bonds be payable out of any funds or properties other than those of the Agency. Future debt service requirements to maturity are as follows:

Year Ending	Principal	Interest	Total
2019	\$ 230,000	\$ 278,833	\$ 508,833
2020	245,000	268,902	513,902
2021	255,000	258,223	513,223
2022	260,000	246,725	506,725
2023	275,000	235,003	510,003
2024	285,000	222,603	507,603
2025	305,000	209,753	514,753
2026	315,000	196,000	511,000
2027	330,000	180,388	510,388
2028	345,000	164,038	509,038
2029	365,000	146,938	511,938
2030	385,000	128,850	513,850
2031	400,000	109,775	509,775
2032	420,000	89,950	509,950
2033	445,000	69,138	514,138
2034	465,000	47,088	512,088
2035	485,000	24,038	509,038
Total	<u>\$ 5,810,000</u>	<u>\$ 2,876,245</u>	<u>\$ 8,686,245</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

III) DETAILED NOTES ON ALL FUNDS – Continued

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.

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, 2018, 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	Total
2019	\$ 210,000	\$ 338,800	\$ 548,800
2020	215,000	329,613	544,613
2021	225,000	319,937	544,937
2022	240,000	309,812	549,812
2023	250,000	299,013	549,013
2024	265,000	287,137	552,137
2025	270,000	274,550	544,550
2026	285,000	261,725	546,725
2027	300,000	248,188	548,188
2028	315,000	233,937	548,937
2029	325,000	218,975	543,975
2030	340,000	203,538	543,538
2031	360,000	187,388	547,388
2032	375,000	170,287	545,287
2033	390,000	152,475	542,475
2034	410,000	133,950	543,950
2035	435,000	114,475	549,475
2036	965,000	93,813	1,058,813
2037	1,010,000	47,975	1,057,975
Total	<u>\$ 7,185,000</u>	<u>\$ 4,225,588</u>	<u>\$ 11,410,588</u>

2007 Tax Allocation Bonds Project Area 2

In July of 2007, the Redevelopment Agency of the Town of Apple Valley issued \$37,230,000 in Tax Allocation Bonds. Interest on the bonds ranges from 4.00% to 5.75% and is payable semi-annually on June 1 and December 1 of each year. Principal is payable on July 1 to maturity in 2037. Proceeds from the Bonds were 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, 2018

III) DETAILED NOTES ON ALL FUNDS - Continued

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

Year Ending	Principal	Interest	Total
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>\$ 28,935,000</u>	<u>\$ 16,355,460</u>	<u>\$ 45,290,460</u>

H) 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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

III) DETAILED NOTES ON ALL FUNDS - Continued

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, 2018, the outstanding balance is \$1,165,000.

I) Fund Balance

The details of fund balances as of June 30, 2018 are as follows:

	General Fund	Transportaion Development Act Fund	Capital Projects Fund	Measure I Fund	Town Hall Annex Fund	Other Governmental Funds	Total Governmental Funds
Non Spendable:							
Prepaid Items	\$ 69,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,163
Long-Term Receivables	3,476,703	-	-	-	-	-	3,476,703
Restricted for:							
PEG	-	-	-	-	-	-	-
Housing	-	-	-	-	-	7,194,607	7,194,607
Streets and Transportation	-	3,364,038	-	3,139,897	-	2,571,134	9,075,069
Community Development	-	-	-	-	-	3,567,319	3,567,319
Culture and Recreation	-	-	-	-	-	654,783	654,783
Assigned for:							
Capital Projects	-	-	6,695,398	-	903,167	1,697,386	9,295,951
Community Development	-	-	-	-	-	-	-
Unassigned	<u>1,770,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,457)</u>	<u>1,734,470</u>
Total Fund Balance	<u>\$ 5,316,793</u>	<u>\$ 3,364,038</u>	<u>\$ 6,695,398</u>	<u>\$ 3,139,897</u>	<u>\$ 903,167</u>	<u>\$ 15,648,772</u>	<u>\$ 35,068,065</u>

J) Unavailable Revenue

Unavailable revenues as of year-end from the Statement of Revenues, Expenditures, and Changes in Fund Balances are as follows:

	General Fund	Other Governmental Funds	Total
Unavailable Revenue			
Intergovernmental	\$ 522,987	\$ 74,685	\$ 597,672
Accounts Receivable	-	91,877	91,877
Total	<u>\$ 522,987</u>	<u>\$ 166,562</u>	<u>\$ 689,549</u>

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

III) DETAILED NOTES ON ALL FUNDS - Continued

K) Restricted Cash and Investments

The Sewer Fund reports restricted cash of \$1,361,816, as of June 30, 2018. The Apple Valley Choice Energy Fund reports restricted cash of \$500,000 for deposits held by California Independent Service Operator, a non-profit entity that oversees California's bulk electric power system.

IV) OTHER INFORMATION

A) Risk Management

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement - The Town is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 117 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

Self-Insurance Programs of the Authority - Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

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

Liability - In the liability program claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$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 from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

IV) OTHER INFORMATION

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claims for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation - In the workers' compensation program claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$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 from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2017-18 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Property Insurance - The Town participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The Town property is currently insured according to a schedule of covered property submitted by the Town to the Authority. Town property currently has all-risk property insurance protection in the amount of \$67,533,275. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

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

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

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2018, the amount of these liabilities was \$338,610. This liability is the Town's best estimate based on available information.

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018**

IV) OTHER INFORMATION

Changes in Claims Payable were as follows:

	<u>2017-2018</u>	<u>2016-2017</u>
Claims payable, beginning of fiscal year	\$ 785,950	\$ 550,110
Current year claims and changes in estimates	-	235,840
Claim payments and changes in estimates	<u>(447,340)</u>	<u>-</u>
Claims payable, end of fiscal year	<u>\$ 338,610</u>	<u>\$ 785,950</u>

B) Participation in Joint Ventures

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

The Town makes monthly payments to VWVRA for sewer treatment and connection fee services. During the 2017-2018 fiscal year, the Town remitted \$3,097,693 to VWVRA.

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

Mojave Desert and Mountain Integrated Waste Management Authority - The Town of Apple Valley is a member of the Mojave Desert and Mountain Integrated Waste Management Authority ("Authority"), a joint powers agreement between local governments for the purpose of studying and planning ways and means to develop source reduction and recycling elements for their respective boundaries pursuant to Public Resources Code Section 40950 (A.B. 939). The governing body of the Authority is made up of representatives from each significant participants in the Authority. Budgeting and financing are the responsibility of the Authority. Contribution rates from member agencies are based on each member's current population as a percentage of the total population of the Authority. The Town of Apple Valley maintains a 50% interest in the Materials Recovery Facility (MRF). The Town's net investment in the Joint Venture at June 30, 2018, reported as a capital asset of the Solid Waste Management Fund, was \$1,381,299. 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.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

IV) OTHER INFORMATION

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

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

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

C) Town Employees Retirement Plan (Defined Benefit Pension Plan)

General Information about the Defined Benefit Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all others.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The Town of Apple Valley sponsors 3 rate plans (all 3 are miscellaneous.) Benefit provisions under the Plan are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2016 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2016 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

IV) OTHER INFORMATION – Continued

The rate plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	Miscellaneous Tier II	Miscellaneous PEPRA
	Prior to October 23, 2011	On or after October 23, 2011	On or after January 1, 2013
Hire date	October 23, 2011	October 23, 2011	January 1, 2013
Benefit formula	2.7% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of eligible compensation	2.7%	2%	2%
Required employee contribution rates	8%	7%	6.25%
Required employer contribution rates	11.675% + \$711,032	8.418% + \$111	6.533% + \$211

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Town's required contribution for the unfunded liability was \$711,354 in fiscal year 2018.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Town's contributions to the Plan for the year ended June 30, 2018 were \$1,384,661.

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

As of June 30, 2018, the Town reported a net pension liability for its proportionate shares of the net pension liability of the Plan of \$13,908,768.

The Town's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

IV) OTHER INFORMATION – Continued

The Town's proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.35013%
Proportion - June 30, 2017	0.35283%
Change - Increase (Decrease)	0.00270%

For the year ended June 30, 2018, the Town recognized pension expense of \$3,585,903. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,384,661	\$ -
Differences between actual and expected experience	-	213,108
Changes in assumptions	1,832,800	-
Change in employer's proportion	1,173,534	-
Differences between the employer's contributions and the employer's proportionate share of contributions	155,266	-
Net differences between projected and actual earnings on plan investments	448,720	-
Total	\$ 4,994,981	\$ 213,108

\$1,384,661 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	
2019	\$ 1,552,159
2020	1,291,445
2021	820,021
2022	(266,413)
2023	-
Thereafter	-

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

IV) OTHER INFORMATION – Continued

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Plan
Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.15%
Mortality	(2)

- (1) Depending on age, service and type of employment
- (2) Derived using CalPERS' Membership Data for all Funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

IV) OTHER INFORMATION – Continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Plan</u>
1% Decrease	6.15%
Net Pension Liability	\$ 20,448,892
Current Discount Rate	7.15%
Net Pension Liability	\$ 13,908,768
1% Increase	8.15%
Net Pension Liability	\$ 8,492,119

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

At June 30, 2018, the Town reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

IV) OTHER INFORMATION – Continued

D) Other Post Employment Benefits

General Information About the OPEB Plan

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

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

Employees Covered by Benefit Terms – As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Retirees or spouses of retirees		
currently receiving benefits		12
Active employees		63
		75

Contributions – The Plan and its contribution requirements are established by Town policy and may be amended through Town Council. The annual contributions to the Plan are based on the costs to provide the benefits as described above on a pay as you go basis. For the fiscal year ended June 30, 2018, the Town’s pay-as-you-go costs were \$131,974.

Total OPEB Liability - The Town’s total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation dated June 30, 2018, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Actuarial Cost
Mortality	RP-2014 Employee Healthy Annuitant Mortality Tables
Age at Retirement	57 with 10 years of service or age +1 if eligible to retire
Health Care Trend Rate	8.00% initial, 5.0% ultimate
Discount Rate	4.00%
Medical CPI	See “Benefits Provided” above

Discount Rate – The discount rate used to measure the total OPEB liability was 3.60 percent and is based on the Bond Buyer 20-Bond GO index.

**Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018**

IV) OTHER INFORMATION – Continued

Changes in the Total OPEB Liability

	Total OPEB Liability (TOL)
Balance at June 30, 2017	\$ 2,538,746
Changes in the year:	
Service cost	54,788
Interest on the total OPEB liability	103,741
Changes in Assumptions	13,560
Employer Contributions	-
Employee Contributions	-
Benefit payments, including implicit subsidy	(59,477)
Net changes	112,612
Balance at June 30, 2018	\$ 2,651,358

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

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability	\$ 3,115,300	\$ 2,651,358	\$ 2,187,400

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

	1% Decrease	Current Rates	1% Increase
Total OPEB liability	\$ 2,280,200	\$ 2,651,358	\$ 3,022,500

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$247,714. The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 181,383	\$ 503,652
Total	\$ 181,383	\$ 503,652

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

IV) OTHER INFORMATION – Continued

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

Year Ending June 30,		
2019	\$	(29,708)
2020		(29,708)
2021		(29,708)
2022		(29,708)
2023		(29,708)
Thereafter		(173,729)

E) Commitments and Contingent Liabilities

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

The Town has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material. The estimated amount of remaining construction obligations at year-end is \$2,325,470.

F) Town’s Financial Condition and Management’s Plans

Operating Deficits

The General Fund is typically the focal point in analyzing the financial health of the Town because the General Fund is expected to be able to cover both its costs and to act as a financial backstop for other funds in the event of an insufficiency with respect to the other funds. As of June 30, 2018, the General Fund has an unassigned fund balance of \$1,770,927. This includes a current year operating deficit of \$930,632. The prior year operating deficit was \$4,548,087, resulting in a net decrease to fund balance of \$5,151,257 over the two-year period. The decrease in fund balance of the General Fund is the result of certain operational deficits in the Parks and Recreation Fund and operating transfers to the Apple Valley Golf Course Fund. Also, the total fund balance of the General Fund of \$5,316,793 includes \$3,545,866 of nonspendable fund balance. These funds are not available for spending.

Apple Valley Golf Course Deficit Net Position

The Apple Valley Golf Course (AVGC) Fund has a deficit net position of \$1,864,359. This deficit includes an advance from the General Fund of \$3,476,703. The current year operating deficit, prior to transfer from the General Fund, was \$407,076.

Management’s Plans

Town management is considering proposing a sales tax measure in the near future. The annual revenue generated from this proposed sales tax measure are estimated to be sufficient to eliminate these operational

Town of Apple Valley, California
Notes to Financial Statements
Year Ended June 30, 2018

IV) OTHER INFORMATION – Continued

deficits and improve the Town's General Fund. In addition, in the fiscal year 2017-18 management combined the General Fund with the Parks and Recreation Fund and in the 18-19 fiscal year will be able to assess a full year of activity and the expenditure savings of the combined funds. Management is also reviewing the expenditures in the Apple Valley Golf Course Fund to reduce spending and improve the fund balance/net position in these funds.

Also, management plans to review the Town's current cost allocation plan to ensure costs from the General Fund are properly allocated to the funds supported.

G) Prior Period Adjustments

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2017-18. As a result, the beginning net position in the Statement of Activities was reduced by \$288,189.

The prior period adjustment in the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund of (\$6,599,564) was the result of the Town combining the financial reporting and activity of the Parks and Recreation Fund, previously reported as a major special revenue fund in the prior year, with the General Fund. The \$6,599,564 was the deficit fund balance of the Parks and Recreation Fund as of July 1, 2017.

H) Apple Valley Choice Energy (AVCE)

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

During the fiscal year ended June 30, 2018, the Town made payments totaling \$3,504,645 for take or pay contracts. At June 30, 2018, the Town has \$2,946,845 remaining on its take or pay contracts, which have terms of one month to 2 years expiring at various dates through 2020.

I) Subsequent Events

On July 24, 2018, the Town issued a Taxable Note in the principal amount of \$10,000,000 to the Apple Valley Public Financing Authority (the "Authority") to secure payments on a revolving line of credit.

In October 2018, the Town obtained a letter of credit from JP Morgan Chase Bank, N.A. for \$10,000,000. Management sought to put in place a revolving line of credit (RLC) with a qualified bank to provide the Town with financial flexibility.

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 21,678,500	\$ 21,640,000	\$ 22,888,998	\$ 1,248,998
Licenses & Permits	903,400	913,900	1,075,986	162,086
Fines & Forfeitures	481,600	359,100	359,347	247
Investment Income	100,000	50,000	239,207	189,207
Intergovernmental	253,863	883,908	650,412	(233,496)
Charges for Services	2,821,125	2,333,905	2,559,544	225,639
Other Revenue	260,400	386,520	562,318	175,798
Total Revenues	<u>26,498,888</u>	<u>26,567,333</u>	<u>28,335,812</u>	<u>1,768,479</u>
EXPENDITURES				
Current:				
General Government	3,885,046	4,843,251	4,681,373	161,878
Public Safety	16,050,309	16,053,735	15,974,559	79,176
Transportation	155,000	155,000	273,289	(118,289)
Culture and Recreation	3,331,496	3,479,017	3,499,008	(19,991)
Community Development	3,006,418	3,035,228	3,407,657	(372,429)
Capital Outlay				-
Debt Service:				
Interest and Fiscal Charges			342,472	(342,472)
Total Expenditures	<u>26,428,269</u>	<u>27,566,231</u>	<u>28,178,358</u>	<u>(612,127)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>70,619</u>	<u>(998,898)</u>	<u>157,454</u>	<u>1,156,352</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out	(845,601)	(845,601)	(1,088,086)	(242,485)
Issuance of Debt	650,000			-
Total Other Financing Sources (Uses)	<u>(195,601)</u>	<u>(845,601)</u>	<u>(1,088,086)</u>	<u>(242,485)</u>
Net Change in Fund Balances	(124,982)	(1,844,499)	(930,632)	913,867
Fund Balances, Beginning	12,846,989	12,846,989	12,846,989	
Prior Period Adjustment	(6,637,333)	(6,637,633)	(6,599,564)	38,069
Fund Balances, Ending	<u>\$ 12,722,007</u>	<u>\$ 11,002,490</u>	<u>\$ 5,316,793</u>	<u>\$ 951,936</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Transportation Development Act Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 24,511	\$ 24,511
Intergovernmental	1,242,570	856,200	2,373,471	1,517,271
Other Revenue				-
Total Revenues	<u>1,242,570</u>	<u>856,200</u>	<u>2,397,982</u>	<u>1,541,782</u>
EXPENDITURES				
Current:				
General Government			35,536	(35,536)
Transportation	535,100	535,100	535,100	-
Capital Outlay			241	(241)
Total Expenditures	<u>535,100</u>	<u>535,100</u>	<u>570,877</u>	<u>(35,777)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>707,470</u>	<u>321,100</u>	<u>1,827,105</u>	<u>1,506,005</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	707,470	321,100	1,827,105	1,506,005
Fund Balances, Beginning	<u>1,536,933</u>	<u>1,536,933</u>	<u>1,536,933</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 2,244,403</u></u>	<u><u>\$ 1,858,033</u></u>	<u><u>\$ 3,364,038</u></u>	<u><u>\$ 1,506,005</u></u>

**Town of Apple Valley, California
Required Supplementary Information
Year Ended June 30, 2018**

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

	Measurement Period
	2018
Total OPEB Liability	
Service cost	\$ 54,788
Interest on total OPEB liability	103,741
Changes in assumptions	-
Changes in benefits	13,560
Benefit payments, including implicit subsidy	(59,477)
Net change in total OPEB liability	112,612
Total OPEB liability - beginning	2,538,746
Total OPEB liability - ending	\$ 2,651,358
Covered payroll	\$ 6,439,825
Total OPEB liability as a percentage of covered payroll	41.17%

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

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

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

Benefit Changes: None

Changes in Assumptions: None

**Town of Apple Valley, California
Required Supplementary Information
Year Ended June 30, 2018**

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

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a % of Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2017	0.35283%	\$ 13,908,768	\$ 6,723,094	206.88%	70.75%
2016	0.35013%	12,162,986	6,758,188	180.91%	71.01%
2015	0.36700%	10,068,561	6,370,240	158.06%	74.08%
2014	0.13396%	8,335,481	5,884,871	141.64%	77.14%

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

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

Benefit Changes: None

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

**Town of Apple Valley, California
Required Supplementary Information
Year Ended June 30, 2018**

**Schedule of Plan Contributions
Last 10 Years***

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a % of Covered Employee Payroll
2018	\$ 1,384,661	\$ (1,384,661)	\$ -	\$ 6,439,825	21.50%
2017	1,331,946	(1,331,946)	-	6,723,094	19.81%
2016	1,232,664	(1,232,664)	-	6,758,188	18.24%
2015	1,257,466	(1,257,466)	-	6,370,240	19.74%

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

Notes to the Schedule of Plan Contributions

Valuation Date: 6/30/2013, 6/30/2014, 6/30/2015, 6/30/2016

Changes in Assumptions: None.

Town of Apple Valley, California
Notes to Required Supplementary Information
Year Ended June 30, 2018

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.

Expenditures in Excess of Appropriations

Expenditures in the General Fund and Transportation Development Act Fund exceeded appropriations in the current year by \$284,665 and \$35,777, respectively.

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

ADDI Down Payment Assistance, Help Down Payment Assistance, FEMA/OES, HCD State Program Income, CDBG Program Income, and AVCRF.

SUPPLEMENTARY INFORMATION

Town of Apple Valley, California Non-major 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.

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.

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

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

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

Apple Valley Community Resource Foundation – To account for donations received from individuals that is restricted by the donors to promote and support cultural, recreational, and human services needs in the Town of Apple Valley.

FEMA/OES – To account for restricted grants received from FEMA and OES to be used for emergencies.

Town of Apple Valley, California
Non-major Governmental Funds - Continued

Capital Projects Funds:

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

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

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

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

Debt Service Funds:

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.

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue			Neighborhood Stabilization Program
	Street Maintenance	CDBG	Air Pollution Control District	
ASSETS				
Cash and Investments	\$ 382,087	\$ 65,555	\$ 9,222	\$ 346,181
Cash with Fiscal Agent				
Accounts Receivable	7,783			
Interest Receivable			144	967
Due from Other Governments	158,328	7,920		
Loans Receivable				
Total Assets	\$ 548,198	\$ 73,475	\$ 9,366	\$ 347,148
LIABILITIES				
Accounts Payable	\$ 104,885	\$ 25,379	\$ 8,986	\$ 234
Accrued Liabilities	8,004	48,096		
Due to Other Funds				
Total Liabilities	112,889	73,475	8,986	234
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue				
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCE (DEFICITS)				
Restricted	435,309		380	346,914
Assigned				
Unassigned				
Total Fund Balances (Deficits)	435,309	-	380	346,914
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 548,198	\$ 73,475	\$ 9,366	\$ 347,148

Special Revenue

Assessment District L-1	Prop 1B	ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees	HCD State Program Income	CDBG Program Income
\$ 1,511,686	\$ 4,052	\$ 1	\$	\$ 671,808	\$ 149,296	\$ 247,052
4,192						91,877
4,300	12			1,853	403	741
973			185,434		505,084	1,034,831
<u>\$ 1,521,151</u>	<u>\$ 4,064</u>	<u>\$ 1</u>	<u>\$ 185,434</u>	<u>\$ 673,661</u>	<u>\$ 654,783</u>	<u>\$ 1,374,501</u>
\$ 15,291	\$	\$	\$	\$	\$	\$
<u>15,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
						91,877
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,877</u>
1,505,860	4,064	1	185,434	673,661	654,783	1,282,624
<u>1,505,860</u>	<u>4,064</u>	<u>1</u>	<u>185,434</u>	<u>673,661</u>	<u>654,783</u>	<u>1,282,624</u>
<u>\$ 1,521,151</u>	<u>\$ 4,064</u>	<u>\$ 1</u>	<u>\$ 185,434</u>	<u>\$ 673,661</u>	<u>\$ 654,783</u>	<u>\$ 1,374,501</u>

Continued

Town of Apple Valley, California
Combining Balance Sheet
Non-Major Governmental Funds - Continued
June 30, 2018

	Special Revenue			Capital Projects
	HOME	AVCRF	FEMA/ OES	NAVISP Infrastructure
ASSETS				
Cash and Investments	\$ 622,262	\$ 354,433	\$	\$ 1,692,616
Cash with Fiscal Agent				
Accounts Receivable				
Interest Receivable	885	999		4,770
Due from Other Governments				
Loans Receivable	3,700,971			
Total Assets	\$ 4,324,118	\$ 355,432	\$ -	\$ 1,697,386
LIABILITIES				
Accounts Payable	\$ 1,004	\$ 8,969	\$	\$
Accrued Liabilities	543			
Due to Other Funds			123	
Total Liabilities	1,547	8,969	123	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue				
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCE (DEFICITS)				
Restricted	4,322,571	346,463		
Assigned				1,697,386
Unassigned			(123)	
Total Fund Balances (Deficits)	4,322,571	346,463	(123)	1,697,386
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 4,324,118	\$ 355,432	\$ -	\$ 1,697,386

Storm Drains	Capital Projects		Debt Service	Total Nonmajor Governmental Funds
	Project Manager Grants	Development Impact Fees	1999 COPS	
\$ 2,125,026	\$	\$ 2,092,153	\$	\$ 10,273,430
			120,594	120,594
5,969		5,866		103,852
	84,851			26,909
	4,500			252,072
				5,430,820
<u>\$ 2,130,995</u>	<u>\$ 89,351</u>	<u>\$ 2,098,019</u>	<u>\$ 120,594</u>	<u>\$ 16,207,677</u>
\$	\$ 28,526	\$	\$	\$ 193,274
	3,994			60,637
	18,480		119,829	138,432
-	51,000	-	119,829	392,343
	74,685			166,562
-	74,685	-	-	166,562
2,130,995		2,098,019	765	13,987,843
	(36,334)			1,697,386
				(36,457)
<u>2,130,995</u>	<u>(36,334)</u>	<u>2,098,019</u>	<u>765</u>	<u>15,648,772</u>
<u>\$ 2,130,995</u>	<u>\$ 89,351</u>	<u>\$ 2,098,019</u>	<u>\$ 120,594</u>	<u>\$ 16,207,677</u>

Town of Apple Valley, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2018

	Special Revenue			Neighborhood Stabilization Program
	Street Maintenance	CDBG	Air Pollution Control District	
REVENUES				
Taxes	\$	\$	\$ 27,710	\$
Licenses and Permits				
Investment Income	35		604	3,199
Intergovernmental	2,012,699	219,549	18,899	
Donations				
Other Revenue	168,255			192,514
Total Revenues	<u>2,180,989</u>	<u>219,549</u>	<u>47,213</u>	<u>195,713</u>
EXPENDITURES				
Current:				
General Government				
Public Safety				
Transportation	1,610,639		120,181	
Culture and Recreation				
Community Development		41,226		234
Capital Outlay	461,320	111,160		
Debt Service:				
Principal				
Interest and Fiscal Charges				
Total Expenditures	<u>2,071,959</u>	<u>152,386</u>	<u>120,181</u>	<u>234</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>109,030</u>	<u>67,163</u>	<u>(72,968)</u>	<u>195,479</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Issuance of Debt				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	109,030	67,163	(72,968)	195,479
Fund Balances - Beginning	<u>326,279</u>	<u>(67,163)</u>	<u>73,348</u>	<u>151,435</u>
Fund Balances - Ending	<u>\$ 435,309</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ 346,914</u>

Assessment District L-1	Prop 1B	Special Revenue			HCD State Program Income	CDBG Program Income
		ADDI Down Payment Assistance	Help Down Payment Assistance	Quimby Fees		
\$ 291,893	\$	\$	\$	\$	\$	\$
14,149	40			207,612 5,971	1,399	2,409
<u>306,042</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>213,583</u>	<u>1,399</u>	<u>2,409</u>
216,834						2,409
				15,542		
<u>216,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,542</u>	<u>-</u>	<u>2,409</u>
<u>89,208</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>198,041</u>	<u>1,399</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
89,208	40	-	-	198,041	1,399	-
<u>1,416,652</u>	<u>4,024</u>	<u>1</u>	<u>185,434</u>	<u>475,620</u>	<u>653,384</u>	<u>1,282,624</u>
<u>\$ 1,505,860</u>	<u>\$ 4,064</u>	<u>\$ 1</u>	<u>\$ 185,434</u>	<u>\$ 673,661</u>	<u>\$ 654,783</u>	<u>\$ 1,282,624</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, 2018

	Special Revenue			Capital Projects
	HOME	AVCRF	FEMA/ OES	NAVISP Infrastructure
REVENUES				
Taxes	\$	\$	\$	\$
Licenses and Permits				
Investment Income	2,832	3,110		16,593
Intergovernmental	337,359			
Donations		127,575		
Other Revenue	121,100	4	30,013	
Total Revenues	<u>461,291</u>	<u>130,689</u>	<u>30,013</u>	<u>16,593</u>
EXPENDITURES				
Current:				
General Government		27,920		
Public Safety		26,649		
Transportation				
Culture and Recreation		19,360		
Community Development	510,434			
Capital Outlay				
Debt Service:				
Principal				
Interest and Fiscal Charges				
Total Expenditures	<u>510,434</u>	<u>73,929</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(49,143)</u>	<u>56,760</u>	<u>30,013</u>	<u>16,593</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out				
Issuance of Debt				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(49,143)	56,760	30,013	16,593
Fund Balances - Beginning	<u>4,371,714</u>	<u>289,703</u>	<u>(30,136)</u>	<u>1,680,793</u>
Fund Balances - Ending	<u>\$ 4,322,571</u>	<u>\$ 346,463</u>	<u>\$ (123)</u>	<u>\$ 1,697,386</u>

Storm Drains	Capital Projects		Debt Service	Total Nonmajor Governmental Funds
	Project Manager Grants	Development Impact Fees	1999 COPS	
\$ 101,240	\$	\$ 118,838	\$	\$ 319,603
20,720		20,328	712	427,690
	141,840			92,101
				2,730,346
				127,575
				511,886
<u>121,960</u>	<u>141,840</u>	<u>139,166</u>	<u>712</u>	<u>4,209,201</u>
			33,687	61,607
				26,649
				1,947,654
498	140,531			19,360
	13,630	13,122		695,332
				614,774
			365,000	365,000
				-
<u>498</u>	<u>154,161</u>	<u>13,122</u>	<u>398,687</u>	<u>3,730,376</u>
<u>121,462</u>	<u>(12,321)</u>	<u>126,044</u>	<u>(397,975)</u>	<u>478,825</u>
			398,688	398,688
				-
				-
<u>-</u>	<u>-</u>	<u>-</u>	<u>398,688</u>	<u>398,688</u>
121,462	(12,321)	126,044	713	877,513
<u>2,009,533</u>	<u>(24,013)</u>	<u>1,971,975</u>	<u>52</u>	<u>14,771,259</u>
<u>\$ 2,130,995</u>	<u>\$ (36,334)</u>	<u>\$ 2,098,019</u>	<u>\$ 765</u>	<u>\$ 15,648,772</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$	\$	\$ 421,668	\$ 421,668
Investment Income	12,000	12,000	67,846	55,846
Intergovernmental	3,272,500	3,272,500	1,258,281	(2,014,219)
Other Revenue				-
Total Revenues	<u>3,284,500</u>	<u>3,284,500</u>	<u>1,747,795</u>	<u>(1,536,705)</u>
EXPENDITURES				
Current:				
Community Development				-
Capital Outlay	<u>1,405,333</u>	<u>2,090,083</u>	<u>1,259,029</u>	<u>831,054</u>
Total Expenditures	<u>1,405,333</u>	<u>2,090,083</u>	<u>1,259,029</u>	<u>831,054</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,879,167</u>	<u>1,194,417</u>	<u>488,766</u>	<u>(705,651)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	2,675,458	2,675,458		(2,675,458)
Transfers Out				-
Total Other Financing Sources (Uses)	<u>2,675,458</u>	<u>2,675,458</u>	<u>-</u>	<u>(2,675,458)</u>
Net Change in Fund Balances	4,554,625	3,869,875	488,766	(3,381,109)
Fund Balance, Beginning	<u>6,206,632</u>	<u>6,206,632</u>	<u>6,206,632</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 10,761,257</u></u>	<u><u>\$ 10,076,507</u></u>	<u><u>\$ 6,695,398</u></u>	<u><u>\$ (3,381,109)</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure I Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,750,000	\$ 1,750,000	\$ 2,326,746	\$ 576,746
Investment Income	70,000	70,000	47,893	(22,107)
Intergovernmental	702,710	702,710	251,548	(451,162)
Other Revenue				-
Total Revenues	<u>2,522,710</u>	<u>2,522,710</u>	<u>2,626,187</u>	<u>103,477</u>
EXPENDITURES				
Current:				
Transportation	<u>4,163,500</u>	<u>5,736,318</u>	<u>5,571,512</u>	<u>164,806</u>
Total Expenditures	<u>4,163,500</u>	<u>5,736,318</u>	<u>5,571,512</u>	<u>164,806</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,640,790)</u>	<u>(3,213,608)</u>	<u>(2,945,325)</u>	<u>268,283</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	(1,640,790)	(3,213,608)	(2,945,325)	268,283
Fund Balance, Beginning	<u>6,085,222</u>	<u>6,085,222</u>	<u>6,085,222</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 4,444,432</u></u>	<u><u>\$ 2,871,614</u></u>	<u><u>\$ 3,139,897</u></u>	<u><u>\$ 268,283</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 2007 Town Hall Revenue Bonds
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 3,283	\$ 3,283
Total Revenues	-	-	3,283	3,283
EXPENDITURES				
Current:				
General Government			107,379	(107,379)
Debt Service				
Principal			7,465,000	(7,465,000)
Interest and Fiscal Charges			255,533	(255,533)
Total Expenditures	-	-	7,827,912	(7,827,912)
Excess (Deficiency) of Revenues over Expenditures	-	-	(7,824,629)	(7,824,629)
OTHER FINANCING SOURCES (USES)				
Transfers In			252,796	252,796
Issuance of Debt			8,475,000	8,475,000
Total Other Financing Sources (Uses)	-	-	8,727,796	8,727,796
Net Change in Fund Balances	-	-	903,167	903,167
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	\$	\$	\$ 903,167	\$ 903,167

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Street Maintenance Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,850,211	\$ 2,850,211	\$ 2,012,699	\$ (837,512)
Investment Income			35	35
Other Revenue	2,500	2,500	168,255	165,755
Total Revenues	<u>2,852,711</u>	<u>2,852,711</u>	<u>2,180,989</u>	<u>(671,722)</u>
EXPENDITURES				
Current:				
Transportation	2,425,605	2,711,939	1,610,639	1,101,300
Total Expenditures	<u>2,425,605</u>	<u>2,711,939</u>	<u>2,071,959</u>	<u>639,980</u>
Excess (Deficiency) of Revenues over Expenditures	427,106	140,772	109,030	(31,742)
OTHER FINANCING SOURCES (USES)				
Transfers In	690,100	690,100		(690,100)
Transfers Out				-
Total Other Financing Sources (Uses)	<u>690,100</u>	<u>690,100</u>	<u>-</u>	<u>(690,100)</u>
Net Change in Fund Balances	1,117,206	830,872	109,030	(721,842)
Fund Balance, Beginning	<u>326,279</u>	<u>326,279</u>	<u>326,279</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 1,443,485</u></u>	<u><u>\$ 1,157,151</u></u>	<u><u>\$ 435,309</u></u>	<u><u>\$ (721,842)</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - CDBG
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,056,661	\$ 1,056,661	\$ 219,549	\$ (837,112)
Total Revenues	<u>1,056,661</u>	<u>1,056,661</u>	<u>219,549</u>	<u>(837,112)</u>
EXPENDITURES				
Current:				
Community Development	948,740	850,046	41,226	808,820
Capital Outlay	<u>118,000</u>	<u>118,000</u>	<u>111,160</u>	<u>6,840</u>
Total Expenditures	<u>1,066,740</u>	<u>968,046</u>	<u>152,386</u>	<u>815,660</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(10,079)</u>	<u>88,615</u>	<u>67,163</u>	<u>(21,452)</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	(10,079)	88,615	67,163	(21,452)
Fund Balance, Beginning	<u>(67,163)</u>	<u>(67,163)</u>	<u>(67,163)</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ (77,242)</u></u>	<u><u>\$ 21,452</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (21,452)</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Air Pollution Control District
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 47,320	\$ 47,320	\$ 27,710	\$ (19,610)
Investment Income			604	604
Intergovernmental			18,899	18,899
Total Revenues	<u>47,320</u>	<u>47,320</u>	<u>47,213</u>	<u>(107)</u>
EXPENDITURES				
Current:				
Transportation	<u>47,320</u>	<u>47,320</u>	<u>120,181</u>	<u>(72,861)</u>
Total Expenditures	<u>47,320</u>	<u>47,320</u>	<u>120,181</u>	<u>(72,861)</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(72,968)	(72,968)
Fund Balance, Beginning	<u>73,348</u>	<u>73,348</u>	<u>73,348</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 73,348</u></u>	<u><u>\$ 73,348</u></u>	<u><u>\$ 380</u></u>	<u><u>\$ (72,968)</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Income	\$	\$	\$ 3,199	\$ 3,199
Other Revenue	60,000	60,000	192,514	132,514
Total Revenues	<u>60,000</u>	<u>60,000</u>	<u>195,713</u>	<u>135,713</u>
EXPENDITURES				
Current:				
Community Development	60,000	60,000	234	59,766
Total Expenditures	<u>60,000</u>	<u>60,000</u>	<u>234</u>	<u>59,766</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	195,479	195,479
Fund Balance, Beginning	<u>151,435</u>	<u>151,435</u>	<u>151,435</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 151,435</u></u>	<u><u>\$ 151,435</u></u>	<u><u>\$ 346,914</u></u>	<u><u>\$ 195,479</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Assessment District L-1
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 320,000	\$ 320,000	\$ 291,893	\$ (28,107)
Investment Income	2,500	2,500	14,149	11,649
Total Revenues	<u>322,500</u>	<u>322,500</u>	<u>306,042</u>	<u>(16,458)</u>
EXPENDITURES				
Current:				
Transportation	<u>470,000</u>	<u>470,000</u>	<u>216,834</u>	<u>253,166</u>
Total Expenditures	<u>470,000</u>	<u>470,000</u>	<u>216,834</u>	<u>253,166</u>
Excess (Deficiency) of Revenues over Expenditures	(147,500)	(147,500)	89,208	236,708
Fund Balance, Beginning	<u>1,416,652</u>	<u>1,416,652</u>	<u>1,416,652</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 1,269,152</u></u>	<u><u>\$ 1,269,152</u></u>	<u><u>\$ 1,505,860</u></u>	<u><u>\$ 236,708</u></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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 115,000	\$ 115,000	\$ 207,612	\$ 92,612
Investment Income			5,971	5,971
Total Revenues	<u>115,000</u>	<u>115,000</u>	<u>213,583</u>	<u>98,583</u>
EXPENDITURES				
Current:				
Culture and Recreation				-
Capital Outlay			15,542	(15,542)
Total Expenditures	<u>-</u>	<u>-</u>	<u>15,542</u>	<u>(15,542)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>115,000</u>	<u>115,000</u>	<u>198,041</u>	<u>83,041</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	115,000	115,000	198,041	83,041
Fund Balance, Beginning	<u>475,620</u>	<u>475,620</u>	<u>475,620</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 590,620</u></u>	<u><u>\$ 590,620</u></u>	<u><u>\$ 673,661</u></u>	<u><u>\$ 83,041</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - HOME Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 2,832	\$ 2,832
Intergovernmental	1,927,085	1,927,085	337,359	(1,589,726)
Other Revenue			121,100	121,100
Total Revenues	<u>1,927,085</u>	<u>1,927,085</u>	<u>461,291</u>	<u>(1,465,794)</u>
EXPENDITURES				
Current:				
Community Development	<u>1,927,085</u>	<u>1,927,085</u>	<u>510,434</u>	<u>1,416,651</u>
Total Expenditures	<u>1,927,085</u>	<u>1,927,085</u>	<u>510,434</u>	<u>1,416,651</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(49,143)</u>	<u>(49,143)</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	-	-	(49,143)	(49,143)
Fund Balance, Beginning	<u>4,371,714</u>	<u>4,371,714</u>	<u>4,371,714</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 4,371,714</u>	<u>\$ 4,371,714</u>	<u>\$ 4,322,571</u>	<u>\$ (49,143)</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - NAVISP Infrastructure
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$ 6,000	\$ 6,000	\$ 16,593	\$ 10,593
Total Revenues	6,000	6,000	16,593	10,593
EXPENDITURES				
Current:				
Transportation				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	6,000	6,000	16,593	10,593
Fund Balance, Beginning	1,680,793	1,680,793	1,680,793	-
Fund Balance, Ending	<u>\$ 1,686,793</u>	<u>\$ 1,686,793</u>	<u>\$ 1,697,386</u>	<u>\$ 10,593</u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Storm Drains
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses & Permits	\$ 126,000	\$ 126,000	\$ 101,240	\$ (24,760)
Investment Income	3,500	3,500	20,720	17,220
Total Revenues	<u>129,500</u>	<u>129,500</u>	<u>121,960</u>	<u>(7,540)</u>
EXPENDITURES				
Current:				
Community Development			498	(498)
Capital Outlay	22,500	22,500		22,500
Total Expenditures	<u>22,500</u>	<u>22,500</u>	<u>498</u>	<u>22,002</u>
Excess (Deficiency) of Revenues over Expenditures	<u>107,000</u>	<u>107,000</u>	<u>121,462</u>	<u>14,462</u>
OTHER FINANCING SOURCES (USES)				
Transfer In				-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	107,000	107,000	121,462	14,462
Fund Balance, Beginning	<u>2,009,533</u>	<u>2,009,533</u>	<u>2,009,533</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 2,116,533</u>	<u>\$ 2,116,533</u>	<u>\$ 2,130,995</u>	<u>\$ 14,462</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$ 141,840	\$ 141,840
Total Revenues	-	-	141,840	141,840
EXPENDITURES				
Current:				
Community Development			140,531	(140,531)
Capital Outlay			13,630	(13,630)
Total Expenditures	-	-	154,161	(154,161)
Excess (Deficiency) of Revenues over Expenditures	-	-	(12,321)	(12,321)
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Transfers Out				-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	-	(12,321)	(12,321)
Fund Balances, Beginning	(24,013)	(24,013)	(24,013)	-
Fund Balances, Ending	\$ (24,013)	\$ (24,013)	\$ (36,334)	\$ (12,321)

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Development Impact Fees
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses & Permits	\$ 127,400	\$ 127,400	\$ 118,838	\$ (8,562)
Investment Income	3,830	3,830	20,328	16,498
Total Revenues	<u>131,230</u>	<u>131,230</u>	<u>139,166</u>	<u>7,936</u>
EXPENDITURES				
Current:				
Public Safety				-
Capital Outlay		11,000	13,122	(2,122)
Total Expenditures	<u>-</u>	<u>11,000</u>	<u>13,122</u>	<u>(2,122)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>131,230</u>	<u>120,230</u>	<u>126,044</u>	<u>5,814</u>
OTHER FINANCING SOURCES (USES)				
Transfer In				-
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	131,230	120,230	126,044	5,814
Fund Balance, Beginning	<u>1,971,975</u>	<u>1,971,975</u>	<u>1,971,975</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 2,103,205</u></u>	<u><u>\$ 2,092,205</u></u>	<u><u>\$ 2,098,019</u></u>	<u><u>\$ 5,814</u></u>

Town of Apple Valley, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 1999 COPS Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment Income	\$	\$	\$ 712	\$ 712
Total Revenues	-	-	712	712
EXPENDITURES				
Current:				
General Government	41,000		33,687	(33,687)
Debt Service				
Principal	365,000		365,000	(365,000)
Interest and Fiscal Charges	3,000			
Total Expenditures	409,000	-	398,687	(398,687)
Excess (Deficiency) of Revenues over Expenditures	(409,000)	-	(397,975)	(397,975)
OTHER FINANCING SOURCES (USES)				
Transfers In	409,000	409,000	398,688	(10,312)
Total Other Financing Sources (Uses)	409,000	409,000	398,688	(10,312)
Net Change in Fund Balances	-	409,000	713	(408,287)
Fund Balance, Beginning	52	52	52	-
Fund Balance, Ending	\$ 52	\$ 409,052	\$ 765	\$ (408,287)

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.

Opportunity High Desert Trust Fund - Town acts as an administrator for the trust fund.

Town of Apple Valley, California
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

	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
ASSETS						
Cash and Investments	\$ 638,502	\$ 3,836	\$	\$ 541,386	\$ 27,017,045	\$ 100,515
Cash with Fiscal Agent			239,532			
Accounts Receivable						93,365
Interest Receivable				1,551		
Due from Other Governments				3,490	673,067	
Prepaid Items						3,501
	<u>\$ 638,502</u>	<u>\$ 3,836</u>	<u>\$ 239,532</u>	<u>\$ 546,427</u>	<u>\$ 27,690,112</u>	<u>\$ 197,381</u>
Total Assets	<u>\$ 638,502</u>	<u>\$ 3,836</u>	<u>\$ 239,532</u>	<u>\$ 546,427</u>	<u>\$ 27,690,112</u>	<u>\$ 197,381</u>
LIABILITIES						
Accounts Payable	\$	\$ 3,836	\$	\$ 11,363	\$	\$
Accrued Liabilites					27,690,112	
Deposits	638,502			535,064		197,381
Amounts Due Bondholders			239,532			
	<u>\$ 638,502</u>	<u>\$ 3,836</u>	<u>\$ 239,532</u>	<u>\$ 546,427</u>	<u>\$ 27,690,112</u>	<u>\$ 197,381</u>
Total Liabilities	<u>\$ 638,502</u>	<u>\$ 3,836</u>	<u>\$ 239,532</u>	<u>\$ 546,427</u>	<u>\$ 27,690,112</u>	<u>\$ 197,381</u>

Opportunity High Desert Trust Fund	Total
\$ 113,867	\$ 28,415,151
	239,532
	93,365
322	1,873
	676,557
	3,501
<u>\$ 114,189</u>	<u>\$ 29,429,979</u>
\$	\$ 15,199
	27,690,112
114,189	1,485,136
	239,532
<u>\$ 114,189</u>	<u>\$ 29,429,979</u>

Town of Apple Valley, California
Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2018

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
<u>TRUST AND FIDUCIARY FUND</u>				
ASSETS				
Cash and Investments	\$ 712,080	\$ 157,190	\$ 230,768	\$ 638,502
Total Assets	<u>\$ 712,080</u>	<u>\$ 157,190</u>	<u>\$ 230,768</u>	<u>\$ 638,502</u>
LIABILITIES				
Deposits	\$ 712,080	\$ 310,458	\$ 384,036	\$ 638,502
Total Liabilities	<u>\$ 712,080</u>	<u>\$ 310,458</u>	<u>\$ 384,036</u>	<u>\$ 638,502</u>
<u>VICTOR VALLEY TRANSIT AUTHORITY FUND</u>				
ASSETS				
Cash and Investments	\$ 1,696	\$ 6,460	\$ 4,320	\$ 3,836
Total Assets	<u>\$ 1,696</u>	<u>\$ 6,460</u>	<u>\$ 4,320</u>	<u>\$ 3,836</u>
LIABILITIES				
Accounts Payable	\$ 1,696	\$ 4,923	\$ 2,783	\$ 3,836
Total Liabilities	<u>\$ 1,696</u>	<u>\$ 4,923</u>	<u>\$ 2,783</u>	<u>\$ 3,836</u>
<u>ASSESSMENT DISTRICT 98-1</u>				
ASSETS				
Cash and Investments	\$ -	\$ 228,813	\$ 228,813	\$ -
Cash with Fiscal Agent	238,390	1,636	494	239,532
Total Assets	<u>\$ 238,390</u>	<u>\$ 230,449</u>	<u>\$ 229,307</u>	<u>\$ 239,532</u>
LIABILITIES				
Amount Due Bondholders	\$ 238,390	\$ 230,170	\$ 229,028	\$ 239,532
Accrued Liabilities	-	-	-	-
Total Liabilities	<u>\$ 238,390</u>	<u>\$ 230,170</u>	<u>\$ 229,028</u>	<u>\$ 239,532</u>
<u>VILLAGE PBID</u>				
ASSETS				
Cash and Investments	\$ 535,262	\$ 219,980	\$ 213,856	\$ 541,386
Interest Receivable	872	1,551	872	1,551
Due From Other Governments	4,517	3,490	4,517	3,490
Total Assets	<u>\$ 540,651</u>	<u>\$ 225,021</u>	<u>\$ 219,245</u>	<u>\$ 546,427</u>
LIABILITIES				
Accounts Payable	\$ 13,157	\$ 212,062	\$ 213,856	\$ 11,363
Deposits	527,494	12,959	5,389	535,064
Total Liabilities	<u>\$ 540,651</u>	<u>\$ 225,021</u>	<u>\$ 219,245</u>	<u>\$ 546,427</u>

Continued

Town of Apple Valley, California
Statement of Changes in Assets and Liabilities
Agency Funds - Continued
Year Ended June 30, 2018

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
<u>VICTOR VALLEY ECONOMIC DEVELOPMENT AUTHORITY</u>				
ASSETS				
Cash and Investments	\$ 18,798,359	\$ 37,752,824	\$ 29,534,138	\$ 27,017,045
Due From Other Governments	673,067			673,067
Total Assets	<u>\$ 19,471,426</u>	<u>\$ 37,752,824</u>	<u>\$ 29,534,138</u>	<u>\$ 27,690,112</u>
LIABILITIES				
Accrued Liabilities	\$ 19,471,426	\$ 37,752,824	\$ 29,534,138	\$ 27,690,112
Total Liabilities	<u>\$ 19,471,426</u>	<u>\$ 37,752,824</u>	<u>\$ 29,534,138</u>	<u>\$ 27,690,112</u>
<u>MOJAVE DESERT AND MOUNTAIN INTEGRATED WASTE MANAGEMENT AUTHORITY</u>				
ASSETS				
Cash and Investments	\$ 133,754	\$ 672,749	\$ 705,988	\$ 100,515
Accounts Receivable	472,105	2,550,289	2,929,029	93,365
Prepaid Items	6,276	3,501	6,276	3,501
Total Assets	<u>\$ 612,135</u>	<u>\$ 3,226,539</u>	<u>\$ 3,641,293</u>	<u>\$ 197,381</u>
LIABILITIES				
Accrued Liabilities	\$ 229,782	\$	\$ 229,782	\$
Deposits	382,353	3,226,539	3,411,511	197,381
Total Liabilities	<u>\$ 612,135</u>	<u>\$ 3,226,539</u>	<u>\$ 3,641,293</u>	<u>\$ 197,381</u>
<u>OPPORTUNITY HIGH DESERT TRUST FUND</u>				
ASSETS				
Cash and Investments	\$ 128,983	\$ 30,530	\$ 45,646	\$ 113,867
Accounts Receivable	29,500		29,500	-
Interest Receivable	213	322	213	322
Due From Other Governments				
Total Assets	<u>\$ 158,696</u>	<u>\$ 30,852</u>	<u>\$ 75,359</u>	<u>\$ 114,189</u>
LIABILITIES				
Accounts Payable	\$ 25,472	\$ 18,053	\$ 43,525	\$
Deposits	133,224	12,799	31,834	114,189
Total Liabilities	<u>\$ 158,696</u>	<u>\$ 30,852</u>	<u>\$ 75,359</u>	<u>\$ 114,189</u>

Continued

Town of Apple Valley, California
Statement of Changes in Assets and Liabilities
Agency Funds - Continued
Year Ended June 30, 2018

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Investments	\$ 20,310,134	\$ 39,068,546	\$ 30,963,529	\$ 28,415,151
Cash with Fiscal Agent	238,390	1,636	494	239,532
Accounts Receivable	501,605	2,550,289	2,958,529	93,365
Interest Receivable	1,085	1,873	1,085	1,873
Due From Other Governments	677,584	3,490	4,517	676,557
Prepaid Items	6,276	3,501	6,276	3,501
Total Assets	<u>\$ 21,735,074</u>	<u>\$ 41,629,335</u>	<u>\$ 33,934,430</u>	<u>\$ 29,429,979</u>
LIABILITIES				
Accounts Payable	\$ 40,325	\$ 235,038	\$ 260,164	\$ 15,199
Accrued Liabilities	19,701,208	37,752,824	29,763,920	27,690,112
Deposits	1,755,151	3,562,755	3,832,770	1,485,136
Amounts Due Bondholders	238,390	230,170	229,028	239,532
Total Liabilities	<u>\$ 21,735,074</u>	<u>\$ 41,780,787</u>	<u>\$ 34,085,882</u>	<u>\$ 29,429,979</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

CONTENTS	PAGE
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	101
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	111
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	116
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	123
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	125

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities				
Net Investment in Capital Assets	\$ 381,677,955	\$ 390,657,277	\$ 388,785,477	\$ 379,669,535
Restricted	40,971,278	32,983,379	34,274,504	17,206,203
Unrestricted	(1,410,378)	(9,726,145)	(15,234,171)	16,418,211
Total Governmental Activities Net Assets	\$ 421,238,855	\$ 413,914,511	\$ 407,825,810	\$ 413,293,949
Business-type activities				
Net Investment in Capital Assets	\$ 32,459,593	\$ 31,382,013	\$ 30,868,062	\$ 34,441,896
Restricted	1,818,304	1,818,186	1,818,204	1,744,747
Unrestricted	14,119,730	12,167,184	9,627,346	7,221,444
Total Business-type Activities Net Assets	\$ 48,397,627	\$ 45,367,383	\$ 42,313,612	\$ 43,408,087
Primary Government				
Net Investment in Capital Assets	\$ 414,137,548	\$ 422,039,290	\$ 419,653,539	\$ 414,111,431
Restricted	42,789,582	34,801,565	36,092,708	18,950,950
Unrestricted	12,709,352	2,441,039	(5,606,825)	23,639,655
Total Primary Government Net Assets	\$ 469,636,482	\$ 459,281,894	\$ 450,139,422	\$ 456,702,036

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 371,244,438	\$ 370,565,096	\$ 383,503,226	\$ 385,016,893	\$ 384,326,300	\$ 372,417,243
23,906,586	22,736,379	25,023,536	27,289,411	25,111,480	27,374,638
9,730,572	9,057,417	1,122,526	477,350	1,285,784	(4,161,746)
<u>\$ 404,881,596</u>	<u>\$ 402,358,892</u>	<u>\$ 409,649,288</u>	<u>\$ 412,783,654</u>	<u>\$ 410,723,564</u>	<u>\$ 395,630,135</u>
\$ 33,386,797	\$ 32,781,178	\$ 33,311,903	\$ 32,010,863	\$ 30,683,607	\$ 29,145,941
1,737,858	1,737,952	1,107,309	2,487,699	3,090,812	3,229,262
6,189,164	6,165,786	4,722,850	3,525,226	6,356,764	10,092,748
<u>\$ 41,313,819</u>	<u>\$ 40,684,916</u>	<u>\$ 39,142,062</u>	<u>\$ 38,023,788</u>	<u>\$ 40,131,183</u>	<u>\$ 42,467,951</u>
\$ 404,631,235	\$ 403,346,274	\$ 416,815,129	\$ 417,027,756	\$ 415,009,907	\$ 401,563,184
25,644,444	24,474,331	26,130,845	29,777,110	28,202,292	30,603,900
15,919,736	15,223,203	5,845,376	4,002,576	7,642,548	5,931,002
<u>\$ 446,195,415</u>	<u>\$ 443,043,808</u>	<u>\$ 448,791,350</u>	<u>\$ 450,807,442</u>	<u>\$ 450,854,747</u>	<u>\$ 438,098,086</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses				
Governmental activities:				
General government	\$ 3,351,071	\$ 1,841,391	\$ 1,236,348	\$ 2,039,052
Public safety	11,783,023	11,784,128	11,904,334	13,289,970
Transportation	14,238,533	12,126,936	12,045,684	12,098,378
Culture and recreation	5,827,113	5,893,089	6,188,596	5,817,520
Community development	9,753,475	15,313,506	9,087,396	6,540,877
Health	-	-	-	-
Interest on long-term debt	3,203,143	3,062,557	3,057,653	1,693,798
Total governmental activities expenses	<u>48,156,358</u>	<u>50,021,607</u>	<u>43,520,011</u>	<u>41,479,595</u>
Business-type activities:				
Sewer	5,593,652	5,995,219	6,576,431	6,042,959
Waste Management	8,825,868	8,572,856	9,402,873	9,028,518
Apple Valley Golf Club	1,276,919	3,092,747	1,978,306	1,448,041
Apple Valley Choice Energy	-	-	-	-
Total business-type activities expenses	<u>15,696,439</u>	<u>17,660,822</u>	<u>17,957,610</u>	<u>16,519,518</u>
Total primary government expenses	<u>\$ 63,852,797</u>	<u>\$ 67,682,429</u>	<u>\$ 61,477,621</u>	<u>\$ 57,999,113</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	301,671	933,000	754,552	616,694
Public safety	163,165	147,533	172,376	74,159
Transportation	39,773	45,510	53,300	86,071
Culture and recreation	938,167	941,862	1,121,273	935,060
Community development	2,266,134	1,850,721	1,795,168	1,568,168
Operating grants and contributions	4,533,857	8,423,410	5,595,047	4,472,410
Capital grants and contributions	6,620,923	5,218,590	5,234,738	3,827,135
Total governmental activities program revenues	<u>14,863,690</u>	<u>17,560,626</u>	<u>14,726,454</u>	<u>11,579,697</u>
Business-type activities:				
Charges for services:				
Sewer	2,994,301	3,691,818	3,967,178	4,005,430
Waste Management	9,827,664	9,690,701	9,894,028	9,733,428
Apple Valley Golf Club	535,589	1,188,655	864,060	767,832
Apple Valley Choice Energy	-	-	-	-
Operating grants and contributions	-	-	25,066	20,410
Capital grants and contributions	586,969	438,301	474,689	3,534,874
Total business-type activities program revenues	<u>13,944,523</u>	<u>15,009,475</u>	<u>15,225,021</u>	<u>18,061,974</u>
Total primary government program revenues	<u>\$ 28,808,213</u>	<u>\$ 32,570,101</u>	<u>\$ 29,951,475</u>	<u>\$ 29,641,671</u>
Net (expense)/revenue				
Governmental activities	\$ (33,292,668)	\$ (32,460,981)	\$ (28,793,557)	\$ (29,899,898)
Business-type activities	(1,751,916)	(2,651,347)	(2,732,589)	1,542,456
Total primary government net expense	<u>\$ (35,044,584)</u>	<u>\$ (35,112,328)</u>	<u>\$ (31,526,146)</u>	<u>\$ (28,357,442)</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 1,935,525	\$ 2,959,562	\$ 2,448,223	\$ 2,688,291	\$ 5,150,848	\$ 6,338,028
13,641,265	14,216,088	14,794,005	15,263,308	16,133,239	16,560,665
10,927,503	10,283,286	12,514,941	12,837,309	12,993,513	17,844,646
5,462,689	5,556,224	5,536,503	5,601,884	5,854,862	5,674,619
6,623,497	5,703,246	5,435,047	5,648,922	5,144,327	4,498,196
-	-	-	-	-	-
467,624	434,622	471,578	436,627	497,928	637,883
<u>39,058,103</u>	<u>39,153,028</u>	<u>41,200,297</u>	<u>42,476,341</u>	<u>45,774,717</u>	<u>51,554,037</u>
6,443,451	6,045,017	6,272,205	6,743,527	5,789,984	6,320,803
8,951,222	9,217,206	11,709,931	12,248,550	10,849,449	11,208,132
1,231,229	1,132,898	1,066,920	1,068,588	1,027,848	1,025,932
-	-	-	-	2,906,247	13,698,907
<u>16,625,902</u>	<u>16,395,121</u>	<u>19,049,056</u>	<u>20,060,665</u>	<u>20,573,528</u>	<u>32,253,774</u>
<u>\$ 55,684,005</u>	<u>\$ 55,548,149</u>	<u>\$ 60,249,353</u>	<u>\$ 62,537,006</u>	<u>\$ 66,348,245</u>	<u>\$ 83,807,811</u>
325,417	1,077,891	1,070,307	542,621	511,890	263,422
184,118	144,673	163,039	132,477	126,122	101,625
-	-	-	-	-	-
1,019,300	1,001,936	984,766	1,152,607	1,264,127	1,271,869
1,684,624	2,787,298	3,127,983	2,944,972	3,225,298	3,337,502
6,662,688	7,204,421	5,739,525	3,690,720	4,644,925	3,755,669
3,688,576	5,836,010	25,763,181	16,742,736	13,090,722	5,718,211
<u>13,564,723</u>	<u>18,052,229</u>	<u>36,848,801</u>	<u>25,206,133</u>	<u>22,863,084</u>	<u>14,448,298</u>
4,478,759	4,838,790	5,443,113	5,979,262	5,962,102	5,547,876
9,501,422	9,851,074	10,813,719	11,029,270	11,239,035	11,523,158
594,694	660,737	636,424	626,681	611,027	618,756
-	-	-	-	3,352,091	15,905,914
19,907	20,070	19,714	19,733	19,829	39,569
497,875	725,666	789,094	533,739	354,653	311,796
<u>15,092,657</u>	<u>16,096,337</u>	<u>17,702,064</u>	<u>18,188,685</u>	<u>21,538,737</u>	<u>33,947,069</u>
<u>\$ 28,657,380</u>	<u>\$ 34,148,566</u>	<u>\$ 54,550,865</u>	<u>\$ 43,394,818</u>	<u>\$ 44,401,821</u>	<u>\$ 48,395,367</u>
\$ (25,493,380)	\$ (21,100,799)	\$ (4,351,496)	\$ (17,270,208)	\$ (22,911,633)	\$ (37,105,739)
(1,533,245)	(298,784)	(1,346,992)	(1,871,980)	965,209	1,693,295
<u>\$ (27,026,625)</u>	<u>\$ (21,399,583)</u>	<u>\$ (5,698,488)</u>	<u>\$ (19,142,188)</u>	<u>\$ (21,946,424)</u>	<u>\$ (35,412,444)</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	4,190,359	3,816,749	3,601,017	3,718,455
Tax increment	9,469,194	7,203,291	5,688,809	1,955,820
Franchise taxes	1,461,374	1,565,696	1,727,194	1,460,033
Sales taxes	3,668,463	3,689,967	3,819,221	4,139,105
Transient occupancy taxes	10,960	9,823	6,051	6,670
Motor vehicle in-lieu	6,670,204	5,931,473	5,487,173	5,167,516
Sales tax in-lieu	1,167,513	1,189,135	1,382,393	1,267,248
Pass through revenues	563,609	488,762	288,495	266,405
Miscellaneous revenues	105,846	112,597	50,623	72,527
Unrestricted grants and contributions	9,686	11,498	10,985	18,962
Investment income	1,090,479	628,373	172,385	36,750
Transfers	499,652	489,273	470,510	483,655
Extraordinary Item	-	-	-	17,818,231
Total governmental activities	<u>28,907,339</u>	<u>25,136,637</u>	<u>22,704,856</u>	<u>36,411,377</u>
Business-type activities:				
Gain on Sale of Capital Assets				
Investment income	332,704	110,376	149,328	35,674
Transfers	(499,652)	(489,273)	(470,510)	(483,655)
Total business-type activities	<u>(166,948)</u>	<u>(378,897)</u>	<u>(321,182)</u>	<u>(447,981)</u>
Total primary government	<u>\$ 28,740,391</u>	<u>\$ 24,757,740</u>	<u>\$ 22,383,674</u>	<u>\$ 35,963,396</u>
Change in Net Assets				
Governmental activities	\$ (4,385,329)	\$ (7,324,344)	\$ (6,088,701)	\$ 6,511,479
Business-type activities	<u>(1,918,864)</u>	<u>(3,030,244)</u>	<u>(3,053,771)</u>	<u>1,094,475</u>
Total primary government	<u>\$ (6,304,193)</u>	<u>\$ (10,354,588)</u>	<u>\$ (9,142,472)</u>	<u>\$ 7,605,954</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
4,409,064	5,181,242	4,219,546	4,475,963	4,689,978	4,934,356
-	-	-	-	-	-
1,816,243	1,892,884	3,765,877	3,962,215	3,972,015	3,993,653
3,804,832	4,122,097	4,239,000	4,813,996	5,806,008	6,479,162
7,152	7,742	6,900	5,923	5,196	9,008
5,136,312	5,257,876	5,529,795	5,835,391	6,129,059	6,455,212
1,383,032	1,275,364	1,496,120	1,036,791	-	-
299,724	328,726	369,580	398,336	442,593	580,907
25,114	73,437	21,339	27,664	38,093	30,029
-	-	-	-	-	-
15,585	82,115	99,082	198,264	51,146	254,774
470,878	356,612	(310,261)	(349,969)	(1,056,749)	(436,602)
-	-	-	-	-	-
<u>17,367,936</u>	<u>18,578,095</u>	<u>19,436,978</u>	<u>20,404,574</u>	<u>20,077,339</u>	<u>22,300,499</u>
			267,679		
27,896	26,493	48,967	136,058	85,437	206,871
(470,878)	(356,612)	310,261	349,969	1,056,749	436,602
<u>(442,982)</u>	<u>(330,119)</u>	<u>359,228</u>	<u>753,706</u>	<u>1,142,186</u>	<u>643,473</u>
<u>\$ 16,924,954</u>	<u>\$ 18,247,976</u>	<u>\$ 19,796,206</u>	<u>\$ 21,158,280</u>	<u>\$ 21,219,525</u>	<u>\$ 22,943,972</u>
\$ (8,125,444)	\$ (2,522,704)	\$ 15,085,482	\$ 3,134,366	\$ (2,834,294)	\$ (14,805,240)
(1,976,227)	(628,903)	(987,764)	(1,118,274)	2,107,395	2,336,768
<u>\$ (10,101,671)</u>	<u>\$ (3,151,607)</u>	<u>\$ 14,097,718</u>	<u>\$ 2,016,092</u>	<u>\$ (726,899)</u>	<u>\$ (12,468,472)</u>

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

	<u>2009</u>	(1)	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund					
Reserved	\$ 546,925		\$ 5,013	\$ -	\$ -
Unreserved	17,094,067		17,587,279	-	-
Nonspendable	-		-	9,979,517	8,155,142
Restricted	-		-	-	-
Committed	-		-	3,789,352	4,221,151
Unassigned	-		-	4,576,951	4,979,355
Total general fund	<u>\$ 17,640,992</u>		<u>\$ 17,592,292</u>	<u>\$ 18,345,820</u>	<u>\$ 17,355,648</u>
All other governmental funds					
Reserved	\$ 1,883,553		\$ 1,313,680	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	11,359,223		11,529,459	-	-
Debt service funds	34,010,895		23,106,470	-	-
Capital projects funds	23,216,796		16,331,898	-	-
Nonspendable	-		-	56,188	-
Restricted	-		-	46,020,428	8,997,316
Committed	-		-	11,621,638	-
Assigned	-		-	-	10,936,987
Unassigned	-		-	(11,825,614)	(6,776,370)
Total all other governmental funds	<u>\$ 70,470,467</u>		<u>\$ 52,281,507</u>	<u>\$ 45,872,640</u>	<u>\$ 13,157,933</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) I) for additional information.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
9,143,364	9,497,516	10,011,530	10,190,359	10,926,707	3,545,866
-	-	-	-	153,635	-
4,173,378	4,730,937	4,997,037	5,426,647	-	-
4,023,527	4,077,698	3,193,084	1,256,789	1,766,647	1,770,927
<u>\$ 17,340,269</u>	<u>\$ 18,306,151</u>	<u>\$ 18,201,651</u>	<u>\$ 16,873,795</u>	<u>\$ 12,846,989</u>	<u>\$ 5,316,793</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,787,783	11,420,923	16,953,992	18,868,644	20,833,933	20,491,778
-	-	-	-	-	-
10,668,700	5,516,263	5,997,123	7,943,468	7,887,425	9,295,951
(6,796,081)	(7,257,586)	(6,781,821)	(6,988,140)	(6,720,876)	(36,457)
<u>\$ 13,660,402</u>	<u>\$ 9,679,600</u>	<u>\$ 16,169,294</u>	<u>\$ 19,823,972</u>	<u>\$ 22,000,482</u>	<u>\$ 29,751,272</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues				
Taxes	\$ 30,939,770	\$ 27,901,025	\$ 24,454,747	\$ 20,307,062
Licenses & permits	1,887,117	1,289,438	1,349,630	1,080,599
Fines & forfeitures	256,286	677,847	293,531	597,178
Investment income	1,676,919	781,680	306,145	92,542
Intergovernmental	5,459,295	8,326,444	6,988,774	5,237,601
Charges for services	2,075,526	1,710,654	2,036,857	1,579,416
Donations	-	-	-	-
Other revenue	573,052	280,646	1,032,654	1,149,386
Total revenues	<u>42,867,965</u>	<u>40,967,734</u>	<u>36,462,338</u>	<u>30,043,784</u>
Expenditures				
General government	2,762,209	1,229,444	852,315	1,191,810
Public safety	11,618,591	11,659,112	11,470,972	12,719,721
Transportation	8,943,287	5,838,362	4,253,987	4,030,616
Culture and recreation	3,797,115	3,898,837	4,198,051	3,761,328
Community development	8,273,777	14,480,657	8,378,965	6,210,336
Capital outlay	12,703,815	16,891,968	7,863,918	1,592,445
Debt service				
Principal	1,701,616	1,839,827	1,902,963	952,370
Interest	3,166,831	3,011,497	3,007,047	1,689,990
Pass-Through Agreements	1,329,805	844,963	659,969	-
Debt issue costs	-	-	-	-
Total expenditures	<u>54,297,046</u>	<u>59,694,667</u>	<u>42,588,187</u>	<u>32,148,616</u>
Excess of revenues over (under) expenditures	(11,429,081)	(18,726,933)	(6,125,849)	(2,104,832)
Other financing sources (uses)				
Transfers in	9,058,685	21,672,848	12,158,838	1,968,354
Transfers out	(8,559,033)	(21,183,575)	(11,688,328)	(1,484,669)
Transfer to Agency Fund	(261,717)	-	-	-
Sale of General Capital Assets	-	-	-	-
Bond proceeds	-	-	-	-
Premium on bonds	-	-	-	-
Extraordinary Item	-	-	-	(31,265,732)
Total other financing sources (uses)	<u>237,935</u>	<u>489,273</u>	<u>470,510</u>	<u>(30,782,047)</u>
Net change in fund balances	<u>\$ (11,191,146)</u>	<u>\$ (18,237,660)</u>	<u>\$ (5,655,339)</u>	<u>\$ (32,886,879)</u>
Debt service as a percentage of noncapital expenditures	13.1%	12.4%	15.2%	9.3%

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	19,524,883	\$ 20,401,643	\$ 22,007,021	\$ 22,906,610	\$ 23,550,034	\$ 25,535,347
	1,413,639	1,584,330	1,705,568	2,088,379	2,736,455	1,925,344
	528,634	433,059	526,148	425,242	467,116	359,347
	46,817	69,501	135,109	416,930	165,578	474,841
	6,390,365	8,328,130	28,973,991	18,420,143	12,957,223	7,264,058
	1,639,329	2,364,139	2,426,926	2,319,147	2,394,059	2,559,544
	-	-	-	-	230,121	127,575
	526,816	1,646,665	636,328	671,056	800,698	1,074,204
	<u>30,070,483</u>	<u>34,827,467</u>	<u>56,411,091</u>	<u>47,247,507</u>	<u>43,301,284</u>	<u>39,320,260</u>
	985,108	2,087,450	2,321,569	2,662,360	4,715,833	4,885,895
	13,086,421	13,665,192	14,245,900	14,713,115	15,587,134	16,001,208
	4,212,159	3,824,404	4,251,474	4,366,489	5,726,369	8,327,555
	3,323,046	3,410,848	3,415,117	3,513,251	3,708,350	3,518,368
	6,139,876	5,479,433	4,984,076	5,259,833	4,693,567	4,102,989
	847,568	8,576,979	23,627,650	12,495,630	9,064,059	1,874,044
	989,533	1,060,131	1,036,250	1,087,000	870,000	7,830,000
	470,560	444,426	441,990	473,038	503,723	598,005
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>30,054,271</u>	<u>38,548,863</u>	<u>54,324,026</u>	<u>44,570,716</u>	<u>44,869,035</u>	<u>47,138,064</u>
	16,212	(3,721,396)	2,087,065	2,676,791	(1,567,751)	(7,817,804)
	2,428,336	3,199,457	2,357,577	2,500,304	2,383,568	651,484
	(1,957,458)	(2,842,845)	(2,667,838)	(2,850,273)	(3,440,317)	(1,088,086)
	-	-	-	-	-	-
	-	349,864	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>470,878</u>	<u>706,476</u>	<u>(310,261)</u>	<u>(349,969)</u>	<u>(1,056,749)</u>	<u>(436,602)</u>
\$	<u>487,090</u>	<u>\$ (3,014,920)</u>	<u>\$ 1,776,804</u>	<u>\$ 2,326,822</u>	<u>\$ (2,624,500)</u>	<u>\$ (8,254,406)</u>
	5.7%	5.8%	5.2%	5.2%	4.3%	19.2%

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Vacant Land
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
2012	3,266,196,822	480,536,311	105,788,103	411,335,510
2013	3,260,215,571	492,907,447	103,795,831	387,455,911
2014	3,402,497,481	497,709,903	104,897,941	378,715,488
2015	3,663,250,402	489,745,796	102,938,558	368,381,804
2016	3,926,314,702	498,277,093	107,174,307	360,835,990
2017	4,152,888,405	525,770,127	113,999,673	352,695,383
2018	4,386,853,812	555,797,147	124,195,778	364,106,504

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 2017/2018 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>
154,190,423	87,406,824	-	5,671,301,883	1.00000%
169,846,550	80,709,595	-	5,048,428,091	1.00000%
173,885,410	82,348,845	-	4,551,514,104	1.00000%
164,165,317	91,203,867	-	4,519,225,930	1.00000%
158,196,900	87,813,270	-	4,490,384,930	1.00000%
144,579,258	74,060,067	-	4,602,460,138	1.00000%
135,086,868	82,725,994	-	4,842,129,422	1.00000%
133,605,042	84,690,200	-	5,110,897,334	1.00000%
131,382,101	87,638,072	-	5,364,373,761	1.00000%
123,138,318	92,154,943	-	5,646,246,502	1.00000%

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Town Direct Rates:										
Town Basic Rate	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438	0.09438
A V Fire Protection District	0.09263	0.09263	0.09263	0.09263	0.09263	0.09263	0.09263	0.09263	0.09263	0.09263
Apple Valley Unified	0.31079	0.31079	0.31079	0.31079	0.31079	0.31079	0.31079	0.31079	0.31079	0.31079
County Free Library	0.01431	0.01431	0.01431	0.01431	0.01431	0.01431	0.01431	0.01431	0.01431	0.01431
San Bernardino County	0.14778	0.14778	0.14778	0.14778	0.14778	0.14778	0.14778	0.14778	0.14778	0.14778
County Superintendent	0.01006	0.01006	0.01006	0.01006	0.01006	0.01006	0.01006	0.01006	0.01006	0.01006
Csa 60 Victorville	0.01024	0.01024	0.01024	0.01024	0.01024	0.01024	0.01024	0.01024	0.01024	0.01024
Education Revenue Aug Fund	0.22378	0.22378	0.22378	0.22378	0.22378	0.22378	0.22378	0.22378	0.22378	0.22378
Flood Control Admin 3-6	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089
Flood Control Zone 4	0.02335	0.02335	0.02335	0.02335	0.02335	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	0.00013	0.00013	0.00013	0.00013	0.00013
Mojave Water Agency	0.00526	0.00526	0.00526	0.00526	0.00526	0.00526	0.00526	0.00526	0.00526	0.00526
Victor Valley Com. College	<u>0.06641</u>	<u>0.06641</u>	<u>0.06641</u>	<u>0.06641</u>	<u>0.06641</u>	<u>0.06641</u>	<u>0.06641</u>	<u>0.06641</u>	<u>0.06641</u>	<u>0.06641</u>
Total Direct Tax Rate	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
Overlapping Rates:										
Apple Valley Unified	0.02550	0.02760	0.03870	0.03740	0.03910	0.03730	0.03550	0.03450	0.03640	0.03110
Mojave Water Agency - Land Only	0.11250	0.11250	0.11250	0.11250	0.11250	0.11250	0.11250	0.11250	0.11250	0.11250
Mojave Water Agency	0.05500	0.05500	0.05500	0.05500	0.05500	0.05500	0.05500	0.05500	0.05500	0.05500
Oro Grande Elementary Bond	0.01550	0.02110	0.03440	0.03480	0.03810	0.03770	0.03790	0.03780	0.08980	(0.01020)
Victor High School Bond	0.01670	0.05250	0.05740	0.06190	0.07680	0.07920	0.07700	0.07160	0.09860	0.09150
Victor Valley Community College Bond	-	0.01990	0.03060	0.02530	0.02740	0.02640	0.02620	0.01970	0.01740	0.01980
Total Voter Approved Rate	<u>0.22520</u>	<u>0.28860</u>	<u>0.32860</u>	<u>0.32690</u>	<u>0.34890</u>	<u>0.34810</u>	<u>0.34410</u>	<u>0.33110</u>	<u>0.40970</u>	<u>0.29970</u>
Total Direct and Overlapping Rates	<u>1.22520</u>	<u>1.28860</u>	<u>1.32860</u>	<u>1.32690</u>	<u>1.34890</u>	<u>1.34810</u>	<u>1.34410</u>	<u>1.33110</u>	<u>1.40970</u>	<u>1.29970</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

Overlapping rates are those of local and county governments that apply to property owners within the Town. Not all overlapping rates apply to all Town property owners.

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.

Source: San Bernardino County Assessor 2007/08 - 2016/17 Tax Rate Table as summarized by HdL Coren & Cone

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

<u>Taxpayer</u>	<u>2018</u>		<u>2009</u>	
	<u>Taxable Assessed Value</u>	<u>Percent of Total Town Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percent of Total Town Taxable Assessed Value</u>
Wal-Mart Stores, Inc.	\$ 96,229,247	1.70%	\$ 106,499,309	1.88%
WRI Alliance Riley Venture	68,926,594	1.22%	25,672,873	0.45%
Apple Valley Rancho Water Company	57,307,364	1.01%	33,803,738	0.60%
Target Corporation	33,425,169	0.59%	-	
Winterfell Rock Spring Ca	32,108,476	0.57%	-	
Apple Valley Commons I, LLC	25,392,778	0.45%	37,219,674	0.66%
Carl E Ross Living Trust	22,109,984	0.39%	14,802,432	0.26%
Winco Foods LLC	15,749,359	0.28%	-	
Apple Valley Square Center LLC	15,396,005	0.27%	-	
Lowes HIW Inc	13,448,937	0.24%	20,542,534	0.36%
Pulte Home Corporation			20,746,474	0.37%
Cambridge Homes Inc			22,763,403	0.40%
Watson Land Company			16,911,012	0.30%
Apple Valley Acquisition LLC			16,711,485	0.29%
	<u>\$ 380,093,913</u>	<u>6.73%</u>	<u>\$ 315,672,934</u>	<u>5.57%</u>

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

Source: San Bernardino County Assessor 2008/09 and 2017/18 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
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%
2012	3,307,004	3,307,004	100.00%	-	3,307,004	100.00%
2013	3,324,933	3,324,933	100.00%	-	3,324,933	100.00%
2014	3,430,461	3,430,461	100.00%	-	3,430,461	100.00%
2015	3,670,369	3,670,369	100.00%	-	3,670,369	100.00%
2016	4,137,907	4,137,907	100.00%	-	4,137,907	100.00%
2017	4,599,184	4,599,184	100.00%	-	4,599,184	100.00%
2018	5,087,397	5,087,397	100.00%	-	5,087,397	100.00%

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

(2) Note: Taxes Levied does not include RDA revenue

Source: HdL Coren & Cone, San Bernardino County Assessor 2017/18 Combined Tax Rolls

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

Fiscal Year	Governmental Activities				
	Certificates of Participation	Tax Allocation Bonds	Lease Revenue Bonds	2017 Loan Payable	Capital Lease Payable
2009	\$ 16,280,750	\$ 52,090,000	-	-	\$ 112,268
2010	15,403,250	51,140,000	-	-	99,997
2011	14,498,250	50,155,000	-	-	87,034
2012	13,560,750 (1)	-	-	-	72,164
2013	12,515,416	-	-	-	57,631
2014	11,515,846	-	-	-	-
2015	2,077,000 (2)	-	8,405,526 (2)	-	-
2016	1,480,000	-	7,918,456	-	-
2017	1,125,000	-	7,406,386	-	-
2018	760,000	-	-	8,475,000	-

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

(1) As of January 31, 2012, Tax Allocation Bonds were transfers to the Successor Agency of the Redevelopment Agency of the Town of Apple Valley.

(2) As of June 30, 2015, Lease Revenue Bonds are presented separately from Certificates of Participation.

Business-type Activities

Certificates of Participation	Special Assessment Bonds	Installment Purchase Agreement	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 474,250	\$ 3,410,000	\$ 2,210,205	\$ 74,577,473	5211.22%	\$ 1,069
411,750	3,015,000	2,048,958	72,118,955	5039.43%	1,034
346,750	2,579,700	1,880,625	69,547,359	4622.53%	993
279,250	2,130,000	1,706,458	17,748,622	1175.15%	253
209,250	1,650,000	1,522,708	15,955,005	1005.41%	227
136,750	1,135,000	1,331,458	14,119,054	889.71%	200
63,000	-	1,131,875	11,677,401	729.42%	165
-	-	920,448	10,318,904	621.16%	138
-	-	698,781	9,230,167	554.95%	124
-	-	465,132	9,700,132	574.04%	131

**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>
2009	\$ 52,090,000	\$ 52,090,000	0.92%	\$ 747
2010	51,140,000	51,140,000	1.01%	730
2011	50,155,000	50,155,000	1.10%	716
2012 (1)	-	-	0.00%	0
2013	-	-	0.00%	0
2014	-	-	0.00%	0
2015	-	-	0.00%	0
2016	-	-	0.00%	0
2017	-	-	0.00%	0
2018	-	-	0.00%	0

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

(1) As of January 31, 2012, Tax Allocation Bonds were transfers to the Successor Agency of the Redevelopment Agency of the Town of Apple Valley.

**Town of Apple Valley
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018**

<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	\$ 7,720,000	16.6780%	\$ 1,287,542
Victor Valley Joint Community College District	133,548,390	19.2490%	25,706,730
Victor Valley Union High School District	125,655,828	0.0002%	251
Apple Valley Unified School District	24,903,758	83.8700%	20,886,782
Town of Apple Valley 1915 Act Bonds	1,165,000	100.0000%	1,165,000
Direct and Overlapping General Fund Debt:			
San Bernardino County General Fund Obligations	368,015,000	2.7210%	10,013,688
San Bernardino County Pension Obligations	336,106,248	2.7210%	9,145,451
San Bernardino County Flood Control General Fund Obligations	68,325,000	2.7210%	1,859,123
Victor Valley Union High School District Certificates of Participation	24,515,000	0.0002%	49
Apple Valley Unified School District Certificates of Participation	2,060,000	83.8700%	1,727,722
Hesperia Unified School District Certificates of Participation	121,740,000	0.0020%	2,435
Oro Grande School District Certificates of Participation	38,095,000	0.0050%	1,905
Overlapping Tax Increment Debt:	341,829,925	13.429-100%	82,203,561
Subtotal, Overlapping Debt			154,000,239
Town Direct Debt	9,235,000	100.0000%	9,235,000
Total Direct and Overlapping Debt			<u>\$ 163,235,239</u>

Notes:

The percentage of overlapping debt applicable to the town is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the town divided by the district's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town. This process recognizes that, when considering the Town'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 tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: San Bernardino County Assessor and Auditor
Source - MuniServices, LLC

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed valuation	\$ 5,670,597,064	\$ 5,048,428,091	\$ 4,551,514,104	\$ 4,519,225,930
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,417,649,266	1,262,107,023	1,137,878,526	1,129,806,483
Debt limit percentage	15%	15%	15%	15%
Debt limit	212,647,390	189,316,053	170,681,779	169,470,972
Total net debt applicable to limit: Certificates of Participation	<u>16,755,000</u>	<u>15,815,000</u>	<u>14,845,000</u>	<u>13,840,000</u>
Legal debt margin	<u>\$ 195,892,390</u>	<u>\$ 173,501,053</u>	<u>\$ 155,836,779</u>	<u>\$ 155,630,972</u>
Total debt applicable to the limit as a percentage of debt limit	7.9%	8.4%	8.7%	8.2%

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 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 2016/2017 Combined Tax Rolls

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 4,490,384,930	\$ 4,602,460,138	\$ 4,842,129,422	\$ 5,110,897,334	\$ 5,364,373,761	\$ 5,646,246,502
25%	25%	25%	25%	25%	25%
1,122,596,233	1,150,615,035	1,210,532,356	1,277,724,334	1,341,093,440	1,411,561,626
15%	15%	15%	15%	15%	15%
168,389,435	172,592,255	181,579,853	191,658,650	201,164,016	211,734,244
<u>12,795,000</u>	<u>11,720,000</u>	<u>10,545,526</u>	<u>9,398,456</u>	<u>8,531,386</u>	<u>9,235,000</u>
<u>\$ 155,594,435</u>	<u>\$ 160,872,255</u>	<u>\$ 171,034,327</u>	<u>\$ 182,260,194</u>	<u>\$ 192,632,630</u>	<u>\$ 202,499,244</u>
7.6%	6.8%	5.8%	4.9%	4.2%	4.4%

**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
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%
2012	4,373,054	4,120,838	252,216	517,200	152,559	669,759	37.66%
2013	4,986,754	4,577,695	409,059	550,000	157,759	707,759	57.80%
2014	5,212,465	4,257,723	954,742	587,500	84,394	671,894	142.10%
2015	6,173,964	4,935,413	1,238,551	1,208,750	30,866	1,239,616	99.91%
2016	6,629,550	4,955,087	1,674,463	63,000	14	63,014	2657.29%
2017	7,105,546	5,054,908	2,050,638	-	-	-	-
2018	5,987,002	4,505,789	1,481,213	-	-	-	-

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)
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	70,033	1,510,332	21,566	14.40%
2012	70,436	1,586,923	22,530	10.50%
2013	70,755	1,572,742	22,228	9.10%
2014	70,687	1,600,919	22,648	8.60%
2015	74,656	1,661,227	22,251	6.90%
2016	74,701	1,663,240	22,265	6.10%
2017	73,984	1,689,788	22,839	5.80%

1) Population Source: California State Department of finance

2) 2000-2009 Income, Age, and Education Data: ESRI - *Demographic Estimates are based on the last available Census*. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled by Census Block Groups that overlap the Town's boundaries.

2010 and later Income, Age and Education Data - US Census Bureau, most recent American Community Survey

Source: Hdl, Coren & Cone

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

Employer	2018			2009		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Apple Valley Unified School District	1,770	1	6.21%	1,705	1	6.36%
St. Mary Regional Medical Center	1,501	2	5.27%	1,575	2	5.88%
Wal-Mart Distribution Center	883	3	3.10%	1,035	3	3.86%
Target Stores	381	4	1.34%	433	4	1.62%
Wal-Mart Stores	227	5	0.80%	300	6	1.12%
Stater Brothers Market	213	6	0.75%	335	5	1.25%
WinCo Foods	153	7	0.54%	220	8	0.82%
Associated Health Professionals	143	8	0.50%	-		0.00%
The Home Depot	130	9	0.46%			
Lowes	126	10	0.44%	201	9	0.75%
High Desert Law & Justice Center				250	7	0.93%
Town of Apple Valley				170	10	0.63%

Source: CA Employment Development Department (EDD)

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

<u>Function</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government	33	33	35	35	35	36	37	36	31
Public Safety	35	30	34	35	34	41	44	44	41
Economic Development	9	9	10	9	3	1	2	2	1
Public Works/Wastewater	14	21	20	23	20	18	20	38	39
Community Development	12	12	13	11	12	13	15	15	13
Parks & Recreation	109	107	109	116	116	116	107	112	86
Total	212	212	221	229	220	225	225	247	211

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police:				
Arrests	1,952	1,937	1,927	2,164
Parking citations issued	78	93	203	114
Public works:				
Street resurfacing (miles)	65.28	5.97	1.30	2.00
Parks and recreation:				
Number of recreation classes	552	584	513	554
Number of indoor facility rentals	3,925	3,886	3,628	3,373
Number of outdoor facility rentals	8,244	7,636	8,406	8,893
Sewer:				
New connections	327	180	134	61
Average daily sewage treatment (thousands of gallons)	1919	1670	1814	1656

Source: Town of Apple Valley

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
2,145	1,868	2,540	2,734	2,146	2,309
165	235	101	63	69	191
2.00	2.00	2.50	22.00	24.00	73.50
659	531	546	558	524	519
3,537	3,561	3,524	3,158	2,996	3,155
8,328	8,623	8,750	9,312	8,516	7,927
108	122	112	134	252	142
1679	1677	1680	1738	1802	1781

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public works:				
Streets (miles)	422.71	422.71	422.71	422.71
Streetlights	628	628	628	629
Traffic signals	22	22	22	24
Parks and recreation:				
Parks	13	13	13	12
Community centers	2	2	3	3
Wastewater:				
Sanitary sewers (miles)	142	142	142	142
Storm drains (miles)	2	2	2	2
Number of Service Connections	13,506	13,686	13,820	13,881

Source: Town of Apple Valley

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
422.71	422.71	422.71	422.71	422.71	422.71
629	629	629	629	629	629
24	24	24	26	26	28
12	12	12	12	12	12
3	3	3	3	3	3
142	142	142	142	142	142
2	2	2	2	2	2
13,989	14,111	14,223	14,357	14,357	14,751