

## Section I

### APPLE VALLEY FIRE PROTECTION DISTRICT DISTRICT PROFILE SUMMARY SHEET

**District Contact Person:** Douglas L. Qualls – Fire Chief

**Address:** 22400 Headquarters Drive  
Apple Valley, CA 92307

**E-mail Address:** [dqualls@applevalleyfd.com](mailto:dqualls@applevalleyfd.com)

**Website Address:** [www.applevalleyfd.com](http://www.applevalleyfd.com)

**Date of Formation:** January 1951. Reorganized in August 1962 under the "Fire Protection District Law of 1961." (California Health & Safety Code s/s 13801)

**Improvement District(s):**  YES  NO

**Governing Body:** Five-member elected Board of Directors

**Membership:** President: Richard Cambridge  
Vice President: Pat Gabler  
Director: Colleen Kuhn  
Director: Rick Piercy  
Director: Howard Beck

**Public Meetings:** Held the 3<sup>rd</sup> Thursday of each month at 7:00 p.m.  
22400 Headquarters Drive  
Apple Valley, CA

## SERVICES

### CURRENTLY AUTHORIZED POWERS (SERVICES)

Service	Functions
Fire Prevention	Fire Code and Fire Law Enforcement, Education, Building/Development Review
Fire Suppression	Extinguishment of Hostile Fires
Rescue & Medical Response	Heavy and Technical Rescue, Basic Life Support (EMT) & Advanced Life Support (Paramedic)
Community Preparedness	Disaster & Emergency Planning

**Area Served:** 206 Square Miles / 131,840 Acres

**Population:** 60,076 – 2003 U.S. Census

**Registered Voters:** 33,683 as of June 20, 2005

### SERVICES PROVIDED OUTSIDE AGENCY BOUNDARIES

Service	Provided To Whom	Date Of Contract	Sunset Date
Automatic Aid Fire/Rescue/Medical	CSA 29 (San Bernardino County Fire)	August 1996	N/A
Automatic Aid Fire/Rescue	Regional Fire Protection Authority Agencies	December 1990	N/A
Fire Suppression	Bureau of Land Management	October 1999	N/A

**Special charges for service outside boundaries:** Primarily through state-wide mutual aid agreements with State, and Federal agencies.

**Special policies for providing service outside boundaries:** Assistance provided on a local mutual aid basis to other local agencies as needed.

## SPHERE OF INFLUENCE

### ESTABLISHED

LAFCO Number	Resolution No.	Date Adopted	Location
1330-1338	?	March 1973	North Apple Valley
2774	2392	Sept. 30, 1992	28.5 Miles in South Apple Valley
2726-2727	2394	Sept. 20 1992	38.5 Miles North Apple Valley

### CHANGES:

LAFCO Number	Resolution No.	Date Adopted	Type Of Change	Location
893	512	Aug. 1970	Annex 145 Sq. Miles	Surrounding original "Core Ranchos Area"
1697	1306	Jul. 1977	Annex 3 Sq. Miles	Area of 4N 2W
2296-B	8542	Feb. 1985	Annexation	N. Apple Valley from Johnson to Stoddard Wells
2474-D	89-60	Jan. 8, 1990	De-annex to CSA29	East Apple Valley "Cove Area"
2748	2418	Sep. 1993	Annex 8 Sq. Miles	N-E Apple Valley near freeway
2807-B	2530	Oct. 1996	Annex / De-annex	Clean-up boundaries of I-15 from Stoddard Wells Rd. to Bell Mt. Rd.



## Section II

### MUNICIPAL SERVICE REVIEW (Government Code Section 56430)

***INTRODUCTION:*** *The following provides an outline of the mandatory determinations for a municipal service review as set out in Government Code Section 56430.*

#### ***I. Infrastructure Needs and Deficiencies:***

##### **1. Capital Improvement Plans/Studies:**

- The Apple Valley Fire Protection District currently owns and operates six fire stations within its boundaries. The District Master Plan outlines benchmarks in terms of requests for service to guide decisions pertaining to the placement of additional facilities.
- Fire District staff is directly involved with new development planning, allowing District personnel to follow development trends closely.
- The District has made several projections and has purchased property in those areas in anticipation of future facility needs.

##### **2. Age and Condition of Facilities:**

- A complete description and analysis of our current facilities are found in Section 5 as well as Exhibit 10.7 of the accompanying Master Plan.

##### **3. Future Development:**

- Apple Valley has a vast area of open, developable space that will accommodate residential, commercial and industrial development. Infrastructure needs related to emergency services will include roads and water improvements as well as fire station facilities.
- Sources of funding specifically for fire stations facilities may include revenue generated by increased tax base, benefit assessments, developer agreements, the formation of Mello-Roos Community Services Districts, or a combination of the foregoing.

- The District currently has plans to construct our seventh fire station located in the Jess Ranch/Pulte Development area by September of 2007. This particular facility will be built pursuant to an "in-lieu of fee" type agreement with the developer.
- Subsequent facility additions in other areas of the District will be driven by the timelines of various residential, commercial and industrial developments.

## II. Growth and Population:

*Purpose:* To evaluate service needs based upon existing and anticipated growth patterns and population projections.

### 1. Population Information:

- a) Existing population using the U.S. Census Bureau's 2004 figures places the population of the incorporated Town at 62,639. Population estimates based upon the U.S. Census Bureau's 2000 estimates for zip code 92308 is 28,000. It should be noted that 92308 does encompass a portion of the incorporated area of the Town and this number is an estimate only. Growth patterns for our area are demonstrated below:

	2004	2000	1990
<b>Population</b>	62,639	54,239	46,079

Source: U.S. Census Bureau, 2004 Population Estimates, Census 2000, 1990 Census

- b) Accurate projections of populations within the District's sphere of influence are not available and can be characterized as not having a significant impact over the next five years.

### 2. General Plan:

- a) Significant growth continues with the both the incorporated and unincorporated area of the Fire District. The District's Master Plan discusses service planning related to population growth in Sections 4.6, 5.4 and 7.6.

### 3. Identify Significant Growth Areas:

- a) Infill and new tract residential growth is robust within throughout the incorporated areas of the Town. The unincorporated areas are developing at a significant rate as well. Undeveloped areas in the northern portions of the District are attracting interest for the

development of both large scale residential and industrial projects. Commercial projects consisting of a mix of big box commercial and neighborhood commercial are currently proposed or developing within the center of Town and the Bear Valley & Apple Valley Road corridors.

**III. Financing Opportunities and Constraints:**

The Apple Valley Fire Protection District's primary source of revenue is generated from property taxes levied on real and personal property. A 20 year special assessment of a certain dollar amount allocated to property owners within the fire district was approved by property owners in 1997 for fire protection and emergency services represents a supplemental source of revenue. These two sources combined, represent 91% of the District's revenues. The remaining 9% of the District's revenues are generated by District charges for services such as plan reviews and uniform fire code permits (7%), interest income (1%), and 1% for aid from other governmental agencies such as various grants.

A brief look at comparative District revenues is shown as follows:

<u>Revenue Type</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>
Property Taxes	\$2,700,000	\$2,900,000	\$3,500,000
Special Assessments	1,600,000	1,650,000	1,710,000
Intergovernmental	46,000	160,000	65,000
Interest	83,000	42,000	54,000
Permit & Other Services	150,000	160,000	374,000

It should be noted, the 20-year special assessment which is set to expire in 14 years, will significantly impact levels of emergency services provided by the District, if this revenue source is not replaced prior to the term expiring.

**IV. Cost Avoidance Opportunities:**

Purpose: To identify practices or opportunities that may help eliminate unnecessary costs.

**1. Overlapping/Duplicative Services:**

- The Apple Valley Fire Protection District (District) encompasses approximately 206 square miles. Approximately 43(+/-) square miles in the southerly region of our District is State Responsibility Area (SRA). California Department of Forestry (CDF) is responsible for the protection of the watershed/vegetation within the SRA while the District is responsible for the protection of structures. As the District will respond to any fire within the District's SRA, this constitutes an overlapping of service area and, to a degree, a duplicate of services.

However, the District can not duplicate the type of CDF resources that are needed in much of the area of this SRA. However, there may be an opportunity to remove approximately 4(+/-)square miles from the SRA that the District can provided appropriate types of resources for.

## 2. Joint Agency Practices:

Local fire agencies have long recognized opportunities for consolidating specific services. Specific examples of joint, dollar saving partnering that includes the Apple Valley Fire Protection District include:

- The formation of a Joint Powers Authority (JPA) for emergency dispatching services. Members of this JPA are Apple Valley and Victorville. Through a contractual arrangement, this JPA provides dispatching service to the communities of Barstow, Big Bear City, Big Bear Lake, Dagget, Newberry Springs and Yermo.
- The District is also a founding member of a JPA that provides Worker's Compensation protection to workers. Several fire agencies within San Bernardino County are participants in this JPA.
- The Fire District and the Town of Apple Valley have developed partnerships that provide cost-sharing and efficiency opportunities for each of our agencies. Two examples of this include:
  - 1) A fiscal contribution by the District to the Town for grants writing and grants management services
  - 2) A cost sharing Disaster Preparedness Management Services Program which is administered by the District on behalf of the Town.

## 3. Growth Management Strategies:

- Growth management considerations by the District to service the growing community, presently and in the future, include:
  - Working with water purveyors to increase water/fire flow storage capacity in developing areas;
  - Installation of Opticom traffic interrupter devices to cope with increased traffic on local roads resulting in safer and more expeditious emergency response;

- Exploring the feasibility of the development of Community Services Districts for emergency services;
- Purchasing land in those areas where the placement future fire stations is anticipated. New facility and equipment considerations based upon service volume and population are identified within the District's Master Plan.

**4. Level of Service:**

- Current level of services provided are highest available in terms of types of services available. The District provides "all risk" emergency response, including emergency medical services at the EMT-P (paramedic) level.

**V. Rate Restructuring:**

*(This section is not applicable to the Apple Valley Fire Protection District)*

**VI. Opportunities for Shared Facilities:**

Purpose: *To evaluate the opportunities for a jurisdiction to share facilities and resources to develop more efficient service delivery systems.*

**1. Shared Facilities:**

- a) The Apple Valley Fire District has past experience with shared facilities. One example was a shared facility with the former Recreation and Parks District for the joint use of a training/community room. Today, we continue to allow the use of various District meeting rooms by other local agencies and community groups alike.
- b) The Fire District has a cooperative agreement with the major water purveyor in Apple Valley to utilize emergency standby power generators and fueling facilities.
- c) The District has engaged with other agencies, such as the Town of Apple Valley and the School District, to explore future co-location of facilities where it will serve the public interest.
- d) The Fire District houses the Town's Emergency Operations Center at the Fire District's Headquarters facility.

## VII. Government Structure Options

Purpose: *To consider the advantages and disadvantages of various government structures to provide public services.*

### 1. Government Structure Options

Potential options for reorganization/consolidation include:

- a) Fire service governed by the Town of Apple Valley.
- b) Fire Service governed by the County.
- c) Consolidate with another other local fire agency.

### 2. Hurdles to Consolidation/Reorganization:

Specific hurdles to reorganization of fire service include geographical boundaries, political boundaries and considerations, community needs, and agency missions. The above options are considered below:

#### Governance by Town of Apple Valley

The Apple Valley Fire Protection District encompasses 206 square miles and provides service to the incorporated Town area of approximately 73 square miles. Should the District become an actual department of the Town or a subsidiary District of the Town, a majority portion of the existing Fire District would remain a special district serving a predominately rural, but growing community. This particular action would have the effect of creating yet another governmental agency/department and not really eliminating a governmental body or District. Should the Town, through the annexation process, eventually encompass all or a vast majority of the Fire District service areas, this may become a viable option depending upon community needs and political considerations.

#### Governance by County

The hurdles predominate to this particular option may be service needs and political considerations. Communities historically form special districts and incorporate to provide essential services needs at a local level. The local control and accountability of funding and service levels are major benefits to the constituency. Government responsiveness to community needs is generally considered and perceived as more responsive and more efficient at the District or City level.

#### Consolidation with other Fire Agencies

Geographical and political hurdles relating to local control of this type of consolidation have proven to be the main issues in previous discussions with surrounding agencies.

### 3. Recommended Options

Local agencies should remain open to exploring various options as the growth and community needs dictate. Consideration given to any governance reorganizations should be based upon demonstrated improvement of community service benefit of such reorganization. Caution should be used when proposing consolidation merely for the purpose of fiscal savings as efficiency, accountability, responsiveness and service levels to those currently served may be at stake.

## VIII. Evaluation of Management Efficiencies:

*Purpose:* To evaluate whether organizational changes to governmental structure can be made to improve the quality of public services in comparison to cost.

The Apple Valley Fire Protection District prides itself on delivering excellent service in a cost effective and efficient manner. This is demonstrated continuously in our actions and practices of management, fiscal prudence, levels of services provided and personal commitment to providing excellent service.

### 1. Training Opportunities

The District is proactive in providing training opportunities to all employees, including management and administrative staff. The employees of the District not only take advantage of training opportunities directly relating to individual jobs and responsibilities, but are active in a host of regional, county and state-wide organizations that allow exposure to latest trends and technology.

### 2. Staffing Levels

Staffing levels are meeting the needs and expectations of the community through the use of full-time, part-time and volunteer personnel.

### 3. Technology

New and current technologies have been put into place in terms of intra-agency communications, emergency dispatching, payroll development, and state and national reporting systems. Additionally, the District maintains a website that announces a host of public interest information, including Board meetings, Board member information, current events, and employment opportunities.

#### 4. Budget

- a) Budget Policies - The budgetary basis of accounting and the basis of accounting used by management for reporting purposes follow generally accepted accounting principles (GAAP), as applicable to government units. The Governmental Accounting Standards Board (GASB) is the District's accepted standard-setting body for establishing governmental accounting and financial reporting. The general fund is prepared using the modified-accrual basis of accounting.
- b) Governing Body Policies – As the Board of Directors meets at a minimum of one time each month, each Board Member is budgeted to receive a monthly stipend of \$100. Throughout the 52 year history of the Apple Valley Fire Protection District, almost every Board Member has donated every one of their monthly stipends back to the District for the District's use. Board Members traveling on District related business, such as Special District seminars for new board members, are expected to maintain original documents to support written requests for reimbursement for actual amounts expended, capped at levels commensurate with average costs for the area's meals and accommodations.
- c) The annual budget is adopted by the Board of Directors after the holding of advertised and regularly posted hearings, and provides for the general operation of the District. The Board of Directors approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers District expenditures in the General Fund.
- d) Analysis of Revenues/Reserves/Expenditures – Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Also, unencumbered appropriations lapse at year-end. The annual budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

#### 5. Joint Powers Agreements

The Apple Valley Fire District is part of a JPA to provide emergency 911 dispatching services to the High Desert Region as identified in Section IV(2) of this document.

**IX. Local Accountability and Governance:**

*Purpose:* To evaluate the accessibility and levels of public participation associated within the agency's decision-making and management processes.

**1. Governing Body:**

**a) Selection process**

The five-member Board of Directors is elected by the voters of the District. Election years have been recently moved to coincide with consolidated state-wide elections. Any vacancies that may occur prior to a term ending are filled in accordance with state law.

**b) Representation**

Current representation of the Board includes members from both incorporated and unincorporated areas of the District.

**c) Frequency of meetings**

Regular meetings of the Board are held on the third Thursday of each month at 7:00 PM. A typical calendar year may include one or two special meetings to address an item needing timely attention.

**d) Brown Act compliance**

The District adheres to the law as prescribed within the Brown Act. An example of a typical meeting agenda is included as an exhibit within this document.

**e) Number of elections over last decade**

During the past 10 years, the District has held elections in 1995, 1997 and 2001. In years 2001 and 2003, candidates were elected in lieu of election.

**2. Customer Feedback:**

Customer satisfaction with the District's services can be characterized as outstanding, as evidenced by over 70 unsolicited letters of appreciation sent to the District annually from citizens we come in contact with. Additionally, it is not unusual to have members of the public express their appreciation for our services in public comment at our meetings.

**3. Access:**

The Apple Valley Fire Protection District is very customer service conscientious. The District administrative offices maintain traditional working hours: Monday through Friday from 8:00 a.m. to 5:00 p.m. Through our website, customers can apply for burning permits, download employment information, and learn about current issues related to the Fire District. ([www.applevalleyfd.com](http://www.applevalleyfd.com)).

The District has also worked closely with other agencies, such as water purveyors, to send out safety information to residents via utility billings. Informational brochures about the District have also been made available to the general public.

The District also maintains constant public contact through the use of news articles and stories relating to current activities of the District. Other forms of media are used for public service announcements on a seasonal basis.

District personnel also keep in contact with the public through civic group memberships and aggressive community participation.

**4. Regular Progress Report:**

- Reports of all District operations, administrative matters, and fiscal accounting are reviewed by the Board of Directors on a monthly basis in a public forum.
- Annual audits of financial records and the budget are conducted by a Certified Public Accounting Firm and are available for public viewing.

## Section III

### MANDATORY FIVE YEAR SPHERE OF INFLUENCE REVIEW (Government Code Section 56425)

**1. *Name of Agency and Introduction:***

- Apple Valley Fire Protection District
- The Apple Valley Fire Protection District currently encompasses 206 square miles within its jurisdiction. The District has two distinct spheres of influence consisting of approximately 28 square miles to the north boundaries and 25 square miles to the south of the District.

**2. *Entities that provide service to our agency:***

- Town of Apple Valley (Public): The Town of Apple Valley was incorporated in 1988. Through a cooperative agreement, the Town provides grant-writing services to the Fire District. The Town and Fire District also share in the cost of providing emergency preparedness management services to the community.
- Regional Fire Protection Authority (RFPA) (Public): The RFPA is a Joint Powers Authority assembled in 1980 to consolidate emergency 911 dispatching service to our region. The JPA consists of the City of Victorville and the Apple Valley Fire Protection District. Through contractual arrangements, the RFPA provides 911 Dispatching services to several fire agencies including Barstow, Big Bear City, Big Bear Lake, Dagget, Yermo, and Newberry Springs.
- Public Employees Self-Insurance System (PASIS) (Public): PASIS is a Joint Powers Authority that provides worker's compensation insurance to several public member agencies.

**3. *Description of anticipated alterations in our agency's current sphere of influence that should be considered in this review:***

- No modifications to existing sphere of influence are currently anticipated.

**4. Master Plan for Fire Service:**

- The Current Master Plan for the Apple Valley Fire Protection District was updated and adopted February 19, 2004. A complete Master Plan review takes place every five years with minor updates every year. Service needs considerations for areas within our sphere of influence will be addressed as development projects are proposed.

**5. SPECIAL DISTRICTS:**

**a) *Specific functions and/or classes of service provided by our District:***

- The Apple Valley Fire Protection District provides a full range of services relating to Fire Prevention, Development Review, Public Education, Fire Suppression, Emergency Medical Response, Hazardous Material Response, Emergency Planning / Management, Heavy and Technical Rescue, and Fleet Maintenance.

**b) *Nature, location and extent of the functions and/or classes of service outlined above:***

- All of the above referenced functions are provided within the entire boundaries of the Apple Valley Fire Protection District.
- Fire Prevention efforts include code enforcement, fire/arson investigation, education, and development/plan review.
- The District currently maintains six fire stations equipped to respond to any type of hostile fire including structure, vegetation, and transportation.
- The Fire District provides emergency medical response services at the Basic Life Support and Advanced Life Support (Paramedic) levels.
- The District operates a full-service Fleet Maintenance Division which also provides fleet services to other local and federal agencies.
- The Fire District responded to approximately 7,000 incidents within its boundaries in 2004.
- Responses to incidents occurring within our sphere of influence are provided by county, state and federal agencies. Our agency will assist on a mutual or automatic aid basis when needed.

**c) Brief outline of master plan adopted for each of the services listed above:**

- The Master Plan for the Apple Valley Fire Protection District (revised and adopted 2/19/04) addresses the current levels of services and operational efficiency as well as generally describing benchmarks and thresholds for future facility and service needs – among other things.

**8. The four factors outlined in Government Code Section 56425 required for a sphere of influence review are outlined as follows:**

**a) The present and planned land uses in our area, including agricultural and open-space lands:**

- The existing land within the sphere of influence of the Apple Valley Fire Protection District is predominately undeveloped, open land with very few and scattered residential homes. Service needs considerations for areas within our sphere of influence will be addressed as development projects are proposed.

**b) The present and probable need for public facilities and services in our area:**

- No public facilities in terms of fire related services should be required in this reporting period.

**c) The present capacity of public facilities and adequacy of public services that our agency provides / is authorized to provide:**

- Current facilities and services delivered are adequate. The funding of facilities and services to developing areas within our boundaries will possibly require development-driven funding sources such as the formation of Community Facilities/Services Districts. These potentials are addressed in the Master Plan.

**d) The existence of social / economic communities of interest in our area:**

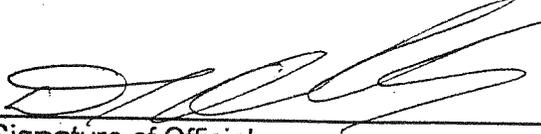
- A retirement community that will ultimately house a population of approximately 4,500 senior citizens is developing in the west section of Town.
- Apple Valley also has two distinct geographical areas of lower income population.

Each of the above community types places a higher demand for services than other areas of the District.

**CERTIFICATION**

I hereby certify that the statements furnished above and in the attached supplements, exhibits, and documents present the date and information required for this mandatory review to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE: August 10, 2005

  
\_\_\_\_\_  
Signature of Official

DOUGLAS L. QUALLS

Printed Name

Fire Chief

Title



# ORIGINAL BUDGET 2007 – 2008

RICK PIERCY

PRESIDENT

RICK CAMBRIDGE

VICE-PRESIDENT

PAT GABLER

BOARD MEMBER

VIRGIL BARNES

BOARD MEMBER

LARRY CUSACK

BOARD MEMBER

RECEIVED  
AUG 30 2007

LAFCO  
San Bernardino County

**Apple Valley Fire Protection District  
Original Budget  
Fiscal Year 2007-2008**

**Introduction**

The Apple Valley Fire Protection District is a California Special District located in the high desert region of San Bernardino County and covers 206 square miles. The Fire District, governed by an elected 5-member board of directors, provides fire prevention and suppression services primarily to a residential community with a growing commercial component.

The annual budget process consists of several staff activities that encompass a variety of components, including review of the District's mission statement and Fire Service Master Plan, evaluation of current services, incorporation of broad organizational goals recognizing public safety and service to the community as its reason for existence. The District endeavors to prepare a balanced budget with current revenues equal to or greater than current expenditures. With respect to the General Fund, the 2007-08 General Fund Budget was balanced primarily by improved property tax revenues and conservative expenditure forecasts. From time to time in past years, designated reserves from the general fund reserves have supplemented revenues for planned capital equipment purchases, thus maintaining a balanced budget. However, the capital replacement schedule did not call for any reserves this coming fiscal year.

Several long-term forecasts of three, five and 8 years assisted management in assessing the likelihood that services could be sustained, assessed to the level at which capital investment could be made, and future commitments and related resources identified. Said forecasts were instrumental in allocating valuable resources to programs for continued service to the community, identifying key variables that cause change in the level of anticipated expenditures, as well as preserving capital assets and maintaining 10% of general fund reserves deemed desirable by management for combating economic uncertainties.

In management's opinion, no document plays a more important role in public-sector finance than the annual operating budget. To be effective, the budget must succeed, not only as a policy document and as a financial plan, but also as an operations guide and as a communications device. The District's 2007-08 General Fund Budget is best described as a conservative budget.

**Revenues**

The District's total revenues have been projected to increase by 7.9 % or \$591,860 to a total of \$8,070,977 for the general fund and \$240,930 for the special revenue fund related to development impact fees for capital acquisitions due to growth. These increases are reflective of a growing local economy and a demand for new high-end residential development. Also with the passage of Measure N during a recent special election, the Apple Valley town councils' ability to administer future commercial development will eliminate the need for a town-wide vote on every proposed commercial development. This is seen as a positive sign for Apple Valley to attract industrial development, which in turn, will ultimately help the Fire District's property tax revenues related to increased property values.

**Property taxes.** Property taxes are the principal revenue sources for the fire district. Through San Bernardino County, taxes are levied each Fiscal Year on real and personal property. Pursuant to Article XIII A of the California Constitution (Proposition 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction. The current year property tax rate will be applied to the reassessment and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due. Property taxes on the secured roll are due in two annual installments, November 1 and February 1 of each Fiscal Year, and if unpaid, are delinquent on December 10 and April 10, respectively.

For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The secured roll is that part of the assessment roll containing State-assessed property and property, the taxes on which, are a lien on real property sufficient in the opinion of the County Assessor to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

**The Teeter Plan.** The District has adopted the alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (the “Teeter Plan Law), commonly referred to as the “Teeter Plan”, for receiving certain property tax and assessment levies on the secured tax roll.

Generally, the Teeter Plan provides a more reliable revenue stream because property tax receipts are based on secured tax rolls versus the volatility of actual tax collections. The county then receives all future delinquent tax payments, penalties and interest related to the secured tax rolls.

Four year comparison of secured tax amounts are as follows:

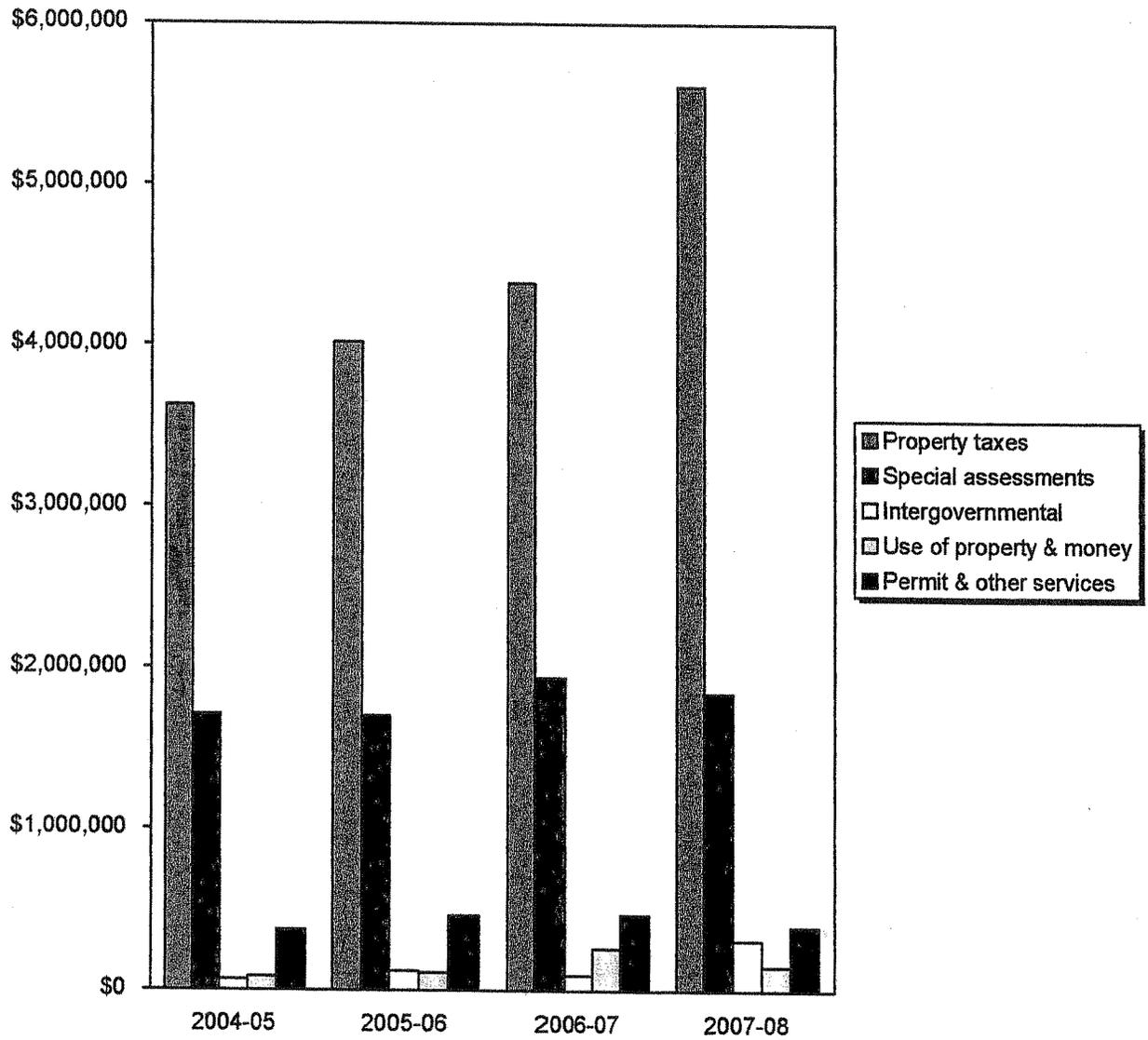
	2004-05	2005-06	2006-07	2007-08
Actual or estimated secured taxes	\$2,911,056	\$3,285,222	\$3,842,924	\$4,214,323
COLA & growth rate	17.28%	13.03%	10.00%	7.70%

It should be noted, the spike in comparative years’ secured taxes during fiscal year 2004-05 was attributable to the addition of a WalMart Distribution Center to the secured tax rolls.

**Special tax assessments.** Measure V, a special tax voted on and passed in November 1997 by the residents in the Town of Apple Valley to restore fire protection and emergency medical services, represents a significant 22.86% of the District's budgeted revenue. As the duration of Measure V was originally 20 years, levels of emergency services supplied to the community will eventually be impacted greatly unless the District replaces this revenue before the special tax term expires. Including 2007-08, there are 11 years remaining.

**Intergovernmental revenues.** In the past, this category represented small grants from various governmental agencies. However, on April 24, 2007, the Town of Apple Valley amended the safety element of its General Plan to allow the Town to collect Development Impact Fees on behalf of the Apple Valley Fire Protection District. Starting July 1, 2007 revenues from said fees will be recorded as intergovernmental revenues in a separate special revenue fund titled Development Impact Fees. Said revenues will be restricted to financing capital items such as fire suppression facilities, vehicles and equipment. It should be noted it was not intended, however, for the development impact fees to address all of the District's capital needs, especially the replacement of aging facilities, vehicles and equipment. Nevertheless, with a large amount of vacant land to be developed over the years to come, the development impact fees will go a long way in preserving the existing levels of service currently offered to and enjoyed by the existing community within the 206 square miles of the District's boundary.

# Comparative General Fund Revenues



**Services / Program highlights:**

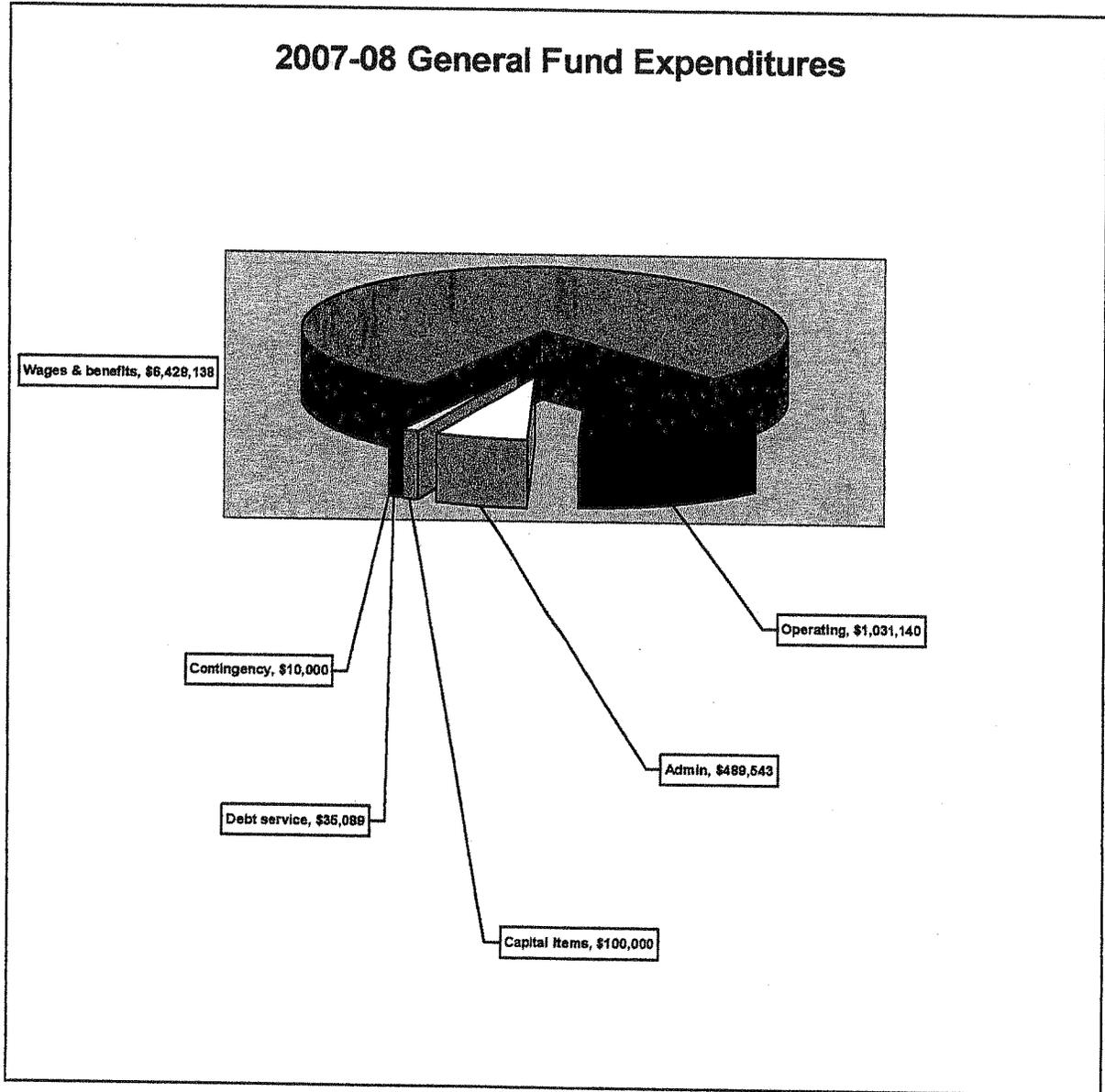
- Supports current MOU obligations and other wage benefit considerations
- Paramedic services are provided by (4) 24 hour engine companies and (1) 24/12 hour split shift
- Unique, one-time expenditures includes:

a)	Safety equipt – turn out coats & fire shelters	\$ 55,000
b)	Safety equipt – new brush engine & ME337	30,000
c)	Station maintenance at 331 and 332	27,000
d)	Foam systems on Engines 331 & 332	15,000
d)	2 Staff vehicles replaced	60,000
e)	Shop pickup truck replaced	25,000
f)	Accounting software	<u>25,000</u>
	Total	\$ 237,000
- A Restricted Reserve of 10% of current fiscal year budgeted expenditures less planned capital expenditures is maintained for economic uncertainty.

**Expenditures**

The total cost of all District programs was projected at \$8,113,911. Excluding the amount of capital expenditures which fluctuates from year to year, this represents an increase of \$652,109 or 8.79% over last year's estimated expenditures. Since a fire district is primarily service related, it stands to reason the predominant factor for this increase can be attributed to labor related expenditures. A majority of the District's increased expenditures was related to adding 4 personnel in the fall due to the anticipated opening of a new fire station No. 337 near Solera homes at Jess Ranch.

The following graph highlights major cost categories for the 2007-08 fiscal year beginning July 1, 2007:



In regards to labor, the District is in the third year of a three year labor agreement coupled with adding two captains and two engineers for station 337 scheduled to be completed in late September. Also two part time positions were included in the budget for help, one in the shop and one at headquarters. The labor agreement helps to maintain costs and is welcomed by both sides of the bargaining tables. The following comparison chart covers several positions that have been added or deleted over the past several years:

<u>Position</u>	<u>Duties</u>	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-08</u>
Battalion Chief	Training	part time	full time	
Manager	EMS		full time	
Limited Term	Firefighter		full time	
Inspector	Code enforcement		full time	
2 Captains	Station 337			full time
2 Engineers	Station 337			full time
Staff asst	Admin at HQ			part time
Mechanic	Shop			part time

**Accounting policies used in budget process:**

The budgetary basis of accounting and the basis of accounting used by management for reporting purposes follow generally accepted accounting principles (GAAP), as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting.

In the preliminary budget, the general fund was presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

**Description of Governmental Funds**

The accounts of the District are organized in three funds, a general fund and two special revenue funds, which are considered separate accounting entities. The operations of the funds are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following types of funds are used:

- *General Fund* – Because the District provides fire protection and life safety services, all resources are accounted for in this fund.
- *Special Revenue Fund* – The Special Revenue Fund is used to account for the proceeds of a specific revenue source that is legally restricted to expenditures for a specified purpose.

**Capital Improvement Program.** The District's Capital Improvement Program ("CIP") represents a reinvestment in the infrastructure of the District. Generally, these investments are in District facilities or the necessary improvements to such facilities that exceed routine maintenance. Incorporated in the CIP is the District's Master Plan updated February 19, 2004, which is an adopted plan for general planning purposes related to the need for construction of District fire stations over a 20-year period. The CIP is funded from annual reoccurring revenues and from District Reserves. Amounts expended to acquire capital assets, which include land, buildings, improvements, and equipment, are reported in the Governmental Activities column of the Government-Wide Financial Statements. Capital items shall be identified for purchase through three methods:

1. New
2. Replacement
3. Emergency

To be a capital asset, it must meet a cost threshold of \$5,000, with a minimum life of 2 years. Donated capital assets are recorded at estimated market value at the date of the donation.

**One-Time Expenditure Plan.** The District's One-time Expenditure Plan ("OEP") includes new programs, which may be funded once every several years, or purchases that assist in meeting the District's mission to enhance the quality of life for our citizens and visitors through the protection of life, property and the environment from the effects of fire, health and hazardous threats. Additionally, OEP issues can assist with enhancing the District's general operations or community interaction. The OEP is generally funded from the Fiscal Year's fund balance at the beginning of the year.

#### **Other Financing Sources (Uses)**

The proceeds of long-term debt are recorded as *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

The District participates in the Regional Fire Protection Authority (RFPA) which was formed in 1979 between the City of Victorville, Apple Valley Fire Protection District and Hesperia Fire Protection District to provide fire protection, emergency dispatch and related functions. During 2004-05, Hesperia Fire withdrew from the RFPA and membership is now comprised of the City of Victorville and Apple Valley Fire Protection District. The RFPA is administered by the City of Victorville, and is accounted for as an enterprise fund (proprietary fund type) with the district wide financial reports for the City of Victorville. Activities of enterprise funds closely resemble those ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The RFPA utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

There are no magic bullets to guarantee success when it comes to forecasting the future for financial planning and budgeting. The District takes a bricks and mortar type of approach to the budget, from establishing goals to monitoring and adjusting the adopted budget. As in all forecasting, future inferences on costs would only be valid if all the assumptions about future events were exactly realized. Thus, continual monitoring of the outcomes in regards to assumptions about future events is an extremely important step in the District's budgeting process and will remain so.

Apple Valley Fire Protection District  
Statement of Revenues, Expenditures and Changes in General Fund Balance  
Original Budget  
For the Year Ended June 30, 2008

	2004-2005	2005-2006	2006-2007	2007-2008
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Budget</u>
<b>Revenues</b>				
Property Taxes	3,627,944	3,921,053	4,878,892	5,614,277
Special Assessments	1,709,305	1,702,273	1,745,567	1,846,293
Intergovernmental	64,749	96,927	123,872	71,150
Use of Property and Money	83,886	114,266	259,000	148,420
Charges for services and other revenue	<u>359,183</u>	<u>462,489</u>	<u>471,786</u>	<u>390,836</u>
Total Revenues	5,845,067	6,297,008	7,479,117	8,070,977
<b>Expenditures</b>				
Wages and Benefits				
Wages	2,884,070	3,225,579	3,528,546	4,009,113
Fringe Benefits	<u>1,461,234</u>	<u>1,566,706</u>	<u>2,182,424</u>	<u>2,408,025</u>
Total Wages and Benefits	4,345,304	4,792,285	5,710,970	6,417,138
Operating Costs				
Materials & Supplies	72,455	212,172	81,756	175,730
Communications	242,155	299,577	342,300	423,945
Food	3,595	4,289	3,100	5,535
General Household	23,060	23,771	24,813	25,632
Equipment Maintenance	102,607	125,010	207,921	258,173
Facility Maintenance	30,002	61,172	81,496	59,800
Fuel & Mileage	<u>53,134</u>	<u>74,466</u>	<u>84,670</u>	<u>88,325</u>
Total Operating Costs	527,008	800,457	826,056	1,037,140
Administrative Costs				
Office Expense	21,279	23,598	33,989	34,989
Professional Services	67,777	90,550	95,218	176,385
Memberships & Publications	8,845	12,057	13,445	14,177
Special Department Expense	14,702	16,894	27,600	32,298
Training	17,600	18,917	35,842	76,238
Transportation & Travel	12,885	13,732	12,070	16,800
Insurance	39,666	47,838	56,711	62,892
Utilities	<u>49,085</u>	<u>57,125</u>	<u>56,066</u>	<u>76,764</u>
Total Administrative Costs	231,839	280,711	330,941	490,543
Capital Outlays				
Equipment & Vehicles	<u>351,377</u>	<u>253,887</u>	<u>508,655</u>	<u>100,000</u>
Total Capital Outlays	351,377	253,887	508,655	100,000
Debt Service				
Principal	17,103	17,847	18,623	0
Interest	39,699	43,542	22,467	10,000
Appropriations for Contingencies				
Transfer to Reserves				10,000
Total Expenditures	<u>5,512,330</u>	<u>6,188,729</u>	<u>7,417,712</u>	<u>8,064,821</u>
Excess/(Deficiency) of				
Revenues over Expenditures	332,737	108,279	61,405	6,156
Other Financing Sources (Uses)				
Transfers			80,000	
Prior period adjustment				
RFPA-Fleet Maintenance dissolution	15,905			
Proceeds from sale of assets		<u>10,452</u>	<u>200</u>	<u>10,000</u>
Net change in fund balances	348,642	118,731	141,605	16,156
Fund Balance, beginning of year	<u>1,481,005</u>	<u>1,829,647</u>	<u>1,948,378</u>	<u>2,089,983</u>
Fund Balance, end of year	<u>1,829,647</u>	<u>1,948,378</u>	<u>2,089,983</u>	<u>2,106,139</u>

Apple Valley Fire Protection District  
Comparative Original Budget Revenue Detail  
2007 - 2008

	2004-2005	2005-2006	2006-2007	2007-2008
	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u> <u>Actual</u>	<u>Original</u> <u>Budget</u>
<b>Property Taxes</b>				
4101 One Percent - Current Secured	2,911,056	3,285,222	3,842,924	4,214,323
4102 One Percent - Current Unsecured	141,165	150,758	165,096	172,108
4103 Current Utility - 1% General	88,218	90,414	95,173	95,920
4104 One Percent - Prior Secured	3,385	2,249	3,672	2,568
4105 One Percent - Prior Unsecured	7,826	8,707	4,616	9,417
4106 Interest/Penalty on Delinquent Taxes	5,305	6,310	8,536	6,310
4602 Homeowners Reimbursement	62,340	60,509	61,719	62,953
4201 Supplemental - Current	139,906	200,449	138,794	232,075
4202 Supplemental - Prior	48,628	76,264	130,326	137,755
4203 Educational Revenue Aug Fund		0	0	0
4204 Redevelopment Agency Pass Thru	150,791	40,171	428,036	680,849
<b>Total</b>	<b>3,558,620</b>	<b>3,921,053</b>	<b>4,878,892</b>	<b>5,614,277</b>
<b>Special Assessments</b>				
4301 Prior Year Assessment	58,365	6,209	4,023	1,553
4302 Current Year Special Tax	1,535,254	1,602,828	1,666,287	1,732,938
4303 Prior Year Special Tax	115,685	93,236	75,257	111,802
<b>Total</b>	<b>1,709,304</b>	<b>1,702,273</b>	<b>1,745,567</b>	<b>1,846,293</b>
<b>Intergovernmental</b>				
4401 Grants	15,298	44,800	65,433	9,800
4703.09 ESM Contract	49,451	52,127	58,439	61,350
<b>Total</b>	<b>64,749</b>	<b>96,927</b>	<b>123,872</b>	<b>71,150</b>
<b>Use of property and money</b>				
4501 Interest Income	54,767	80,593	60,200	39,700
4502 Rents & Concessions	29,118	33,673	198,800	108,720
	83,885	114,266	259,000	148,420
<b>Permits, other services, and other revenue</b>				
4702.01 UFC Permit Fees	28,529	23,259	23,259	23,259
4702.02 Inspection Fees	21,814	36,699	37,066	37,437
4702.03 Plan Review Fees	191,974	277,278	263,800	207,959
4702.04 Burning Permit Fees	28,509	30,060	28,900	23,120
4702.05 Hydrant Fees	9,825	10,977	12,011	15,011
4703.01 Copy Revenue	155	154	135	188
4703.02 Discounts Taken	101	105	152	101
4703.03 Other Revenue	15,905	17	13,795	2,000
4703.04 Fleet Maintenance Repairs	26,878	39,406	29,769	26,000
4703.05 CPR and First Aid	12,358	12,150	9,772	11,000
4703.06 Court Reimbursements	10	15	1,476	15
4703.07 Weed Abatement	33,931	28,608	23,235	25,747
4703.08 Donations	5,100	3,761	28,416	19,000
<b>Total</b>	<b>375,089</b>	<b>462,489</b>	<b>471,786</b>	<b>390,836</b>
<b>Total Revenues</b>	<b>5,791,647</b>	<b>6,297,008</b>	<b>7,479,117</b>	<b>8,070,977</b>

Apple Valley Fire Protection District  
General Fund Balance  
Original Budget

Comparative Years 2004-2005 thru 2007-2008

	2004-2005	2005-2006	2006-2007	2007-2008
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>BUDGET</u>
<b>Fund Balance</b>				
Beginning balance at July 1	1,481,005	1,829,647	1,948,378	2,089,983
Unadjusted net gain	348,642	118,731	141,605	16,156
Add back transfer to reserves				
Less transfers from reserves		0		0
Adjusted net gain (loss)	<u>348,642</u>	<u>118,731</u>	<u>141,605</u>	<u>16,156</u>
Ending balance at June 30	<u><u>1,829,647</u></u>	<u><u>1,948,378</u></u>	<u><u>2,089,983</u></u>	<u><u>2,106,139</u></u>

<b>Composition of Fund Balance</b>	2004-2005	2005-2006	2006-2007	2007-2008
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>BUDGET</u>
<b>Reserved</b>				
Petty cash and revolving cash	2,250	2,250	2,250	2,250
<b>Unreserved</b>				
Designated for debt service	200,718	175,628	150,539	125,450
Designated for economic uncertainty	516,095	593,484	690,906	796,482
Designated for unused sick and vacation	346,835	108,000	81,000	162,000
Designated for equipment	220,000	264,000	148,000	148,000
Designated for facilities	350,000	350,000	350,000	350,000
Designated for post retirement medical benefits		200,000	200,000	200,000
Undesignated -operating contingencies	<u>193,749</u>	<u>255,016</u>	<u>467,288</u>	<u>321,957</u>
<b>Ending fund balance at June 30</b>	<u><u>1,829,647</u></u>	<u><u>1,948,378</u></u>	<u><u>2,089,983</u></u>	<u><u>2,106,139</u></u>

Apple Valley Fire Protection District  
Special Revenue Fund  
Development Impact Fee Original Budget  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the year ended June 30, 2008

	2007-2008 <u>Budget</u>
<b>Revenues</b>	
Intergovernmental	
Development Impact Fees	240,930
Use of Property and Money	
Interest	<u>1,084</u>
Total Revenues	242,014
<b>Expenditures</b>	
Capital Outlays	
Buildings	24,000
Building Improvements	
Equipment & Vehicles	
Total Capital Outlays	<u>24,000</u>
Debt Service	
Principal	19,433
Interest	5,657
Appropriations for Contingencies	
Transfer to Reserves	
Total Expenditures	<u>49,090</u>
Excess/(Deficiency) of	
Revenues over Expenditures	192,924
Other Financing Sources (Uses)	
Transfer from General Fund	
Prior period adjustment	
Proceeds from sale of assets	<u>          </u>
Net change in fund balances	192,924
Fund Balance, beginning of year	<u>0</u>
Fund Balance, end of year	<u><u>192,924</u></u>

Note: Compliance with the Town of Apple Valley's Development Impact Fees starts July 1, 2007. Therefore, there is no prior year for comparison purposes.

Apple Valley Fire Protection District  
 Special Revenue Fund  
 Development Impact Fee  
 Original Budget  
 For Fiscal Year 2007-2008

		<b>2007-2008</b>
		<u>BUDGET</u>
<b>Fund Balance</b>		
Beginning balance at July 1	0	
Unadjusted net gain	192,924	
Add back transfer to reserves		
Less transfers from reserves		
Adjusted net gain (loss)	<u>192,924</u>	
Ending balance at June 30		<u><u>192,924</u></u>

<b>Composition of Fund Balance</b>		<b>2007-2008</b>
		<u>BUDGET</u>
Reserved	0	
Unreserved		
Undesignated	<u>192,924</u>	
<b>Ending fund balance at June 30</b>		<u><u>192,924</u></u>

Note: Compliance with the Town of Apple Valley's Development Impact Fees starts July 1, 2007. Therefore, there is no prior year for comparison purposes.



**APPLE VALLEY  
FIRE PROTECTION DISTRICT  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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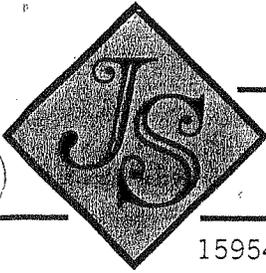
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San Bernardino County

APPLE VALLEY FIRE PROTECTION DISTRICT  
APPLE VALLEY, CALIFORNIA

BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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Jennifer Starbuck, CPA  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Apple Valley Fire Protection District

I have audited the accompanying financial statements of the governmental activities and funds of Apple Valley Fire Protection District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Apple Valley Fire Protection District's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and funds of the Apple Valley Fire Protection District as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

*Jennifer Starbuck*

Jennifer Starbuck, CPA  
September 12, 2006

# APPLE VALLEY FIRE PROTECTION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

### Introduction

As management of the Apple Valley Fire Protection District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Apple Valley Fire Protection District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements in order to enhance their understanding of the District's financial performance.

### Financial Highlights

- The District's governmental revenues of \$6,298,454 increased \$426,109 or 7.3%, from the prior year. Growth in property valuations and their related property taxes contributed primarily to this increase.
- The District's governmental expenditures of \$6,199,558 increased by \$557,563 or 9.9% from the prior year. As anticipated, salaries and benefits represented 90% of the increase.
- On a budgetary basis, both General fund revenues and expenditures recorded positive variances for the final budget of the year. Total revenues exceeded budgeted revenues by \$87,634, and total expenditures were \$198,159 under what was budgeted to be spent.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,003,260, a positive increase of \$109,348 over the prior year. This increase can be primarily linked to property tax collections related to growth in assessed valuations of new property construction, and the increase in property values on the resale of existing real properties, both of which exceeded overall increased expenditures.

### Profile of the Government

#### Government Entity

The Apple Valley Fire Protection District became self-governing on January 15, 1951. It covers approximately 206 square miles in the High Desert of San Bernardino County. The District serves a population of approximately 68,000 in the incorporated and unincorporated areas of Apple Valley.

The District operates six (6) fire stations and an administrative office. Under the command of 2 Division Chiefs, 12 fire fighting personnel are on duty at all times for immediate response. These personnel staff three (3) Medic Engines, a Medic Squad, an urban search and rescue unit, a foam unit, and two (2) water tenders. The District currently employs 50 full and 23 part-time personnel, with addition support of one (1) Reserve Fire Inspector and an Explorer Post consisting of 12 scouts.

#### Budgetary Control

The development of the budget is guided by the District's Master Plan, the goals established by the Board of Directors, the District's Financial Plan, and the desire to maintain high quality and cost effective fire protection and emergency services.

## APPLE VALLEY FIRE PROTECTION DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Revenue related to property valuations represents approximately 62.3% of the District's overall revenue and comes from two sources: Direct property tax receipts that are distributed from the County; and special assessment property taxes from specific properties. Other revenue consists of fees and reimbursements for services, such as permits, inspection fees, interest and miscellaneous sources.

Expenditures are allocated in four major areas within the budget: Salaries and Benefits; Services and Supplies; Capital Outlay; and Debt Service.

#### Financial Highlights

- The Statement of Net Assets presents information on all of the District's assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of the financial position of the District. At year-end, the Assets of the District exceeded Liabilities by \$5,000,941.
- Total Governmental Fund Balances increased by \$109,348 to \$2,003,260 at June 30, 2006.
- The Unreserved Fund Balance at June 30, 2006 was \$1,946,128, representing 34.5% of district-wide expenditures.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Apple Valley Fire Protection District's basic financial statements, which consist of the following components:

- Statement of Net Assets
- Statement of Activities
- Balance Sheet—General Funds
- Reconciliation of the Balance Sheet of the General Funds to the Statement of Net Assets
- Statement of Revenue, Expenditures and Changes in Fund Balance – General Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the General Funds to the Statement of Activities
- Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
- Notes to the Financial Statements

These statements help to illustrate the status of the District as a whole, resulting from the year's activities. The *Statement of Net Assets* and *Statement of Activities* report information about the District as a whole, and include all assets and liabilities, using the full accrual basis of accounting. Capital assets and long-term liabilities are included in these two statements. These statements report the District's net assets and all of the current year's revenues and expenses.

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

The Fund Statements, which include the *Balance Sheet* and the *Statement of Revenue, Expenditures and Changes in Fund Balance* are based on the modified accrual basis of accounting. These statements present only current assets and current liabilities and exclude capital assets and long-term liabilities.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. As of June 30, 2006, the District had total assets of \$5,826,987 and total liabilities of \$826,046, resulting in total net assets of \$5,000,941. This represented a positive increase of \$172,850 in total assets.

*Current Assets* include cash and investments and receivables. *Non-current Assets* include capital assets, net of related depreciation. The Apple Valley Fire Protection District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Apple Valley Fire Protection District'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, because the capital assets themselves cannot be used to pay off these liabilities.

*Current Liabilities* include accounts payable and accrued leave payable. Long-term Liabilities include non-current liabilities due with one year and non-current liabilities due in more than one year.

The remaining *Net Assets* are divided between those that are restricted and those that are unrestricted. Restricted net assets are those net of related liabilities that are restricted to uses specified by third parties. Unrestricted net assets can be used to meet the District's ongoing obligations and to provide services to the community.

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

<i>Net Assets</i>				Increase (Decrease) 2006/2005
		2006	2005	
Assets				
Current Assets				
Cash and investments		\$ 1,610,714	\$1,583,790	\$ 26,924
Receivables (net of allowance for uncollectibles)		627,598	486,735	140,863
Restricted cash and investments		54,882	53,446	1,436
Total Current Assets		<u>2,293,194</u>	<u>2,123,971</u>	<u>169,223</u>
Non-Current Assets				
Capital assets, net of accumulated depreciation		3,533,793	3,628,621	(94,828)
Total Non-Current Assets		<u>3,533,793</u>	<u>3,628,621</u>	<u>(94,828)</u>
Total Assets		<u>5,826,987</u>	<u>5,752,592</u>	<u>74,395</u>
Liabilities				
Current Liabilities				
Accounts payable		108,613	240,378	(131,765)
Accrued leave payable		147,979	129,279	18,700
Deposits		500	500	-
Total Current Liabilities		<u>257,092</u>	<u>370,157</u>	<u>(113,065)</u>
Long Term Liabilities				
Non-current Liabilities,				
Due within one year		18,623	17,847	776
Due in more than one year		550,331	536,497	13,834
Total Long Term Liabilities		<u>568,954</u>	<u>554,344</u>	<u>14,610</u>
Total Liabilities		<u>826,046</u>	<u>924,501</u>	<u>(98,455)</u>
Net Assets				
Invested in capital assets, net of related debt		3,385,132	3,462,114	(76,982)
Restricted for capital projects – Jess Ranch		54,882	53,446	1,436
Unrestricted		1,560,927	1,312,531	248,396
Total Net Assets		<u>\$5,000,941</u>	<u>\$4,828,091</u>	<u>\$ 172,850</u>

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

The following *Statement of Activities* compares key elements in the change in net assets during the fiscal years 2006 and 2005, as well as the District's revenues and expenditures for the same two periods:

	2006	2005
Net Assets at Beginning of the Year	\$ 4,828,091	\$ 4,547,061
General Revenues		
Property taxes	4,093,991	3,627,944
Special assessments	1,702,274	1,709,305
Intergovernmental	-	49,450
Use of property and money	114,813	84,164
Gain on sale of assets	5,043	-
Other	-	15,905
Total General Revenues	<u>5,916,121</u>	<u>5,486,768</u>
Program Revenues		
Charges for services	458,728	354,084
Operating grants and contributions	55,888	5,100
Capital grants and contributions	45,700	42,298
Total Program Revenues	<u>560,316</u>	<u>401,482</u>
Total Revenues	6,476,437	5,888,250
Less: General Expenses	<u>(6,303,587)</u>	<u>(5,607,220)</u>
Increase in Net Assets	172,850	281,030
Net Assets at Year End	<u>\$ 5,000,941</u>	<u>\$ 4,828,091</u>

- Property tax revenues increased \$466,047 over prior year due to increased valuations in property being bought and sold, as well as new commercial and residential properties being completed.
- Special taxes went down overall due to delinquent discontinued assessments from prior years representing \$58,365 collected in 2005, which dropped to \$6,209 in 2006.
- After a depressing two years, use of property and money was up \$30,649 due to higher interest rates.
- The District purchased 14 new Self Contained Breathing Apparatus (SCBAs) for \$63,975 with the help of a \$44,800 equipment grant from the U.S. Department of Homeland Security during 2006.

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

The Governmental Funds *Balance Sheet* presents the current assets, liabilities and fund balances of the District as of June 30, 2006. The Balance Sheet net assets of \$2,293,194 exclude capital assets, net of accumulated depreciation. The assets presented on the Balance Sheet are as follows:

Total Assets from Statement of Net Assets	\$	5,826,987
Less: Capital Assets, net of Accumulated Depreciation		<u>(3,533,793)</u>
Assets Reported on Balance Sheet	\$	<u>2,293,194</u>

The Balance Sheet liabilities exclude non-current liabilities due within one year or \$18,623 and non-current liabilities due in more than one year of \$550,331. The liabilities presented on the Balance Sheet are as follows:

Total Liabilities from Statement of Net Assets	\$	826,046
Less: Non-Current Liabilities: Due within One Year		(18,623)
Less: Non-Current Liabilities: Due in More than One Year		<u>(690,429)</u>
Plus: Deferred Revenue		172,940
Liabilities Reported on Balance Sheet	\$	<u>289,934</u>

The assets reported on the Balance Sheet equal liabilities and fund balance:

Assets reported on Balance Sheet	\$	<u>2,293,194</u>
Liabilities Reported on Balance Sheet		289,934
Fund Balance		<u>2,003,260</u>
Total Liabilities and Fund Balance	\$	<u>2,293,194</u>

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

The *Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets* reconciles the difference between the fund balance of governmental funds of \$2,003,260 and the much larger number representing the District's net assets of \$5,000,941:

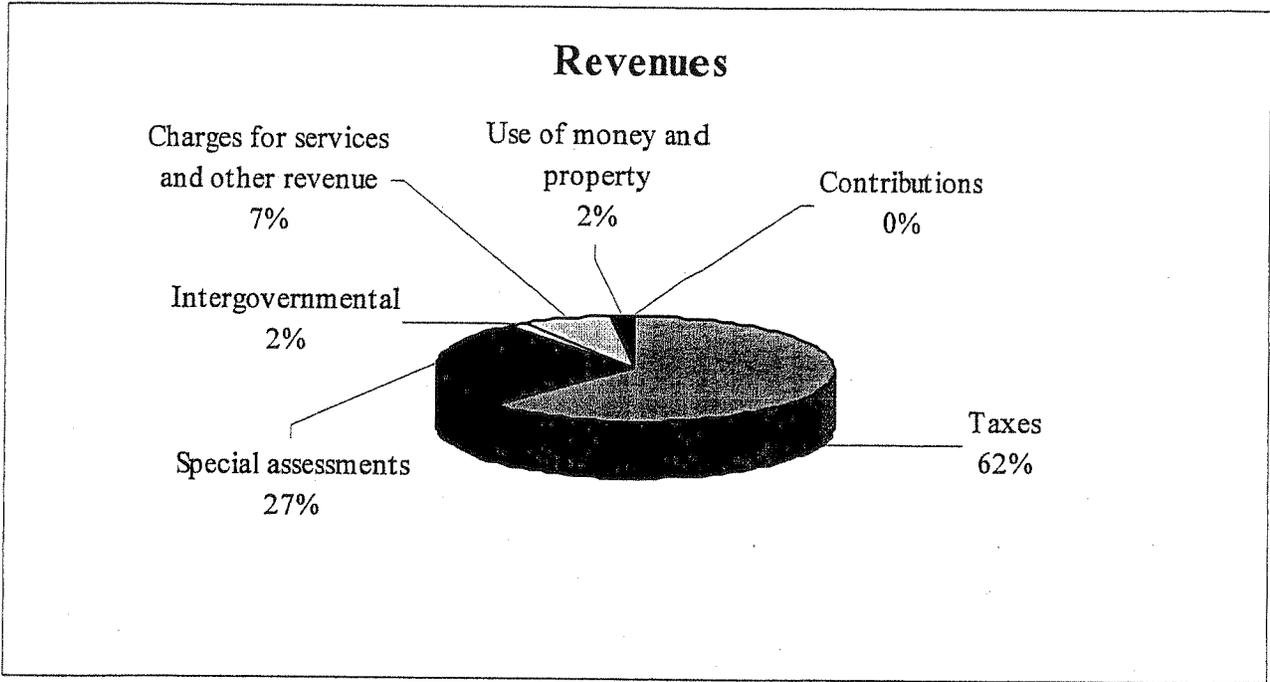
End of year fund balance – Governmental Funds	\$	2,003,260
Capital Assets, Net of Accumulated Depreciation		3,533,793
Deferred Revenue		172,940
Long Term Liabilities		
Due within one year		(18,623)
Due in more than one year		<u>(690,429)</u>
Net Assets of Governmental Activities	\$	<u>5,000,941</u>

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

The revenues in the *Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds* present the detail of Revenues and Expenditures for the District. Revenues total \$6,298,454 and consist of the following:

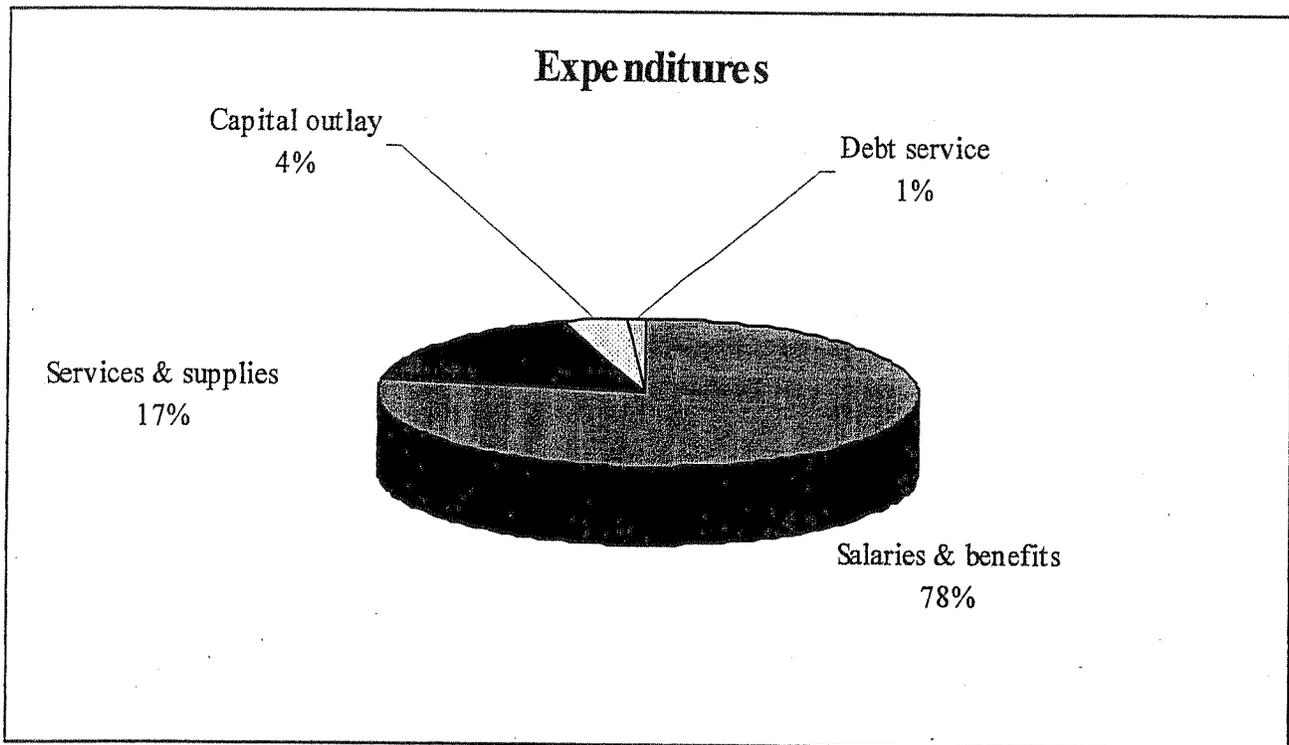


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APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

The expenditures in the *Statement of Revenues, Expenditures and Changes in Fund Balance* total 6,199,191 and consist of the following:



APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

*The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds – to the Statement of Activities* is necessary because amounts reported in the Statement of revenues, Expenditures and Changes in Fund Balance differ for several reasons to those shown in the Statement of Activities:

Net Change in Fund Balance	\$	120,167
Add the cost of assets capitalized less disposal		248,478
Less the related depreciation expense		(343,306)
Add long-term debt repayments which require current financial resources and are recorded as an expenditure in the Governmental Funds. These payments reduce the liability at the government-wide level; thus, they are not included in the Statement of Activities.		17,847
Less long-term compensated absences reported in the Government-wide Statement of Activities, but did no require financial resources. Therefore, long-term compensated absences were not reported as expenditures in governmental funds.		(43,276)
Add deferred revenue reported in the Statement of Activities and dose not provide the use of current financial resources and therefore is not reported as revenue in Governmental Funds. This amount represents the net change in the deferred revenue.		172,940
Change in Net Assets in Governmental Activities	\$	<u>172,850</u>

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

The *Notes to the Financial Statements* present additional information and disclosures about the amounts reported in the financial statements.

- Note 1: Provides a **Summary of Significant Accounting Policies**, including the following:

The **Description of Reporting Entity** highlights the District's formation and governing structure of a five-member board;

The **Accounting and Reporting Policies** outlines that the District's accounting and reporting policies follow the authority of the Governmental Accounting Standards Board and the Financial Accounting Standards Board;

The **Description of Funds** outlines the Governmental Fund Type for Apple Valley Fire Protection District, which includes the General Fund where all resources are accounted for in their entirety for reporting purposes;

The **Basis of Accounting/Measurement Focus** outlines the various statements presented in the audit. The government-wide statements are presented on the accrual basis of accounting and are based on the "economic resource" measurement focus, while the fund financial statements are presented on the modified accrual basis and the "flow of resources" measurement focus;

**Claims and Judgments** outlines the manner in which liability of claims, judgments and litigation will be accounted for. Said liabilities will be accounted for in the year that the liability has incurred, including the probable amount of loss, when it can be reasonably estimated;

**Capital Asset**, by District policy, maintains the threshold for capitalizing assets of \$5,000 per item. Such assets are recorded at historical cost and are depreciated annually.

**Budgetary Practices** includes the process in which the annual budget is adopted. The annual budget is adopted by the Board of directors after holding a series of committee meetings, workshops and public hearings;

**Deferred Compensation Plan** describes the deferred compensation plan utilized by the District;

**Investments** outlines the requirement of GASB 31 and how the investments are classified on the Balance Sheet.

**Estimates** explain the use of estimates in the report and that actual results could differ from the estimates;

**Use of Restricted Resources** defines the manner in which the District utilizes assets. Unrestricted assets are those assets that do not have restrictions imposed by third parties.

APPLE VALLEY FIRE PROTECTION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

- Note 2: **Cash and Investments** at June 30, 2006 include Cash demand deposits of \$251,794, and investments in the Local Agency Investment Fund (LAIF) of \$1,413,802.
- Note 3: **Property Taxes** are received by the District in two installments, December and April, and are recognized when levied to the extent that they result in current receivables.
- Note 4: **Capital Assets and Depreciation** includes the reportable capital assets and calculated depreciation. The District does not depreciate land or investments. Buildings, improvements and equipment are depreciated annually. Major items purchased during the year include:

The completion of a new CAD computer server at a total of \$26,411.

The District replaced and thus standardized 6 new heart defibrillators and monitors for \$158,304 in support of its advanced life support (ALS) program.

- Note 5: **Risk Management** identifies the providers for Workers' Compensation Insurance and General Liability Insurance. The District is self-insured for Workers' Compensation. General Liability Insurance is covered through the Special Districts Risk Management Authority (SDRMA), which is a JPA.
- Note 6: **Long-Term Debt** includes the following items:
  - Compensated Absences of \$568,271 consisting of \$168,271 in accrued vacation and \$400,000 in accrued sick leave.
  - Installment sale agreement for construction of Fire Station 336 has 7 years remaining of annual repayments of \$25,090, including principal and interest at 4.35% compounded annually.
- Note 7: **Short-Term Debt** details the 2005-2006 TRAN borrowing.
- Note 8: **Classifications of Net Assets and Fund Balance** provides an explanation of how net assets are classified for the purposes of reporting, in three categories: Invested in Capital Assets, Restricted Net Assets, Unrestricted Net Assets.
- Note 9: **Retirement Plan** includes a Plan Description and Funding Policy. The District provides retirement through the California Public Employees Retirement System (CalPERS). The Safety Employees' plan provides for 3% @ 55 retirement and the Miscellaneous (Non-Safety) employees are provided 2.7% @ 55.
- Note 10: **Post-Retirement Health Insurance** is provided for 13 retirees in the amount of \$69,866 and is not advance funded. The District has adopted a revised personnel policy related to post retirement health insurance, while provisions for the aforementioned 11 retirees currently receiving benefits remains unchanged.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006**

- Note 11: **Contingencies** are inherent to financial statements. The District has no liability claims or legal proceedings filed that are expected to have a material effect on the District.
- Note 12: **Subsequent Events** includes information regarding the Tax and Revenue Anticipation Note (TRAN) issued annually to assist cash shortfalls related to the timeliness of property tax receipts, and new heart defibrillators for the advanced life support program.

The TRAN was issued on September 22, 2006 in the amount of \$685,000. It is due on June 30, 2006 and carries a coupon interest rate of 7.0%.

The District is in the process of replacing and standardizing advanced life support equipment. The District anticipates acquiring 6 new heart defibrillators and monitors at an estimated cost of \$148,000.

- Note 13: **Prior Period Adjustment** describes a correction made regarding the reporting of the current portion of the liability accrued for compensated absences.

**Requests for Information**

This financial report is designed to provide a general overview of the financial position of the Apple Valley Fire Protection District for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Officer, 22400 Headquarters Drive, Apple Valley, California 92307.

APPLE VALLEY FIRE PROTECTION DISTRICT

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,610,714
Accounts receivable	21,855
Taxes receivable	514,487
Accrued interest receivable	14,314
Other receivable	29,278
Grants receivable	44,800
Due from other governments	2,864
Restricted cash and cash equivalents	54,882
Capital assets, net of accumulated depreciation	<u>3,533,793</u>
Total Assets	<u>5,826,987</u>
<b>LIABILITIES</b>	
Accounts payable	108,613
Accrued leave payable	147,979
Deposits	500
Noncurrent liabilities	
Due within one year	18,623
Due in more than one year	<u>550,331</u>
Total Liabilities	<u>826,046</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,385,132
Restricted for:	
Capital projects	54,882
Unrestricted	<u>1,560,927</u>
Total Net Assets	<u>\$ 5,000,941</u>

The accompanying notes are an integral part of these financial statements.

APPLE VALLEY FIRE PROTECTION DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities					Total Governmental Activities
Public safety - fire protection	\$ 6,303,587	\$ 458,728	\$ 55,888	\$ 45,700	\$ (5,743,271)
Total Governmental Activities	<u>\$ 6,303,587</u>	<u>\$ 458,728</u>	<u>\$ 55,888</u>	<u>\$ 45,700</u>	<u>(5,743,271)</u>
General Revenues					
					Property taxes
					5,796,265
					Investment income
					114,813
					Gain on sale of assets
					5,043
					<u>Total General Revenues</u>
					5,916,121
					Change in Net Assets
					172,850
					Net Assets at Beginning of Year
					4,828,091
					<u>Net Assets at End of Year</u>
					<u>\$ 5,000,941</u>

The accompanying notes are an integral part of the financial statements.

APPLE VALLEY FIRE PROTECTION DISTRICT

GOVERNMENTAL FUNDS  
BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2006

ASSETS	General	Special Revenue Fund Jess Ranch	Totals
	Fund	Capital Project	
Cash and investments	\$ 1,610,714	\$ -	\$ 1,610,714
Receivables			
Accounts receivable	21,855		21,855
Accrued property taxes	463,710		463,710
Accrued special taxes	50,777		50,777
Accrued interest	14,314		14,314
Accrued other	29,278		29,278
Grants receivable	44,800		44,800
Due from other governments	2,864		2,864
Restricted cash and investments	-	54,882	54,882
Total Assets	<u>\$ 2,238,312</u>	<u>\$ 54,882</u>	<u>\$ 2,293,194</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 108,613	\$ -	\$ 108,613
Accrued leave payable	7,881		7,881
Deposits	500		500
Deferred revenue	172,940		172,940
Total Liabilities	<u>289,934</u>	<u>-</u>	<u>289,934</u>
<b>FUND BALANCES</b>			
Reserved for:			
Restricted Cash	2,250	54,882	57,132
Unreserved			
Designated for debt service	175,628		175,628
Designated for economic uncertainties	593,484		593,484
Designated for facility and equipment	64,000		64,000
Designated for post retirement medical benefits	965,000		965,000
Undesignated	148,016		148,016
Total Fund Balances	<u>1,948,378</u>	<u>54,882</u>	<u>2,003,260</u>
Total Liabilities and and Fund Balances	<u>\$ 2,238,312</u>	<u>\$ 54,882</u>	<u>\$ 2,293,194</u>

The accompanying notes are an integral part of the financial statements.

APPLE VALLEY FIRE PROTECTION DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006

Fund Balance of the Governmental funds	\$ 2,003,260
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	3,533,793
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(709,052)
Revenues which are deferred on the Governmental Fund Balance Sheet because they are not available currently are taken into revenue in the Statement of Activities.	<u>172,940</u>
Net Assets of Governmental Activities	<u>\$ 5,000,941</u>

The accompanying notes are an integral part of the financial statements.

APPLE VALLEY FIRE PROTECTION DISTRICT

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Special Revenue	Total
		Fund Jess Ranch Capital Project	
<b>REVENUES</b>			
Property taxes	\$ 3,921,051	\$ -	\$ 3,921,051
Special assessments	1,702,274	-	1,702,274
Intergovernmental	96,927	-	96,927
Charges for current services	458,728	-	458,728
Use of money and property	114,267	546	114,813
Contributions	3,761	900	4,661
<b>Total Revenues</b>	<b>6,297,008</b>	<b>1,446</b>	<b>6,298,454</b>
<b>EXPENDITURES</b>			
Current:			
Salaries and benefits	4,792,285	-	4,792,285
Services and supplies	1,081,168	10	1,081,178
Capital outlay	253,887	-	253,887
Debt service:			
Principal retirement	17,847	-	17,847
Interest and fiscal charges	43,542	-	43,542
<b>Total Expenditures</b>	<b>6,188,729</b>	<b>10</b>	<b>6,188,739</b>
Excess of Revenues Over Expenditures	<u>108,279</u>	<u>1,436</u>	<u>109,715</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sale of assets	10,452	-	10,452
<b>Total Other Financing Sources</b>	<u>10,452</u>	<u>-</u>	<u>10,452</u>
<b>Net Change in Fund Balance</b>	<u>118,731</u>	<u>1,436</u>	<u>120,167</u>
<b>FUND BALANCE, Beginning of Year - as originally stated</b>	1,700,368	53,446	1,753,814
Prior period adjustment	129,279	-	129,279
<b>FUND BALANCE, Beginning of Year - as restated</b>	<u>1,829,647</u>	<u>53,446</u>	<u>1,883,093</u>
<b>FUND BALANCE, End of Year</b>	<u>\$ 1,948,378</u>	<u>\$ 54,882</u>	<u>\$ 2,003,260</u>

The accompanying notes are an integral part of the financial statements.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balance - Governmental Funds \$ 120,167

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized less disposals	248,478
Depreciation expense	(343,306)

Long-term debt repayments require current financial resources and are recorded as an expenditure in the General Fund. These payments reduce the liability at the government-wide level, and therefore, are not included in the Statement of Activities.	17,847
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Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability.	(43,276)
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Deferred revenue reported in the statement of activities dose not provide the use of current financial resources and therefore is not reported as revenue in governmental funds. This amount represents the net change in the deferred revenue.	172,940
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Change in Net Assets of Governmental Activities	\$ <u>172,850</u>
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The accompanying notes are an integral part of the financial statements.

APPLE VALLEY FIRE PROTECTION DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN GENERAL FUND BALANCE – BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amouts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 3,583,651	\$ 3,884,944	\$ 3,921,051	\$ 36,107
Special assessments	1,790,178	1,738,852	1,702,274	(36,578)
Intergovernmental	106,928	116,728	96,927	(19,801)
Charges for services and other revenue	406,669	371,450	458,728	87,278
Use of property and money	76,800	88,400	114,267	25,867
Other	9,000	9,000	-	(9,000)
Contributions	-	-	3,761	3,761
<b>Total Revenues</b>	<b>5,973,226</b>	<b>6,209,374</b>	<b>6,297,008</b>	<b>87,634</b>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	4,845,418	4,884,036	4,792,285	91,751
Services and supplies	1,037,318	1,207,047	1,081,168	125,879
Capital outlay	165,801	245,134	253,887	(8,753)
Debt service:				
Principal retirement	17,847	17,847	17,847	-
Interest and fiscal charges	39,043	43,643	43,542	101
<b>Total Expenditures</b>	<b>6,105,427</b>	<b>6,397,707</b>	<b>6,188,729</b>	<b>208,978</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(132,201)</b>	<b>(188,333)</b>	<b>108,279</b>	<b>285,793</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	1,200	11,200	10,452	(748)
Transfers from reserves	132,090	178,000	-	(178,000)
<b>Total Other Financing Sources</b>	<b>133,290</b>	<b>189,200</b>	<b>10,452</b>	<b>(178,748)</b>
<b>Net Change in Fund Balance</b>	<b>1,089</b>	<b>867</b>	<b>118,731</b>	<b>107,045</b>
<b>FUND BALANCE, Beginning of Year</b>	<b>1,829,647</b>	<b>1,829,647</b>	<b>1,829,647</b>	<b>-</b>
<b>FUND BALANCE, End of Year</b>	<b>\$ 1,830,736</b>	<b>\$ 1,830,514</b>	<b>\$ 1,948,378</b>	<b>\$ 107,045</b>

The accompanying notes are an integral part of the financial statements.

# APPLE VALLEY FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### *NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The accounting policies of the Apple Valley Fire Protection District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The District has implemented GASB Statement No. 34 and these statements are presented according to those requirements. The following is a summary of the significant policies.

#### A. Description of the Reporting Entity

The Apple Valley Fire Protection District (the District) was formed on January 15, 1951, pursuant to the provisions of Section 13800 of the California Health and Safety Code. The purpose of the District is to provide fire protection services to the Town of Apple Valley and surrounding area. The District is a self-governed fire protection District organized entirely within the County of San Bernardino. The District, covering 206 square miles within its boundaries, is governed by a five-member Board of Directors elected by the citizens of the Town of Apple Valley.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

#### B. Description of Funds

The accounts of the District are organized in two funds, which are considered separate accounting entities. The operations of the funds are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following types of funds are used:

##### Governmental Fund Type

- *General Fund* – Because the District provides only fire protection services all resources are accounted for in this fund.
- *Special Revenue Fund* – The Special Revenue Fund is used to account for the proceeds of a specific revenue source that is legally restricted to expenditures for a specified purpose.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

*NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

C. Basis of Accounting/Measurement Focus

**Government – Wide Financial Statements**

The District's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental Activities for the District.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants or other contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance for the General Fund. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net assets presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 60 days after year-end and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

*NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

D. Claims and Judgments

In accordance with Governmental Accounting Standards Board (GASB) Code Section C50.110, the District records a liability for claims, judgments, and litigation when it is probable that a liability has been incurred at year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

E. Capital Assets

Capital assets, which include land, buildings, improvements, and equipment, are reported in the Governmental Activities column of the Government-Wide Financial Statements. Capital assets are defined by the District as all land, buildings, vehicles, computers, equipment, and improvements, with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Buildings	40 years
Improvements other than buildings	5-50 years
Machinery and Equipment	3-20 years

F. Budgetary Practice

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) The annual budget is adopted by the Board of Directors after the holding of a hearing and provides for the general operation of the District. The operating budget includes proposed expenditures and the means of financing them.
- 2) The Board of Directors approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" (as defined by GASB Code Sec. 2400.109) covers District expenditures in the General Funds. Budget figures used in the accompanying financial statements are the final adjusted amounts.
- 3) Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Also, unencumbered appropriations lapse at year-end.
- 4) The annual budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Accordingly, actual revenues and expenditures have been adjusted for comparison with related budgeted amounts in the financial statements.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

*NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

F. Budgetary Practice (Continued)

- 5) The District is not required to adopt a budget for its Special Revenue Fund; therefore, budgetary comparison information is not presented for that fund.

G. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The District has adopted the provisions of GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans". Management believes that the District has no fiduciary role under the revised plan, and plan funds are not available to the District's general creditors. Accordingly, the District has not reported plan assets in the accompanying financial statements.

H. Investments

The foremost objective of the District's investment policy is safety of capital. The following are authorized and suitable investments of District funds: Local Agency Investment Fund (LAIF), a State of California managed investment pool; time deposits with maturities not exceeding two years; repurchase agreements not exceeding 90 days in maturities; and Money Market Funds having a weighted average maturity of 90 days and meeting the criteria contained in Government Codes Sections 53601(k).

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Pools", which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the District has adjusted certain investments to fair value (when material).

Investments are included within the financial statement classifications of "Cash and investments" and are stated at fair value, unless fair value reasonably approximates cost, in which case cost is used.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Use of Restricted Resources

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

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

*NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

K. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements. Restricted cash and cash equivalents represents developer fees restricted for construction of a fire station for the Jess Ranch project.

L. Compensated Absences

The District's policy is to pay for a variable scale of 60% to 100% of sick time accrued upon retirement, death or resignation of an employee after five years continuous service with the District. The accrual rate is 96 hours per year for 40-hour employees, and 144 hours per year for 24-hour and shift employees based on longevity with the District.

M. Accounts Receivable and Allowance for Bad Debts

The District considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

N. Implementation of New GASB Pronouncements

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures," which amends GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements." The statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, and requires disclosures of investments that have fair values and that are highly sensitive to changes in interest rates.

**NOTE #2 – CASH AND INVESTMENTS**

Authorized Investments

In accordance with Section 53601 of the California Government Code, the District's Board of Directors has directed the District to invest in the following:

- Local Agency Investment Fund (State Pool)
- Other investments which are expressly permitted by the District's Board of Directors

The California Local Agency Investment Fund (LAIF) is a special fund of the California State Treasury through which local governments may pool investments. The District may invest up to \$40,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with the LAIF are secured by the full faith and credit of the state of California.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

*NOTE #2 – CASH AND INVESTMENTS (Continued)*

Pooled Deposits/Credit Risk

The District may waive collateral requirements for deposits, which are fully insured by Federal depository insurance.

Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized. This includes any bank balance that is collateralized with security held by the pledging financial institution or by its trust department or agent but not in the District's name.

Credit Risk, Carrying Amount, and Market Value of Investments

The investments that are represented by specific identifiable investment securities are classified as to credit risk by three categories as follow:

Category 1: Insured or registered, with securities held by the District or by its agent in the District's name.

Category 2: Uninsured and unregistered, with securities held by the pledging financial institution's or counterparty's trust department or agent in the District's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the District's name.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	<u>Carrying Amount</u>
Cash in banks	\$ 154,882	\$	\$ 154,453	\$ 309,335	\$ 251,794
Pooled investments:					
*Local Agency				1,413,802	1,413,802
Investment Fund				1,413,802	1,413,802
				<u>\$ 1,723,137</u>	<u>\$ 1,665,596</u>

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

*NOTE #2 – CASH AND INVESTMENTS (Continued)*

\* Not subject to categorization.

\*\* The management of the State of California Pooled Money Investment Account has indicated to the District that as of June 30, 2006, the carrying amount of the pool was \$63,337,959,989 and the estimated market value of the pool (including accrued interest) was \$63,616,592,927. The District's proportionate share of that value is \$1,413,802. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

Fair Value of Investments

GASB Statement No. 31 generally applies to investments in external investment pools (State of California LAIF and County Treasury investment pools); investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and record these gains or losses on their income statements.

The State Treasurer's Local Agency Investment Fund is a governmental investment pools managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officials and various participants, provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's Office. It is the District's understanding that the values of shares in the LAIF pool reflect "fair value." The District is a voluntary participant in the investment pool.

*NOTE #3 – PROPERTY TAXES*

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Bernardino bills and collects the property taxes and distributes them to the District in installments during the year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE #4 – CAPITAL ASSETS AND DEPRECIATION**

In accordance with GASB Statement No. 34, the District has reported all capital assets in the Government-Wide Statement of Net Assets. The following table presents the capital assets activity for the year ended June 30, 2006.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 276,537	\$ -	\$ -	\$ 276,537
Total Capital Assets Not Being Depreciated	<u>276,537</u>	<u>-</u>	<u>-</u>	<u>276,537</u>
Capital Assets, Being Depreciated				
Buildings and other improvements	2,939,436	12,869		2,952,305
Equipment and vehicles	2,926,931	241,018	56,797	3,111,152
Total Capital Assets Being Depreciated	<u>5,866,367</u>	<u>253,887</u>	<u>56,797</u>	<u>6,063,457</u>
<i>Less Accumulated Depreciation For</i>				
<i>Buildings and other improvements</i>	775,126	71,465		846,591
<i>Equipment and vehicles</i>	1,739,157	271,841	51,388	1,959,610
Total Accumulated Depreciation	<u>2,514,283</u>	<u>343,306</u>	<u>51,388</u>	<u>2,806,201</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>3,352,084</u>	<u>(89,419)</u>	<u>5,409</u>	<u>3,257,256</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 3,628,621</u>	<u>\$ (89,419)</u>	<u>\$ 5,409</u>	<u>\$ 3,533,793</u>

Depreciation expense in the amount of \$343,306 was charged to the public safety function on the Statement of Activities for the year ended June 30, 2006.

**APPLE VALLEY FIRE PROTECTION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE #5 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

Workers' Compensation

The District is a member of the Public Agency Self Insurance System of San Bernardino County (PASIS). PASIS provides workers' compensation insurance services. PASIS is set up as a banking system where the members share the expenses, and each member is responsible for its own losses up to a \$300,000 per occurrence self-insured retention. Losses above the self-insured retention are covered by reinsurance, purchased by PASIS. The District makes an annual contribution based on past and projected future claims. Projections of future ultimate losses are inherently uncertain because of the random nature of claims occurrences. Therefore, future loss rates are projected judgmentally based on the historical rates.

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. These losses do not include an estimate of claims that have been incurred but not reported. At June 30, 2006, the amount of potential outstanding claims liability is estimated to be \$272,154. The District is able to access its accumulated balance with PASIS. Funds available as of June 30, 2006 in excess of the \$75,000 minimum required deposit were \$197,154.

*Three Year Trend Information of Funding for PASIS*

Year Ending June 30,	Cash Balance Beginning of Year	Premiums and Interest Earned	Claims and Payments	Cash Balance End of Year	Potential Outstanding Claims Liability at End of Year
2004	\$ 379,255	\$ 208,888	\$ 151,731	\$ 436,412	\$ 171,347
2005	\$ 436,412	\$ 280,611	\$ 463,455	\$ 253,568	\$ 387,615
2006	\$ 253,568	\$ 375,442	\$ 345,049	\$ 283,961	\$ 272,154

**NOTE #6 – LONG-TERM DEBT**

Change in long-term debt activity is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Amount Due In 2006-2007
Compensated absences	\$ 517,115	\$ 287,682	\$ (236,526)	\$ 568,271	\$ 147,979
Long term debt	166,508	-	(17,847)	148,661	18,623
	<u>\$ 683,623</u>	<u>\$ 287,682</u>	<u>\$ (254,373)</u>	<u>\$ 716,932</u>	<u>\$ 166,602</u>

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

*NOTE #6 – LONG-TERM DEBT (Continued)*

Interest expense of \$43,542 has been charged to the public safety function on the statement of activities for the year ended June 30, 2006.

The District's long-term debt consists of the following at June 30, 2006:

**Municipal Finance Corporation**

Installment Sale Agreement #03-020-AF for the construction of Fire Station No. 336. Annual repayments of \$25,090, including principal and interest at 4.35% compounded annually, initially commencing May 14, 2004 and to continue through May 14, 2013. \$ 148,660

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending	Interest	Principal	Total
June 30,			
2007	\$ 6,467	\$ 18,623	\$ 25,090
2008	5,657	19,433	25,090
2009	4,811	20,278	25,089
2010	3,929	21,160	25,089
2011	3,009	22,081	25,090
2012 - 2013	3,094	47,085	50,179
	<u>\$ 26,967</u>	<u>\$ 148,660</u>	<u>\$ 175,627</u>

Compensated Absences

For governmental funds, accumulated vacation and sick leave benefits payable in future years when used by the District employees amounted to \$568,271 (\$168,271 vacation and \$400,000 sick leave) at June 30, 2006. Vacation benefits will be recorded as an expenditure in the governmental funds when the related current liability is incurred. The long term portion of this liability, along with sick leave will be recorded as an expenditure upon retirement.

Workers Compensation

An actuarial study was performed as of June 30, 2003 for PASIS indicating an estimate for the District of \$336,287 for projected claims that have been incurred. An actuarial study was not performed as of June 30, 2006. Nevertheless, PASIS management has estimated potential future outstanding claims liability as of June 30, 2006 to be \$272,154.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

*NOTE #7 – SHORT-TERM DEBT*

On July 1, 2005, the District issued a Tax and Revenue Anticipation Bond. The total of the issuance was \$910,000 with interest at 4%. The note was issued to finance current operations. Short-term debt activity is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
2005 Tax and Revenue Anticipation Bond	\$ -	\$ 910,000	\$ (910,000)	\$ -

*NOTE #8 - CLASSIFICATIONS OF NET ASSETS AND FUND BALANCE*

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

Invested in Capital Assets

This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted Net Assets

This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

*NOTE #8 – CLASSIFICATIONS OF NET ASSETS AND FUND BALANCE (Continued)*

Unrestricted Net Assets

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

In the Fund Financial Statements the District has established “reserves” to segregate portions of fund balance which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund “designations” also are established to indicate tentative plans for financial resource utilization of unreserved fund balance in a future period.

The District’s governmental funds reserves and designations at June 30, 2006 are presented below:

Fund Balance		
Reserved		
Petty cash	\$	250
Revolving cash		2,000
Restricted cash		54,882
Total Reserved		<u>57,132</u>
Unreserved		
Designated for debt service		175,628
Designated for economic uncertainties		593,484
Designated for facilities and equipment		64,000
Designated for post retirement medical benefits		965,000
Total Designated		<u>1,798,112</u>
Undesignated-operating contingencies		148,016
Total Unreserved		<u>1,946,128</u>
Total Fund Balance	\$	<u><u>2,003,260</u></u>

# APPLE VALLEY FIRE PROTECTION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### *NOTE #9 – RETIREMENT PLAN*

#### Plan Description

The District's defined benefit pension plans, The Safety and Miscellaneous Plans of the Apple Valley Fire Protection District (the "Plans"), provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office located at 400 P Street, Sacramento, California 95814.

#### Funding Policy

Active plan members in the Safety and Miscellaneous Plans are required to contribute 9 percent and 8 percent, respectively, of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal 2004-2006 was 25.482% for miscellaneous employees and 11.617% for safety employees. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

#### Annual Pension Cost

For fiscal year 2005-2006, the District's annual pension cost was \$624,092, and was equal to the District's required and actual contributions. The required contribution for fiscal year 2005-2006 was determined as part of the June 30, 2004, actuarial valuation using mandated risk pooling for all employers with retirement plans under 100 members. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%; and (c) 3.0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.25 percent. The actuarial value of the Plans' assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over 15 years. Additionally, at the time of joining the risk pool, a Side Fund was created to account for the difference between the unfunded status of the pool and funded status of our plan. The initial side fund amortization period was 16 years as of June 30, 2003.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE #9 – RETIREMENT PLAN (CONTINUED)**

Three-Year Trend Information for the Plans

Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 361,880	100%	\$ -
2005	635,138	100%	-
2006	624,092	100%	-

Funded Status of Safety Plan

Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
06/30/02	\$ 12,025,710	\$ 13,067,599	\$ (1,041,889)	108.7%	\$ 2,000,552	-52.1%
<b>Mandatory Risk Pool initiated valuations at 6/30/03 for all employers under 100 active members</b>						
06/30/03	1,248,172,736	1,045,895,860	202,276,876	83.8%	154,384,703	131.0%
06/30/04	1,252,474,736	1,026,500,742	225,973,994	82.0%	154,903,754	145.9%

Funded Status of Miscellaneous Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
06/30/02	\$ 126,021	\$ 1,091,709	\$ 169,312	86.6%	\$ 380,586	44.5%
<b>Mandatory Risk Pool initiated valuations at 6/30/03 for all employers under 100 active members</b>						
06/30/03	317,520,943	289,439,549	28,081,394	91.2%	74,981,463	37.5%
06/30/04	434,267,445	379,807,592	54,459,853	87.5%	97,227,479	56.0%

**NOTE #10 – POST-RETIREMENT HEALTH INSURANCE**

The District provides health insurance (other post employment benefits) to 13 retired personnel at an annual cost of \$69,866. The current plan, which is not “advance funded”, was revised within the last 12 months to utilize vesting provisions based upon cretin cumulative years of employment within California’s Public Employees’ Retirement System.

APPLE VALLEY FIRE PROTECTION DISTRICT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE #11 – CONTINGENCIES**

To the best of our knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the District, which is likely to have a material adverse effect on the financial condition of the District.

**NOTE #12 – SUBSEQUENT EVENT**

Tax Revenue Anticipation Note

On September 22, 2006, the District issued a Tax Revenue Anticipation Note. The total of the issuance was \$685,000 with interest at 7.0 %. The note will be paid back with current year revenue by June 30, 2007.

**NOTE #13 – PRIOR PERIOD ADJUSTMENT**

During the fiscal years ended June 30, 2005 and 2004, the current portion of compensated absences payable was incorrectly reported as a reduction of Fund Balance of the General Fund. A correction was made in the current fiscal year to restate the fund balance as follows:

General Fund	
Fund Balance, Beginning of Year - as originally stated	\$ 1,700,368
Correction to add back current portion of liability for compensated absences	<u>129,279</u>
Fund Balance, Beginning of Year – as restated	\$ <u>1,829,647</u>

# Master Plan 2004



Adopted February 19, 2004

Additionally, it is vital to the validity of this document that it be referenced during the District's annual budget planning processes as well as being used as a tool in evaluating and documenting the progress relating to the recommendations and timelines contained within the Plan.

Finally, a broad-based review of the entire document should be conducted approximately every five years to keep it current with changing factors influencing service levels and needs within the District.

## **SUMMARY OF RECOMMENDATIONS**

The body of this Master Plan contains a multitude of recommendations. Those recommendations which are addressed in a period of 1-5 years are summarized below in no particular order of importance:

1. Continue to work closely with Town and County agencies with regards to development issues. (Section 4.1)
2. Continue to adopt modern, fire related codes and ordinances that provide for public safety while encouraging organized growth. (Section 4.2)
3. Advance, as much as practical, our use of modern technology to enhance response time performance. Champion public awareness in fire prevention and health related programs and education. (Sections 4.3, 4.6 & 8.1)
4. Continuously monitor, evaluate and adjust for proper level of deployment of resources. (Section 4.4)
5. Work with water companies and developers to provide adequate fire flow and capacity for current and future development trends. Maintain excellent working relationships with water purveyors. (Section 4.5)
6. Continue to provide personnel with physical fitness, safety and personal wellness programs. (Section 7.5)
7. Continue to procure, maintain and replace appropriate types and numbers of resources. (Sections 4.7, 4.9 & Exhibit 10.08)
8. Continue fire hazard abatement efforts. (Section 4.8)
9. Continue to practice prudent fiscal management; monitor trends affecting economy and provide for periodic review of District fee schedules. (Sections 4.10)
10. Maintain positive relations with all facets of the community. (Section 4.11)

# SECTION 1

## INTRODUCTION

Comprehensive planning for the delivery of fire, rescue and emergency medical services is crucial to the provision of adequate protection for a growing community. Through appropriate planning, proper maintenance and expansion of the service delivery system will be accomplished in a manner that provides a maximum cost/benefit ratio.

An adequate level of public safety services delivered to the community results in the following benefits:

1. Lives are saved that would otherwise be lost to injury, illness or fire.
2. Direct and indirect fire loss is minimized.
3. Property insurability and premiums are favorably affected.

Planning provides early recognition of future needs for the fire service delivery system. This enables the fire agency to address funding needs and approaches well in advance. It allows the fire agency to approach capital improvement needs on a long-term basis, in a proactive and cost effective method. Planning also permits the fire agency to procure property, facilities and equipment when it is economically advantageous.

Among other items, this planning document shall address the three major areas which affect the level of fire and emergency medical service delivery provided to a community: fire protection facilities, fire protection equipment and apparatus, and staffing levels and patterns. Each of these items must be considered, as each is an integral part of the system. Additionally, each area is closely interwoven with the others.

This document also identifies 11 major factors that affect the District's ability and approach in providing emergency services. Each factor is given consideration to an appropriate form of mitigation to lessen potential adverse effects on public safety.

Generally, this planning document does not specify dates for improvements other than to set parameters by which decisions should be based to implement improvements.

The concepts of fire protection and emergency medical delivery contained in this plan were specifically developed for the special needs of the topography, economic and demographic make-up of Apple Valley Fire Protection District. Although unique, these concepts were developed through the use of, but not limited to, nationally accepted guidelines published by the National Fire Protection Association, Insurance Service Office, Federal Emergency Management Agency, American Heart Association as well as other local and nationally recognized standards and practices.

11. Prepare to expand office space at Station 331 with the addition of administrative personnel. Actively seek an alternative site for the relocation of Station 333 as well as the acquisition of sites that will accommodate future fire stations. Explore expansion options for fleet maintenance and training facilities. (Sections 5.3 & 5.4)
12. Continue and consider expansion of the use of alternative staffing and response patterns. (Section 7.3)
13. Monitor appropriateness of staffing levels in the Administrative, Finance, Fire and Life Safety, Operations, and Fleet Maintenance sections to maintain maximum efficiency. Expansion of EMS will require a Director of EMS Services position. Develop employee recruitment, mentoring and retention programs for the various workgroups and positions. (Section 7.5)
14. Consider the feasibility of extending the District's Special Tax several years prior to 2017 to insure appropriate service levels are planned for. (Section 8.1)

## SECTION 4

### FACTORS INFLUENCING REQUIRED SERVICE LEVELS

Factors that have a direct influence on the type and level of service required by the community have been considered in the development of this plan. These factors include land use density, building uses and types, response time to emergencies, incident volume and type, water supply, population, topography, fuels, economics, demographics and climate.

Each factor is unique and will require various approaches to deal with their effect on service delivery. Where appropriate, samplings of potential mitigation measures are identified that may be considered in planning processes.

#### **4.1 LAND USE DENSITY**

Land use density affects the required level of fire service delivery in three distinct ways.

- More intense land use equals a greater potential for large fires and large dollar loss. For example, buildings in industrial areas are typically far greater in size than single family residential areas and thus, if involved in fire, require a much greater commitment of fire apparatus and firefighters.
- Higher density areas have more people per square mile than do lower density areas. An increased population produces a correspondingly higher volume of emergency responses for the fire agency. A higher number of responses translate into the need for increased emergency personnel and equipment.
- A higher density area requires a substantial increase in the efforts of fire prevention related activities of the District's Fire and Life Safety Section. The multi-family, commercial and industrial occupancies in these higher density areas require extensive plan review and inspection by trained prevention personnel during development. Subsequent to construction, these types of development increase the responsibility of ongoing inspections and enforcement.

Mitigation: Working closely with Town and County agencies ensures fire related public safety matters are considered when developing zoning and related codes/ordinances.

Recommendation: Continue to foster relationships with Town and County employees.

#### **4.2 BUILDING USES AND TYPES**

The correlation between building use/type and fire service delivery system requirements are the same as those for land use density in that the larger multi-family, commercial and industrial buildings require greater fire agency resources. Additionally, multi-family, commercial and industrial type buildings require larger and different types of fire appa-

tus than single-family dwellings by virtue of their area size, height and combustibility of contents.

Mitigation: The adoption of modern Fire Codes with provisions to accommodate local capabilities will lessen loss potential. Additionally, like land-use density issues, a mutual relationship between various regulating officials will offer a sound understanding of development concerns and the capabilities of the fire agency. Maintain a versatile apparatus and equipment fleet that matches the potential local risk.

Recommendations: Adopt the most current edition of the Uniform Fire Code with appropriate amendments; Involve Town and County agencies in the process.

### **4.3 RESPONSE TIME**

The most critical factor affecting the outcome of a rescue, medical or fire emergency is the response time of emergency responders and equipment. Seconds can make the difference between life and death in a medical emergency when a patient has a life-threatening condition. Many factors influence response time performance - included are: Notification systems, dispatch services, training, roads/circulation, premise identification, mapping, apparatus, climate and topography, and station location. Response time to medical emergencies must be within a timeframe that best enables positive patient outcomes. As an example, if a person is not breathing, irreparable brain damage can occur after four to six minutes. Likewise, if a patient is in cardiac arrest, early intervention will increase the victim's chance of survival. This is illustrated in **Exhibit 10.2**.

As with medical emergencies, reduction of loss of life and property to fire is best achieved by the ability of the fire agency to respond to the scene within a short timeframe. A quick response time enables firefighters to control a fire while it is still in a small and less damaging phase. Research has determined that this critical time period is five minutes. After five minutes, a typical structure fire can grow to the point of being highly destructive and dangerous, with a resulting large loss. A diagram known as the Unrestrained Fire Growth Chart, illustrating the structure fire growth phenomenon, can be found in **Exhibit 10.3**. Variables relating to response time management are illustrated in **Exhibit 10.4**.

Mitigation: Utilization of technology, proper equipment and preparation will enhance response time performance. Meeting critical timeframes for medical emergencies is difficult under the best of circumstances, and for this reason, it is imperative that citizens be trained to act definitively and become an "extension" of the EMS system. This may be accomplished through community training programs such as CPR and First Aid courses.

Recommendations: Continue community outreach in CPR and First-Aid instruction; expand educational and practical training within schools and community groups; facilitate the installation of traffic signal control devices; plan for modernized, computer-based mapping systems; and complete the installation of dispatch printer systems within fire

stations. Monitor population growth patterns and plan for the strategic placement of fire stations.

#### **4.4 INCIDENT VOLUME AND TYPE**

The volume of incidents occurring in an area is a critical factor for determining when a fire station is needed for the area. The number of fire companies that are needed for an area is also highly dependent upon response volume. Additionally, staffing patterns are largely based upon incident volume. The types of incidents that are occurring and that can be expected to occur also play a major role in determining staffing patterns. Similarly, the types of incidents that are occurring dictate the type of equipment needed.

Mitigation: Generally, the availability, allocation and deployment of appropriate resources (personnel and equipment) will determine the outcome of an event. Preemptive measures, such as education and proactive code enforcement will reduce the number and severity of incidents.

Recommendation: Monitor incident volume in developing areas of the District.

#### **4.5 WATER SUPPLY**

Quality and quantity of water supply systems are essential elements in providing fire protection to the community. Good protection is dependent upon an adequate fire flow from the water system as well as sound reliability of the water system. The Fire District has many older water systems operated by small water districts within its boundaries as well as two larger companies. Areas without adequate water systems must be served differently by the fire agency than areas with good water systems. Poor water areas require different types of fire apparatus, as well as more apparatus to respond than those areas where the water systems provide sufficient and reliable fire flow.

Mitigation: Adoption and use of modern codes along with proper planning and development oversight are key factors to adequate water supply. The use of alternative suppression capabilities such as fire sprinklers can provide mitigation for marginal water systems. Another important factor is the professional/working relationship the District maintains with water purveyors and the development community.

Recommendation: Continue to monitor system capabilities. As appropriate, continue assistance to water purveyors in improving their systems.

#### **4.6 POPULATION**

The size of a community has a significant influence on the number and type of emergency resources needed to protect the community. There is a direct correlation between the number of people and the number of requests for assistance. Some studies and standards suggest a specific ratio between population and employees to aid in determining staffing levels. However, an evaluation of all influencing factors and variables in their totality makes for a more accurate assessment of resource needs. Typically in bedroom communities such as Apple Valley, 80% or greater of all incidents are medical related and a much smaller percentage are fire related.

Mitigation: Monitor development trends and use long-term forecasting to plan for future growth.

Recommendations: Continue to monitor development and response patterns. Significant development outside areas that exceed acceptable times may require the implementation of an additional funding source to serve the population. Additionally, exploring response patterns and resources allocation may provide opportunities to maximize the use of existing resources. Finally, decrease response exposure by integrating wellness and injury prevention into public education curriculum.

#### **4.7 TOPOGRAPHY**

Topography impacts the fire service delivery system in two ways: 1) Response time, and 2) Types of apparatus required. Topographic features, which include rough terrain, mountains, slopes, steep roads, and/or poor or nonexistent roads, will slow the travel of heavy fire apparatus to an emergency scene.

Mitigation: The design of different types of fire apparatus, such as four-wheel-drive, high ground clearance and other features may be necessary to deal with the travel problems created in these types of areas. Physical conditioning of personnel is paramount to be effective in the more rugged areas.

Recommendation: Continue to maintain a fleet of versatile all-terrain apparatus. Continue employee fitness/wellness programs.

#### **4.8 FUELS**

Vegetation type and continuity play a significant role in affecting the frequency, size and intensity of wildland fires. The encroachment of development into more remote vegetation covered lands creates the unique challenge of wildland-urban interface. The potential threat to watershed and improved properties by wildland fires directly affects the type and number of apparatus needed to mitigate potential loss.

Mitigation: Fuel management through education and proactive hazard abatement efforts will reduce the spread and threat of fire. The reduction of incident frequency as well as the significance of incidents can save significant dollars that may be allocated for other beneficial public safety programs.

Recommendation: Continue the use of a proactive hazard abatement program within target areas of the District.

#### **4.9 CLIMATE**

The general climate of an area will influence associated services in a number of areas. As an example, ambient temperature during the summer months may well exceed 100 degrees F on a routine and continued basis. The combustibility of the desert's natural fuels increases dramatically when exposed to elevated heat and lower humidity for extended periods.

Additionally, personnel performance in such conditions can suffer due to heat related causes. In contrast, winter months may bring significant amounts of rain as well as the possibility of snow and ice, creating transportation and related problems.

Mitigation: Appropriate vehicle and apparatus types, capable of efficient operation in a variety of elements, are to be considered. Additionally, specialized units to accommodate on-scene firefighter rehabilitation during extended incidents in severe elements should be available.

Recommendation: Continue current level of mitigation.

#### **4.10 ECONOMICS**

The general economic environment and health of the community will also affect the abilities of the fire service in emergency services delivery. As an example, a prosperous community will provide greater tax revenues for emergency services than an economically depressed community. Recent history has shown that the State does not object to attacking local revenues to fund state programs forcing local agencies to seek alternative funding.

Mitigation: Prudent management and administration of available funds is paramount. The ability to forecast the District's financial outlook in a cautious and sound manner is beneficial. The joint use of grant writers with other government agencies may prove beneficial.

Recommendation: Protection of current revenues is paramount. Review of District fee schedules should take place as well as aggressive grant research. District philosophy and goals for the community should take the local economy as well as regional and statewide trends into consideration.

#### **4.11 DEMOGRAPHICS**

The make-up of the general population affects emergency services. Two examples: 1) A bedroom community will place more demands on emergency services than a retail/commercial community; and, 2) A retirement community such as Jess Ranch may create twice as many EMS responses than a mixed population. The demographics of the community are directly tied to economics as well. The make-up of the population will influence property values and retail sales, as well as affecting the District's ability to seek alternative funding.

Mitigation: District management must be cognizant of the make-up of the community. District managers must be flexible in their approach in meeting the particular needs of a wide variety of constituencies. Additionally, proactive involvement with all sectors of the community will build trust and confidence.

Recommendation: Continue involvement with various avenues of community outreach to specific demographic groups including service clubs, business organizations, hospitals, schools and senior groups.

## SECTION 5

### FIRE PROTECTION FACILITIES

#### 5.1 DISTRICT SIZE AND BOUNDARIES

In comparison to other fire agencies of similar budgets and resources, the Apple Valley Fire Protection District is very large in terms of geographical area covered. Covering an area of 206 square miles, consideration must be made for future facilities and their placement to accommodate anticipated population growth. A map of current District boundaries is found in **Exhibit 10.5**.

#### 5.2 EXISTING FIRE STATIONS

Apple Valley Fire Protection District currently owns and operates six fire stations:

<u>Location</u>	<u>Type</u>
22400 Headquarters Drive	Fire Station/Headquarters
18857 Highway 18	Fire Station 332
20604 Highway 18	Fire Station 333
12143 Kiowa Road	Fire Station 334 and Maintenance Facility
21860 Tussing Ranch Road	Fire Station 335
19235 Yucca Loma Road	Fire Station 336

Mapped facility locations and photos are included as **Exhibits 10.6 and 10.7**.

#### 5.3 ANALYSIS OF CURRENT FACILITIES:

##### Headquarters/Station 331

This facility houses all Fire District administrative staff as well as Fire & Life Safety and Emergency Preparedness personnel. The facility also serves as a 24-hour fire station, typically housing four full-time personnel. Office space at the District's Headquarters is at functional capacity and any increase in staff will require additional office space to be constructed or otherwise provided. Housing for the emergency response personnel and equipment is adequate and will allow for significant growth.

## SECTION 8

### DISTRICT FINANCE

#### 8.1 REVENUE SOURCES

District operating revenue is derived from three primary sources as follows:

- **PROPERTY TAX.** Generally speaking, the District receives one-ninth of one percent of the general property tax levy. As assessed property values are adjusted up or down due to growth or devaluation, District revenues will follow suit. In general, property taxes make up 60% of the District's annual budget. It is in the public interest to maintain a fire safe community as it keeps business opened, people employed and assists in the overall attractiveness of the community, therefore maintaining higher property values.
- **SPECIAL TAX LEVY.** In 1997, the voters of the District recognized the need for increased fire and emergency medical/rescue related public services. As such, they passed a special tax that would be levied for a period of 20 years on parcels of real property located within the Apple Valley Fire Protection District's boundaries. This amounts to approximately 34% of the District's annual budget. Prior to the year 2018 (the final year of the 20-year special tax levy), a decision will need to be made as to the extent and efficiencies of services provided versus the more probable need for reaffirmation of the current special tax in order to maintain current service levels.
- **SERVICE FEES.** Outside some miscellaneous interest income, a small portion of the District's annual revenues (approximately 6%) is made up of service fees for public service activities that provide direct services to the public. This represents a betterment in the level of service provided to the longtime businesses and residents served by the District. Several examples of this would be fees related to the hazard abatement program, CPR training offered to the public, or the collection of fees for permits to offset costs associated with inspections necessary to maintain local fire codes. The effect, however, of property taxes not sufficiently covering the growth of expenses related to basic services may necessitate a more aggressive look at this source of revenue in the future. **Exhibit 10.11** illustrates a 16-year projection of the District's various forms of revenues.