

**TOWN OF
APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject Item:

ANNUAL BUDGET REPORT OF THE APPLE VALLEY VILLAGE PROPERTY AND BUSINESS IMPROVEMENT DISTRICT (PBID) ASSOCIATION

Summary Statement:

In 2007, the Town Council adopted a resolution establishing the Apple Valley Village Property and Business Improvement District (PBID) for a five-year period (FY2007-08—FY2011-12), in order to levy annual assessments against the PBID's assessable parcels to be used only for purposes described in the PBID's adopted Management District Plan (Plan). In 2008, the PBID property owners formed and incorporated the Village PBID Association (Association), a 501c(4) nonprofit corporation. The Association Board was, subsequently, selected to act as the PBID administering body. In order to implement the Plan and to access and expend assessment revenues, the Association entered into an Agreement for Services with the Town in December 2008.

Pursuant to the Agreement, the Town shall remit to the Association the PBID assessment revenues (collected by the County of San Bernardino and paid to the Town) on an as-needed basis and in accordance with an approved Annual Budget Report (itemized budget and detailed workplan). Components of the Budget that are directly administered by the Town will be paid directly by the Town. Components of the Budget that are directly administered by the Association will be paid directly by the Association and may be advanced to the Association annually upon Town Council approval of that year's Annual Budget Report. Accordingly, the Association has budgeted \$85,700 for its General and Administrative Expenses; the Association currently holds \$61,738 cash-on-hand and the Town will remit the balance, \$23,962, to the Association in order that the Association can autonomously administer its day-to-day activities in FY2010-11.

The Association remains accountable for all funds it directly administers and is required to annually submit expense reports and financial statements to the Town. In addition to the recent Council-commissioned Forensic Audit, an Agreed-Upon Procedures Report was completed by a third-party Certified Public Accountant on July 15, 2010 (Exhibit 2).

As of May 31, 2010, the PBID's FY2009-10 collected revenues were \$308,796.54, including interest. On June 16, 2010, the Association approved its FY2010-11 Annual Report Workplan and Budget (Exhibit 1). Town staff has since made non-substantive changes to the Budget format and adjusted the check request amount to reflect the Association's "actuals" and available cash-on-hand. The Annual Budget Report is submitted herein for the Council's review and approval.

Recommended Action:

That the Town Council approve the Annual Budget Report of the Apple Valley Village Property and Business Improvement District Association.

Proposed by: Economic and Community Development Department Item Number _____

Town Manager Approval: _____

Budgeted Item Yes No N/A

**Exhibit 1 \ Annual Budget Report and
Sheriff's Memo Re: Status Update on Enhanced Security Service Program**

Apple Valley Village Property and Business Improvement District Association

Fiscal Year 2010-11 Budget

July 1, 2010 - June 30, 2011

Revenues					
	Actual Revenues 2007-08	Actual Revenues 2008-09	Adopted Budget 2009-10	Estimated Year End 2009-10	Proposed Budget 2010-11
Beginning Balance	0	261,717	536,115	497,340	591,649
PBID Association Cash on Hand			56,448	58,115	58,115
Assessment and Interest Revenues	288,617	297,128	331,905	308,797	334,813
Expenses					
	Actual Expense 2007-08	Actual Expense 2008-09	Adopted Budget 2009-10	Estimated Year End Expense 2009-10	Proposed Budget 2010-11
Association General and Admin Expenses					
Secretary Services: Minutes/Agendas/Admin		11,200	12,000	12,000	12,000
Phone		673	1,200	583	1,200
Consultant Services	16,900		12,000	1,000	5,000
Insurance		1,612	2,000	1,648	2,000
Postage		97	1,200	177	1,200
ARGP (Aesthetics Rehabilitation Grant Program)			0	1,855	20,000
Website setup and hosting			4,200	3,884	4,200
Legal and Accounting: Attorney and CPA; Assessment Roll Updates/Delinquency Reports/Hand Billing; Annual			8,000	16,745	15,000
Marketing: Consultant, Ads, Newsletter, Tradeshows			20,000	17,570	20,000
Training/educational conferences, workshops and		1,706	2,000	1,585	2,000
Small Office Supplies		158	1,000	414	1,000
Meeting Refreshments		200	1,200	800	1,200
Office Equipment: Copy machine, recorder			600	500	600
Taxes/Filing Fees			0	805	200
Miscellaneous		94	0	0	100
Total Association General and Admin Expenses	16,900	15,740	65,400	59,566	85,700
Town-Coordinated Projects/Activities Expenses (Fund 8110)					
Enhanced Security Services w/Sheriff's Dept			30,000	4,921	30,000
Hwy 18 Raised/Landscaped Median Project and Maintenance Set-Aside		6,990	150,000	150,000	393,010
Road Circulation and Drainage		0	50,280	0	50,000
ARGP (Aesthetics Rehabilitation Grant Program)		0	75,000	0	0
Architect Renderings	10,000	0	0	0	0
Lighting					17,445
Total Town-Coordinated Expenses	10,000	6,990	305,280	154,921	490,455
Total Association and Town Expenditures	26,900	22,730	370,680	214,487	576,155
Summary					
Total Revenues	288,617	297,128	331,905	308,797	334,813
Total Association and Town Expenditures	26,900	22,730	370,680	214,487	576,155
Ending Fund Balance	261,717	536,115	497,340	591,649	15,494
Check Request (Town remits to PBID Association for FY2010-11 General and Admin Expenses: \$85,700 - \$61,738)					27,586

INTEROFFICE MEMO



DATE July 26, 2010 **PHONE** 760-240-7000
FROM **Keith Gulla** Lieutenant
Apple Valley Station
TO **Orlando Acevedo** Economic Development Specialist
Town of Apple Valley

SUBJECT PBID Quarterly Report for the months of February-June 2010

The following are Property & Business Improvement District quarterly statistics for the months of February 1st, through June 30th, 2010;

Business Contacts:	126	Graffiti:	27
Pedestrian Checks:	39	Investigations:	12
Arrests:	12	Follow Ups:	4
Traffic Stops:	50	PBID Shift Hours:	83
Security Assessments:	48	Part 1 Crimes:	36
Vandalisms:	9	Gang Cards:	5

Total hours worked in the PBID February 1 – June 30th 2010, 83 @ \$59.29 per hour for a total expenditure of \$4,921.07.

As a result of the increased patrol in the PBID area, several problems affecting the area have been resolved. The most notable problem affecting the area was a graffiti problem. Between the months of January through May, deputies recorded approximately seventeen incidents of graffiti of a specific depiction.

The graffiti usually depicted a skull character, and/or "Plankton" (cartoon character from the SpongeBob square pants show) with "Bones" next to the depictions. The graffiti was found from Highway 18/Pawnee Rd., to the James Woody Community Center. The Town of Apple Valley estimated damages at approximately \$3400.

While driving on Ojai Rd., Code Enforcement Officer Robert Tafoya noticed the same depictions drawn on the side of a shed, at 13017 Ojai Rd. Tafoya relayed the information to Deputy Sandlin on May 25, 2010. On May 27, 2010 Sandlin went to the location and spoke to George Rogel. Rogel explained the pictures on the shed were drawn by his friend Edgar Careaga.

As a result of the investigation, Sandlin was able to author a search warrant for Careaga's residence. Several items were located in Careaga's room with the same skull character, Plankton and "Bones" drawn on them. Careaga was later found at his mother's residence. When questioned, he confessed to affixing the graffiti in several places and stated he had no reason for affixing graffiti to property, other than the "rush" he felt. Careaga was booked into the Victorville jail for felony vandalism. In addition, three unrelated graffiti suspects have also been identified as a result of this investigation.

Deputy Grantham successfully addressed a long standing problem with one of the local transient's within the Village area. He researched options throughout the county and was able to relocate the subject to a homeless shelter for a win-win, helping resolve the problem for the Village and assist the homeless subject.

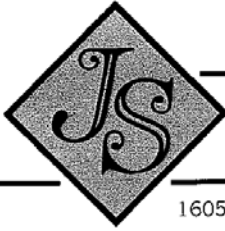
While on pro-active patrol, deputies have made arrests for outstanding warrants, drunk in public, theft, vandalism, and sales of marijuana. We have received very positive feedback from the business owners that have been contacted in regard to the increased patrols. Police presence is having a positive affect on crime in the area, as well as an increased feeling of security for the citizens of Apple Valley.

Exhibit 2 \ Agreed-Upon Procedures Report

**APPLE VALLEY VILLAGE PROPERTY
AND BUSINESS IMPROVEMENT DISTRICT ASSOCIATION**

Agreed-upon Procedures Report

June 30, 2010



Jennifer Starbuck, CPA
Certified Public Accountant

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**Independent Accountant's Report
On Applying Agreed-upon Procedures**

To the Board of Directors
Apple Valley Village Property and Business Improvement District Association

I have performed the procedures enumerated below, which were agreed to by the Apple Valley Village Property and Business Improvement District Association (the Association) and the Town of Apple Valley as of June 30, 2010 and for the year then ended. The Apple Valley Village Property and Business Improvement District Association is responsible for the Association's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this procedure has been requested or for any other purpose.

Procedure

1. Vouch expenditures to supporting documentation.
2. Classify expenditures by category.
3. Compare expenditures to *Management District Plan*.
4. Reconcile cash at June 30, 2009 to cash at June 30, 2010.

I was not engaged to, and did not, conduct an audit, the objective of which would have been an expression of an opinion, on the accounting records. Accordingly, I do express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the Apple Valley Village Property and Business Improvement District Association and the Town of Apple Valley and is not intended to be and should not be used by anyone other than those specified parties.

Jennifer Starbuck, CPA
July 15, 2010

Procedure 1: Vouch expenditures to supporting documentation.

Summary of Procedure Performance

Disbursements are made directly from the Association via the checking account in Treasurer Donna Gilmore's custody. I obtained check stubs for disbursements made from July 1, 2009 through June 30, 2010, and scheduled the disbursements by check number, date paid, payee and amount. I then vouched the disbursements to supporting documentation.

Findings

Sixty-four disbursements totaling \$60,943 were made by checks and automatic withdrawal from the Association's checking account between July 1, 2009 and June 30, 2010. I was able to locate supporting documentation for sixty-three of the sixty-four disbursements. Supporting documentation for another of the disbursements did not adequately support the timing of the disbursement. Documentation supported the nature, timing, and amount of the remaining sixty-two disbursements.

The two disbursements which were not supported by appropriate documentation are as follows:

<u>Check Number</u>	<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Exception</u>
1060	4/28/10	\$5,000.00	Roy Rogers Museum	No supporting documentation was available. Per Donna Gilmore, payment was intended to support transportation of Trigger to the Village area. The Association subsequently withdrew from the transaction when board members learned that the Association had unintentionally purchased an ownership percentage in the museum piece (Trigger). A personal check from a board member in the amount of \$5,000.00 was received on July 14, 2010 for reimbursement in recognition of the Association's withdrawal from the purchase.
1071	6/23/10	\$600.00	Soni Beckman	Supporting documentation indicated that the disbursement was for anticipated travel expenses to be incurred during a conference in October 2010. Sound internal controls typically require that expenses of this nature be reimbursed only after they have been incurred and upon presentation of actual receipts. Per Donna Gilmore, the Association has subsequently requested that the payment be returned to the Association.

Procedure 2: Classify expenditures by category.

Summary of Procedure Performance

I classified the expenditures described in Procedure 1 into categories based on the nature of the expenditure.

Findings

General and Administrative Expenditures

Accounting and audit fees	\$ 4,356
Cell phone	583
Conferences*	1,585
Contract services - secretarial	12,000
Filing fees	805
Insurance	1,648
Legal fees	12,389
Marketing	15,070
Meeting refreshments	800
Office equipment	500
Office supplies	414
Postage	177
Website	<u>3,884</u>

Total General and Administrative 54,211

Improvements

Aesthetics Rehabilitation Grant Program	732
Contract services - engineering	1,000
Other*	<u>5,000</u>

Total Improvements 6,732

Total Expenditures \$ 60,943

*Balance includes amounts described as unsupported and/or unallowable per Procedures 1 and 3. Unsupported and/or unallowable amounts are as follows: Conferences - \$600; Other improvements - \$5,000.

Procedure 3: Compare expenditures to *Management District Plan*.

Summary of Procedure Performance

I compared disbursements to disbursements allowable per the *Management District Plan*.

Findings

Because no supporting documentation was provided for the \$5,000 disbursement to the Roy Rogers Museum, the disbursement must be considered unallowable. As noted above, a board member wrote a personal check to reimburse the Association for the expenditure. The reimbursement was received subsequent to the Association's fiscal year end.

Because the travel expenses of \$600 were for a subsequent period and were not supported by actual receipts, they are also deemed unallowable.

Procedure 4: Reconcile cash at June 30, 2009 to cash at June 30, 2010.

Summary of Procedure Performance

I reconciled beginning cash in the custody of the Association to ending cash.

Findings

	American Security Bank	ING Direct	Total
Balance - July 1, 2009	\$ 6,207	\$ 50,241	\$ 56,448
Cash Receipts			
Town of Apple Valley	\$ 65,400	\$ -	
Refund: Cell phone deposit	250	-	
Refund: Insurance	18	-	
Interest	-	565	66,233
	<u>65,668</u>	<u>565</u>	
Transfers	5,000	(5,000)	-
Cash Disbursements	<u>(60,943)</u>	<u>-</u>	<u>(60,943)</u>
Balance - June 30, 2010	<u>\$ 15,932</u>	<u>\$ 45,806</u>	<u>\$ 61,738</u>

Cash reported by the Association as of June 30, 2010 reconciled to the bank statements provided.

See agreed-upon procedures report.