

**CITY OF APPLE VALLEY
Dakota County, Minnesota**

AUDITED FINANCIAL STATEMENTS

For the Fiscal Year Ended December 31, 2010

CITY OF APPLE VALLEY

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CITY OF APPLE VALLEY

**ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2010**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Mary Hamann-Roland	Mayor	December 31, 2010
Thomas Goodwin	Council Member	December 31, 2012
Ruth Grendahl	Council Member	December 31, 2012
John Bergman	Council Member	December 31, 2010
Sharon LaComb	Council Member	December 31, 2010
<u>Administration</u>		
Thomas Lawell	City Administrator	
Pam Gackstetter	City Clerk	
Ron Hedberg	Finance Director/Treasurer	



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Apple Valley
Apple Valley, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Apple Valley, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Apple Valley, Minnesota, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits on page 64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
May 31, 2011

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CITY OF APPLE VALLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

As management of the City of Apple Valley (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal years ended December 31, 2009 and 2010. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 231,639,372 (net assets). Of this amount, \$ 58,893,737 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$ 5,865,299.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 42,875,535, an increase of \$ 2,349,867 from the prior year.
- Approximately 99.9% of this total fund balance amount, \$ 42,822,422, is available for spending at the City's discretion (unreserved fund balance); the City has reviewed future capital needs, unfunded liabilities and designated funds for those purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Assets presents information on all of the City'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 City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works and park and recreation. The business-type activities of the City include municipal liquor, municipal golf course, sports arena, water and sewer, street light utility, storm drainage and cemetery.

CITY OF APPLE VALLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

The government-wide financial statements include only the City itself (known as the primary government). The City has one blended component unit. Although legally separate, the Apple Valley Economic Development Authority (EDA) is reported as if it were part of the primary government because it provides services exclusively for the City. The Apple Valley EDA is reported as the Economic Development Debt Service Fund and the EDA Operations Capital Projects Fund.

The government-wide financial statements can be found on pages 18-19 of this report.

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintained 62 individual governmental funds during 2010. Of these funds, 6 are considered major funds. Information on the major funds is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Closed Bond Issues Debt Service Fund, Improvement Bonds of 2006 Debt Service Fund, Improvement Bonds of 2007 Debt Service Fund, Future Capital Projects Fund and the Road Improvement Capital Projects Fund all of which are considered to be major funds. Data from the other 56 governmental funds are combined into a single, aggregated presentation on the combining statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and most special revenue funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-27 of this report.

CITY OF APPLE VALLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

Proprietary Funds – The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor, municipal golf course, sports arena, water and sewer, storm drainage, street light utility and cemetery operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses two Internal Service Funds to account for the risk insurance activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds' financial statements provide separate information for the municipal liquor, municipal golf course, sports arena, water and sewer, storm drainage, street light utility and cemetery operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 28-33 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 35-62 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding the post employments benefit plan. This supplemental information can be found on page 64 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on the funding progress of the post employment benefit plan. The combining statements can be found on pages 72-91 of this report.

STATEMENT OF NET ASSETS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$ 231,639,372 at the close of the most recent fiscal year.

The largest portion of the City's net assets, \$ 147,797,553, or 63.8%, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF APPLE VALLEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

City of Apple Valley's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 68,146,561	\$ 66,360,300	\$ 22,128,475	\$ 20,819,588	\$ 90,275,036	\$ 87,179,888
Capital Assets, Net	84,402,393	85,323,055	106,504,371	106,213,375	190,906,764	191,536,430
Total Assets	152,548,954	151,683,355	128,632,846	127,032,963	281,181,800	278,716,318
Long-Term Liabilities	32,292,963	36,320,521	4,027,425	4,413,971	36,320,388	40,734,492
Other Liabilities	11,323,346	10,425,917	1,898,694	1,781,836	13,222,040	12,207,753
Total Liabilities	43,616,309	46,746,438	5,926,119	6,195,807	49,542,428	52,942,245
Net Assets:						
Invested in Capital, Net of Related Debt	45,477,393	43,981,788	102,320,160	101,447,457	147,797,553	145,429,245
Restricted	24,656,491	24,664,257	291,591	289,049	24,948,082	24,953,306
Unrestricted	38,798,761	36,290,872	20,094,976	19,100,650	58,893,737	55,391,522
Total Net Assets	\$ 108,932,645	\$ 104,936,917	\$ 122,706,727	\$ 120,837,156	\$ 231,639,372	\$ 225,774,073

A portion of the City's net assets, \$ 24,948,082, or 10.8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 58,893,727, or 25.4%, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net assets increased by approximately \$ 5.9 million; approximately \$ 1.9 million, or 32%, of this increase is attributed to the operating income of the City's enterprise funds. In addition to this increase, an increase of approximately \$ 4.0 million, or 68%, is attributed to the increase in the Governmental Fund net assets. A portion of the Governmental Fund's increase in net assets relates to an increase in the General Fund's net assets due to revenues in excess of budgeted amounts in building permits, and refunds along with realizing savings within the General Fund from vacant positions and other budget savings.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF APPLE VALLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

STATEMENT OF ACTIVITIES

As with the Statement of Net Assets, the City reports governmental activities on a consolidated basis. A summary of the statement of activities is presented below.

City of Apple Valley's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
REVENUE:						
Program Revenues:						
Charges for Services	\$ 6,017,639	\$ 4,863,295	\$ 21,107,813	\$ 21,065,073	\$ 27,125,452	\$ 25,928,368
Operating Grants	1,872,316	1,577,419	25	25,190	1,872,341	1,602,609
Capital Grants	3,271,761	2,451,327	645,402	316,200	3,917,163	2,767,527
General Revenues:						
Taxes	24,112,451	24,078,701	125,000	120,000	24,237,451	24,198,701
Unallocated Aids	95,019	292,225	-	-	95,019	292,225
Franchise Fees	1,089,015	1,014,177	-	-	1,089,015	1,014,177
Investment Earnings	643,741	912,413	320,166	426,300	963,907	1,338,713
Gain on Sale of Assets	109,558	48,309	-	-	109,558	48,309
Other General Revenues	162,064	385,647	15,217	152,243	177,281	537,890
Transfers	1,623,303	1,824,528	(1,623,303)	(1,824,528)	-	-
Total Revenue	38,996,867	37,448,041	20,590,320	20,280,478	59,587,187	57,728,519
EXPENSES:						
General Government	10,081,345	8,685,487	-	-	10,081,345	8,685,487
Public Safety	10,092,977	10,306,540	-	-	10,092,977	10,306,540
Public Works	7,008,886	8,393,981	-	-	7,008,886	8,393,981
Park and Recreation	6,261,801	5,754,969	-	-	6,261,801	5,754,969
Interest	1,556,130	1,773,863	-	-	1,556,130	1,773,863
Municipal Liquor	-	-	8,285,841	8,062,876	8,285,841	8,062,876
Municipal Golf	-	-	1,057,715	1,011,443	1,057,715	1,011,443
Sports Arena	-	-	748,541	771,198	748,541	771,198
Water and Sewer	-	-	7,302,254	7,226,393	7,302,254	7,226,393
Storm Drainage	-	-	846,743	869,376	846,743	869,376
Street Light Utility	-	-	410,787	-	410,787	-
Cemetery	-	-	68,868	56,518	68,868	56,518
Total Expenses	35,001,139	34,914,840	18,720,749	17,997,804	53,721,888	52,912,644
Change in Net Assets	3,995,728	2,533,201	1,869,571	2,282,674	5,865,299	4,815,875
Net Assets - Beginning	104,936,917	102,403,716	120,837,156	118,554,482	225,774,073	220,958,198
Net Assets - Ending	\$ 108,932,645	\$ 104,936,917	\$ 122,706,727	\$ 120,837,156	\$ 231,639,372	\$ 225,774,073

Governmental Activities – Governmental activities increased the City's net assets by \$ 4.0 million, accounting for 68% of the total growth in the net assets of the City.

The revenues included in the chart on the following page include all program and general revenues for the governmental activities such as property taxes, grants, capital contributions and investment earnings. Property taxes remain the largest component of governmental revenues, approximately 62%. Capital grants represent the levying of special assessments for the construction of infrastructure assets, such as water mains, sewer mains, streets and storm sewer services.

CITY OF APPLE VALLEY

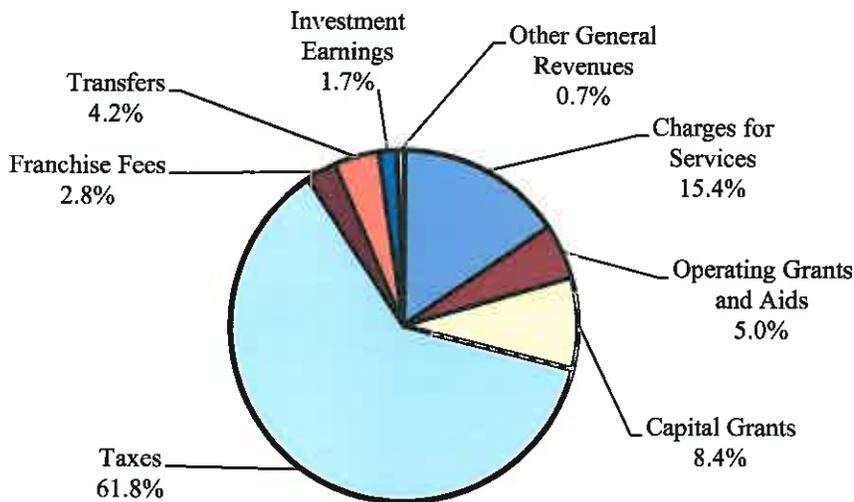
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

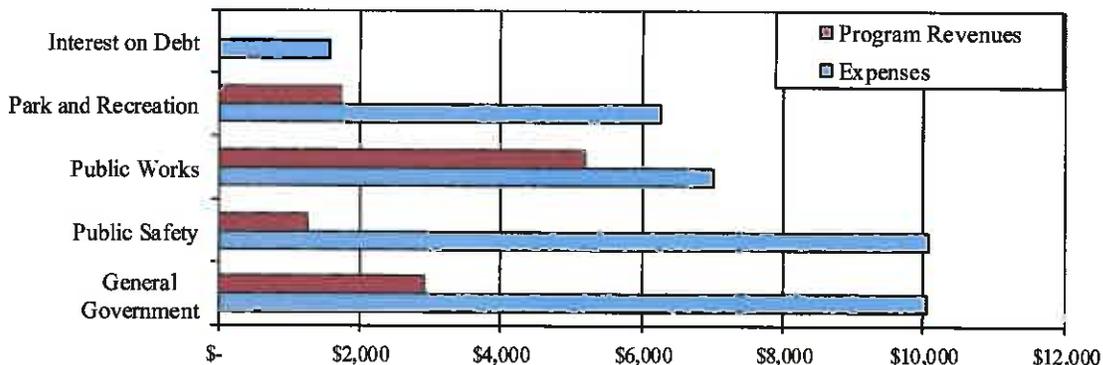
Revenues increased \$ 1,548,826, or 4.1%, the key elements of this change are:

- The increase in Charges for Services reflects an increase of approximately \$ 200,000 in building permits for 2010 resulting from continued home building and the completion of a 134 unit senior apartment building.
- The increase in Capital Grants includes an increase in Municipal State Aid of \$ 447,000 over 2009 in support of the City of Apple Valley Municipal State Aid Bonds. Also included in Capital Grants is two federal grants; one for an energy efficiency grant and second for an American Recovery and Reinvestment Act of 2009 (ARRA) Grant for the reconstruction of 140th Street in the Gardenview area, in the amounts of \$ 408,827 and \$ 561,000, respectively.
- Investment earnings for both governmental and business activities declined for 2010 and reflect the decline in the overall investment market and the rates received.
- Net transfers for 2010 was \$ 1,623,303 into the governmental funds and is a decrease from the net transfer in of \$ 1,824,528 for 2009.

Revenue By Source - Governmental Activities



**Expenses and Program Revenues - Governmental Activities
(in \$1,000's)**



CITY OF APPLE VALLEY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010**

Expenses in the governmental activities increased slightly, \$ 86,299, for 2010. Some of the significant items included in 2010 activities are:

An increase in the community and economic development area of general government results from the City making the final Tax Increment Financing (TIF) payment which was approximately \$ 1,354,000 higher than 2009.

The capital outlay area of public works included \$ 3.8 million of construction activities including the Federal Stimulus project for 140th Street. Overall, public works capital outlay expenses are approximately \$ 1.5 million lower than the previous year and reflects overall slower construction activity.

Interest expense is approximately \$ 217,000 lower for 2010 and reflects the reduction in debt service expense through debt retirement and the impact of refunding bonds issued in prior years.

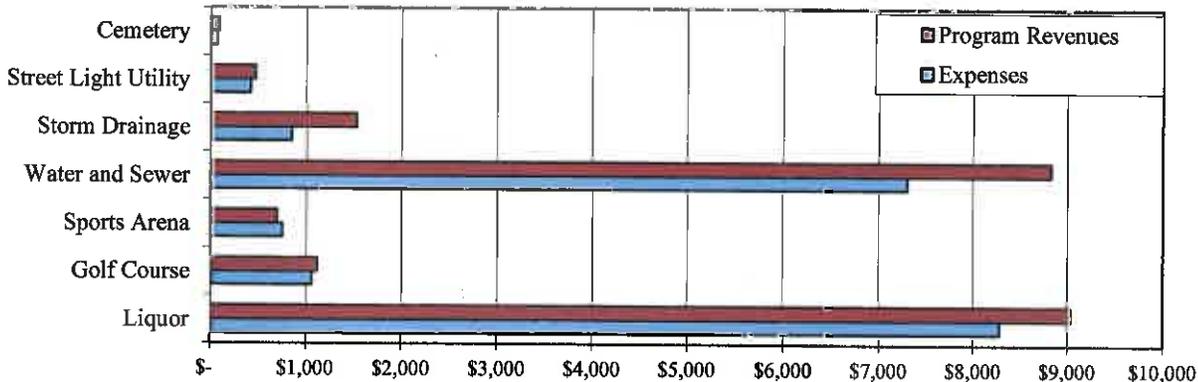
In each program area, program expenses exceeded program revenues. This is to be expected with governmental operations where support mainly comes from general revenue sources such as property taxes.

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

Business Type Activities – Business-type activities increased the City's net assets by \$ 1.9 million, accounting for 32% of the increase in the total net assets of the City.

The intent of business-type activities is to cover all, or nearly all, of the costs of providing the services of the individual funds. The City accounts for the operations in seven separate enterprise funds which include the Cemetery, Street Light Utility, Storm Drainage Utility, Water and Sewer Utility, Sports Arena, Municipal Golf Course and Municipal Liquor Funds.

**Expenses and Program Revenues - Business Type Activities
(in \$1,000's)**



Overall total revenues for the business type activities were up \$ 309,842, or 1.6%, for 2010. The key elements making up this change are as listed on the following page.

CITY OF APPLE VALLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

- Charges for services overall were relatively flat although the individual activities showed variances with the prior year.
 - The liquor operations showed an increase in revenues of approximately \$ 260,000.
 - The water and sewer utility revenues were down approximately \$ 811,000. \$ 471,000 of this decrease results from lower water use charges. The summer of 2010 was rainy and wet resulting in lower consumption for irrigation purposes and lower average utility charges for many customers. Approximately \$ 460,000 of the reduction in the water sewer utility revenues was the separation of the street light utility into its own separate fund.
 - The storm water utility revenues increased approximately \$ 127,000, or 10%, resulting from an increase in the storm water utility rates of \$ 1 per quarter per residential equivalent unit.
- Capital grants and contributions increased approximately \$ 329,000, resulting from the collection of more connection fees in the water sewer utility and a portion of the energy grant that benefited the Ice Arena Fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 42,875,535, an increase of \$ 2,349,867 over the prior year. This increase can be attributed to the issuance of \$ 3,965,000 in refunding bonds for general government purposes to take advantage of the decline in interest rates during 2010. Approximately 99.9% of the total amount, \$ 42,822,422, represents unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various prepaid expenditures in the General Fund \$ 16,411 and to replenish inventory, \$ 36,702.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$ 12,594,013, while total fund balance reached \$ 12,647,126. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Both unreserved and total fund balance represent 56.2% of total General Fund expenditures.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total unrestricted net assets for all proprietary funds for the year were \$ 20,094,976. Unrestricted net assets of the Water and Sewer Fund, the City's largest proprietary fund, at the end of the year amounted to \$ 16,541,568. Current year operations posted a \$ 972,814 increase in net assets for this Fund.

Total ending net assets for all proprietary funds was \$ 122,706,727, \$ 102,320,160 of which is invested in capital assets (infrastructure), net of related debt.

CITY OF APPLE VALLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

The increase in net assets in the Municipal Liquor Fund of \$ 289,083 reflects continued positive operations of the City's liquor stores and is after transferring \$ 485,000 to the General Fund in support of park and recreation activities. The Sports Arena Fund posted an increase in net assets of \$ 66,296 which includes impacts from the receipt of an energy efficiency grant of \$ 84,500 for boiler replacement. The other proprietary funds posted increases in net assets of \$ 972,814 in the Water and Sewer Fund, \$ 58,435 in the Street Light Utility, \$ 60,548 in the Municipal Golf Course Fund, \$ 391,894 in the Storm Drainage Fund and \$ 30,501 in the Cemetery Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2010 General Fund budget was amended to include some projects that were carried over from the prior year 2009 to 2010 in the amount of \$ 115,659, in addition to a reduction, of \$ 186,515, for uncompleted projects within the General Fund that will not be completed until 2011. In addition to this amendment, another amendment made was to remove the street maintenance project activities to a capital projects fund rather than the General Fund. Another budget amendment was to change the way the worker compensation insurance was budgeted to be included within each department instead of as an unallocated expense.

During the year, the total revenues exceeded the final amended budgetary estimates by \$ 799,383 and can be attributed to licenses and permits, the largest portion being building permits, exceeding budget amounts by \$ 412,246, antenna site rentals exceeding budgetary amounts by \$ 146,833 and an unbudgeted refund received in the public safety area of \$ 215,766. Total actual expenditures were \$ 1,507,270 less than the budgetary estimates and provided the ability to transfer amounts to the Future Capital Projects Fund. General Fund budget performance can be attributed to curtailing spending where possible and a number of vacant positions held open for extended periods during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounted to \$ 190,906,764, net of accumulated depreciation of \$ 86,848,905. This investment in capital assets includes land, buildings and system improvements other than buildings, furniture and equipment, infrastructure, intangibles and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was \$ 629,666, or approximately 0.3%. Total depreciation charged in 2010 was \$ 6,010,961 which exceeded the total amount of capitalized assets in 2010.

Additional information on the City's capital assets can be found in Note 4 on pages 47-49 of this report.

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$ 43,000,000, a net decrease of \$ 3,595,000, or 7.7%. Of the total bonded debt \$ 8,350,000, or 19.4%, is due within one year. Of the \$ 8,350,000 due in 2011, \$ 3,920,000 is the crossover of the three refunded bond issues in 2010.

CITY OF APPLE VALLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

During 2010, the City issued \$ 4,320,000 in debt.

The proceeds of the 2010 General Obligation (G.O.) Refunding Bonds will be used for:

- (i) a crossover refunding of all or a portion of the December 1, 2012 through 2020 maturities, aggregating up to \$ 2,100,000 in principal amount, of the City's G.O. Improvement Bonds of 2004;
- (ii) a crossover refunding of all or a portion of the December 1, 2012 through 2015 maturities, aggregating up to \$ 1,385,000 in principal amount, of the City's G.O. Improvement Bonds, Series 2006A;
- (iii) a crossover refunding of all or a portion of the December 1, 2012 through 2015 maturities, aggregating up to \$ 435,000 in principal amount, of the City's G.O. Equipment Certificates, Series 2006B; and
- (iv) a crossover refunding of all or a portion of the December 1, 2011 through 2014 maturities, aggregating up to \$ 355,000 in principal amount, of the City's 2005B G.O. Storm Water Utility Revenue Bonds.

**City of Apple Valley's Outstanding Debt
G.O. and Revenue Bonds**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Bonds Payable:				
G.O. Bonds	\$ 21,475,000	\$ 435,000	\$ (1,130,000)	\$ 20,780,000
G.O. Municipal State Aid	6,645,000	-	(3,250,000)	3,395,000
G.O. Special Assessment Bonds	<u>13,750,000</u>	<u>3,530,000</u>	<u>(2,530,000)</u>	<u>14,750,000</u>
Total Bonds Payable	41,870,000	3,965,000	(6,910,000)	38,925,000
Business-Type Activities:				
Bonds Payable:				
G.O. Revenue Bonds	1,545,000	355,000	(875,000)	1,025,000
Revenue Bonds	<u>3,180,000</u>	-	<u>(130,000)</u>	<u>3,050,000</u>
Total Bonds Payable	4,725,000	355,000	(1,005,000)	4,075,000
Total Bonded Debt	<u>\$ 46,595,000</u>	<u>\$ 4,320,000</u>	<u>\$ (7,915,000)</u>	<u>\$ 43,000,000</u>

The City maintains an "Aaa" rating from Moody's on all of its G.O. debt.

Additional information on the City's long-term debt can be found in Note 6 on pages 50-54 of this report.

CITY OF APPLE VALLEY

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property taxes provide the largest source, approximately 77%, of the resources needed to support the General Fund activities. The City levied property taxes approximately \$ 2.88 million less than the levy limit imposed by the State of Minnesota for 2011.
- Property values in the City are declining as they are in other locations. The decline in residential property values expected for the 2012 budget year will be approximately 2.9%, compared to a reduction of 6.7% for the 2011 budget year. The property value declines do not impact the property tax revenues because, in Minnesota, the tax extension rate is determined each year by dividing the total amounts levied amount by the total tax capacity of all properties and then applying the resulting tax extension rate to each individual property.
- A reduction in state aids to cities was enacted by the State Legislature during the 2004, 2005 and 2006 legislative sessions to help balance the state's budget. Future state budgets are still reducing state revenues; however, some state aid in the form of Market Value Homestead Credit (MVHC) was restored in 2007 and 2008, but is expected to be reduced or eliminated in 2011 and future years. In 2010, the City received \$ 16,214 in MVHC payments from the state. Because of these reductions, the City no longer relies on the MVHC state aid payment in its operating budgets, although, it must continue to levy for the credit provided under the program to residential property owners.
- As a result of the City's responsible stewardship, the services provided to the public remain a good value. The City will continue to provide the quality public services our citizens have come to expect and at a reasonable price.

All of these factors were considered in preparing the City's budget for the 2011 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 7100 West 147th Street, Apple Valley, Minnesota 55124.

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FINANCIAL STATEMENTS

CITY OF APPLE VALLEY

STATEMENT OF NET ASSETS

December 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Investments (Including Cash Equivalents)	\$ 41,089,161	\$ 17,166,098	\$ 58,255,259
Cash with Fiscal Agent	3,993,618	291,591	4,285,209
Receivables:			
Taxes Receivable	552,553	-	552,553
Special Assessments Receivable	19,677,154	272,516	19,949,670
Accounts Receivable	345,089	2,463,365	2,808,454
Interest Receivable	395,055	28	395,083
Due from Other Governments	1,917,609	249,563	2,167,172
Inventory	36,702	1,403,232	1,439,934
Prepaid Items	139,620	221,498	361,118
Deferred Charges	-	60,584	60,584
Capital Assets not being Depreciated:			
Land and Land Improvements	2,523,813	5,327,130	7,850,943
Construction in Progress	265,590	707,874	973,464
Capital Assets being Depreciated:			
Buildings	27,324,952	14,945,074	42,270,026
Improvements Other than Buildings	23,904,607	120,291,446	144,196,053
Furniture and Equipment	15,284,345	4,356,940	19,641,285
Infrastructure	62,823,898	-	62,823,898
Less Accumulated Depreciation	<u>(47,724,812)</u>	<u>(39,124,093)</u>	<u>(86,848,905)</u>
 Total Assets	 <u>\$ 152,548,954</u>	 <u>\$ 128,632,846</u>	 <u>\$ 281,181,800</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accrued Wages Payable	\$ 764,496	\$ 117,678	\$ 882,174
Accounts Payable	825,288	879,786	1,705,074
Contracts Payable	173,317	90,075	263,392
Bond Interest Payable	90,789	17,202	107,991
Due to Other Governments	38,031	92,057	130,088
Unearned Revenue	86,201	-	86,201
Bond Principal Payable:			
Due Within One Year	7,910,000	440,000	8,350,000
Due in More than One Year	31,015,000	3,635,000	34,650,000
Capital Lease Payable:			
Due Within One Year	-	32,036	32,036
Due in More than One Year	-	77,175	77,175
Compensated Absences Payable:			
Due Within One Year	1,435,224	229,860	1,665,084
Due in More than One Year	762,131	227,972	990,103
Net Other Post Employment Benefits (OPEB) Obligation:			
Due in More than One Year	515,832	87,278	603,110
Total Liabilities	<u>43,616,309</u>	<u>5,926,119</u>	<u>49,542,428</u>
 Net Assets			
Invested in Capital Assets, Net of Related Debt	45,477,393	102,320,160	147,797,553
Restricted for:			
Debt Service	22,259,962	291,591	22,551,553
Capital Acquisition	2,396,529	-	2,396,529
Unrestricted	38,798,761	20,094,976	58,893,737
Total Net Assets	<u>108,932,645</u>	<u>122,706,727</u>	<u>231,639,372</u>
 Total Liabilities and Net Assets	 <u>\$ 152,548,954</u>	 <u>\$ 128,632,846</u>	 <u>\$ 281,181,800</u>

CITY OF APPLE VALLEY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 10,081,345	\$ 2,494,807	\$ 11,181	\$ 424,465	\$ (7,150,892)	\$ -	\$ (7,150,892)
Public Safety	10,092,977	755,339	513,306	2,050	(8,822,282)	-	(8,822,282)
Public Works	7,008,886	1,046,007	1,347,829	2,825,246	(1,789,804)	-	(1,789,804)
Park and Recreation	6,261,801	1,721,486	-	20,000	(4,520,315)	-	(4,520,315)
Interest on Long-Term Debt	1,556,130	-	-	-	(1,556,130)	-	(1,556,130)
Total Governmental Activities	35,001,139	6,017,639	1,872,316	3,271,761	(23,839,423)	-	(23,839,423)
Business-Type Activities							
Municipal Liquor	8,285,841	9,032,194	-	-	-	746,353	746,353
Municipal Golf Course	1,057,715	1,114,395	-	-	-	56,680	56,680
Sports Arena	748,541	606,262	-	84,500	-	(57,779)	(57,779)
Water and Sewer	7,302,254	8,439,232	-	391,641	-	1,528,619	1,528,619
Storm Drainage	846,743	1,360,483	-	169,261	-	683,001	683,001
Cemetery	68,868	89,695	25	-	-	20,852	20,852
Street Light Utility	410,787	465,552	-	-	-	54,765	54,765
Total Business-Type Activities	18,720,749	21,107,813	25	645,402	-	3,032,491	3,032,491
Total Governmental and Business-Type Activities	\$ 53,721,888	\$ 27,125,452	\$ 1,872,341	\$ 3,917,163	(23,839,423)	3,032,491	(20,806,932)
General Revenues							
Property Taxes					21,697,421	125,000	21,822,421
Tax Incrementals					2,311,405	-	2,311,405
Lodging Tax					67,311	-	67,311
Gravel Tax					36,314	-	36,314
Unallocated State and County Aids					95,019	-	95,019
Franchise Fees					1,089,015	-	1,089,015
Other General Revenue					162,064	15,217	177,281
Unrestricted Investment Earnings					643,741	320,166	963,907
Gain on Sale of Assets					109,558	-	109,558
Transfers					1,623,303	(1,623,303)	-
Total General Revenues and Transfers					27,835,151	(1,162,920)	26,672,231
Change in Net Assets					3,995,728	1,869,571	5,865,299
Net Assets - Beginning					104,936,917	120,837,156	225,774,073
Net Assets - Ending					\$ 108,932,645	\$ 122,706,727	\$ 231,639,372

The Notes to the Financial Statements are an integral part of this statement.

CITY OF APPLE VALLEY

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2010

	General Fund (1000)	Debt Service	
		Closed Bond Issues (3205)	Improvement Bonds of 2006 (3330)
ASSETS			
Cash and Investments	\$ 11,497,461	\$ 1,113,864	\$ -
Cash with Fiscal Agent	-	-	1,408,927
Taxes Receivable - Delinquent	522,440	-	-
Special Assessments Receivable:			
Current	22,309	642,364	235,655
Delinquent	33,893	931,849	1,865,313
Deferred	-	6,952,808	2,537,370
Accounts Receivable	180,892	-	-
Interest Receivable	395,055	-	-
Due from Other Funds	-	4,158,874	-
Due from Other Governments	1,694,656	131,202	-
Inventory	36,702	-	-
Prepaid Items	16,411	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 14,399,819</u>	<u>\$ 13,930,961</u>	<u>\$ 6,047,265</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued Wages Payable	\$ 758,497	\$ -	\$ -
Accounts Payable	355,803	2,946	-
Contracts Payable	-	-	-
Due to Other Funds	-	-	2,125,779
Due to Other Governments	26,422	-	-
Deferred Revenue	611,971	8,518,909	4,638,338
Total Liabilities	<u>1,752,693</u>	<u>8,521,855</u>	<u>6,764,117</u>
Fund Balances			
Reserved for:			
Inventory	36,702	-	-
Prepaid Items	16,411	-	-
Unreserved, Reported in:			
General Fund - Designated	12,594,013	-	-
Special Revenue - Undesignated	-	-	-
Debt Service - Undesignated	-	5,409,106	(716,852)
Capital Projects - Undesignated	-	-	-
Total Fund Balances	<u>12,647,126</u>	<u>5,409,106</u>	<u>(716,852)</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 14,399,819</u>	<u>\$ 13,930,961</u>	<u>\$ 6,047,265</u>

The Notes to the Financial Statements are an integral part of this statement.

Debt Service	Capital Projects				
Improvement Bonds of 2007 (3340)	Road Improvements (2025)	Future Capital Projects (4930)	Nonmajor Governmental Funds	Total Governmental Funds	
\$ -	\$ -	\$ 6,145,774	\$ 19,229,188	\$ 37,986,287	
-	-	-	2,584,691	3,993,618	
-	-	-	30,113	552,553	
244,383	-	-	294,758	1,439,469	
785,902	-	-	243,020	3,859,977	
2,913,361	-	-	1,974,169	14,377,708	
-	-	-	164,197	345,089	
-	-	-	-	395,055	
-	-	6,998,377	2,254,006	13,411,257	
-	16,819	-	74,932	1,917,609	
-	-	-	-	36,702	
-	-	-	-	16,411	
<u>\$ 3,943,646</u>	<u>\$ 16,819</u>	<u>\$ 13,144,151</u>	<u>\$ 26,849,074</u>	<u>\$ 78,331,735</u>	
\$ -	\$ -	\$ -	\$ 5,999	\$ 764,496	
-	51,697	-	407,059	817,505	
-	-	-	173,317	173,317	
419,516	4,066,221	-	6,799,741	13,411,257	
-	181	-	11,428	38,031	
3,943,646	-	-	2,538,730	20,251,594	
<u>4,363,162</u>	<u>4,118,099</u>	<u>-</u>	<u>9,936,274</u>	<u>35,456,200</u>	
-	-	-	-	36,702	
-	-	-	-	16,411	
-	-	-	-	12,594,013	
-	-	-	324,251	324,251	
(419,516)	-	-	11,620,188	15,892,926	
-	(4,101,280)	13,144,151	4,968,361	14,011,232	
<u>(419,516)</u>	<u>(4,101,280)</u>	<u>13,144,151</u>	<u>16,912,800</u>	<u>42,875,535</u>	
<u>\$ 3,943,646</u>	<u>\$ 16,819</u>	<u>\$ 13,144,151</u>	<u>\$ 26,849,074</u>	<u>\$ 78,331,735</u>	

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CITY OF APPLE VALLEY

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
December 31, 2010**

Total Fund Balances - Governmental Funds \$ 42,875,535

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not current financial resources
and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	132,127,205
Less Accumulated Depreciation	(47,724,812)

Long-term liabilities, including bonds payable, are not due and payable in
the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond Principal Payable	(38,925,000)
Net OPEB Obligation	(515,832)

Delinquent receivables will be collected in subsequent years, but are not
available soon enough to pay for the current period's expenditures and,
therefore, are deferred in the funds.

Property Taxes	552,553
Special Assessments	3,826,084

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds.

Special Assessments	15,786,756
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Governmental funds do not report a liability for accrued interest due and payable. (90,789)

Internal Service Funds are used by management to charge the costs of insurance
and compensated absences to individual funds. The assets and liabilities of the
Internal Service Funds are included in governmental activities in the
Statement of Net Assets.

1,020,945

Total Net Assets - Governmental Activities \$ 108,932,645

CITY OF APPLE VALLEY

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010**

	General Fund (1000)	Closed Bond Issues (3205)	Debt Service Improvement Bonds of 2006 (3330)	Improvement Bonds of 2007 (3340)
REVENUES				
Taxes	\$ 18,293,749	\$ 24,377	\$ -	\$ -
Tax Increments	-	-	-	-
Franchise Fees	564,663	-	-	-
Other Taxes	36,314	-	-	-
Special Assessments	15,637	1,074,626	262,976	306,665
Licenses and Permits	1,018,847	-	-	-
Intergovernmental	575,967	-	-	-
Charges for Services	1,188,916	-	-	-
Fines and Forfeitures	258,165	-	-	-
Miscellaneous:				
Investment Income	190,854	(19,071)	-	-
Rentals	512,831	-	-	-
Contributions and Donations	1,045	-	-	-
Administrative Fees	770,000	-	-	-
Other	41,037	-	-	-
Refunds and Reimbursements	327,601	-	-	-
Total Revenues	<u>23,795,626</u>	<u>1,079,932</u>	<u>262,976</u>	<u>306,665</u>
EXPENDITURES				
Current				
General Government	4,408,318	-	-	-
Public Safety	9,683,364	-	-	-
Public Works	3,585,724	-	-	-
Park and Recreation	4,520,309	-	-	-
Debt Service				
Principal	-	-	400,000	250,000
Interest and Other Charges	-	38,153	87,472	122,538
Capital Outlay				
General Government	59,343	-	-	-
Public Safety	72,679	-	-	-
Public Works	96,713	-	-	-
Park and Recreation	60,381	-	-	-
Total Expenditures	<u>22,486,831</u>	<u>38,153</u>	<u>487,472</u>	<u>372,538</u>
Excess of Revenues Over (Under) Expenditures	1,308,795	1,041,779	(224,496)	(65,873)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	39,849	-	-	-
Bond Proceeds	-	-	1,395,000	-
Bond Premium	-	-	20,462	-
Payment of Refunded Debt	-	-	-	-
Transfers In	1,085,000	-	-	-
Transfers Out	(2,008,241)	-	-	-
Total Other Financing Sources (Uses)	<u>(883,392)</u>	<u>-</u>	<u>1,415,462</u>	<u>-</u>
Net Change in Fund Balances	425,403	1,041,779	1,190,966	(65,873)
FUND BALANCES				
Beginning of Year	<u>12,221,723</u>	<u>4,367,327</u>	<u>(1,907,818)</u>	<u>(353,643)</u>
End of Year	<u>\$ 12,647,126</u>	<u>\$ 5,409,106</u>	<u>\$ (716,852)</u>	<u>\$ (419,516)</u>

The Notes to the Financial Statements are an integral part of this statement.

<u>Capital Projects</u>			
<u>Road</u>		<u>Nonmajor</u>	<u>Total</u>
<u>Improvements</u>	<u>Future Capital</u>	<u>Governmental</u>	<u>Governmental</u>
<u>(2025)</u>	<u>Projects (4930)</u>	<u>Funds</u>	<u>Funds</u>
\$ 1,660,000	\$ -	\$ 1,731,000	\$ 21,709,126
-	-	2,311,405	2,311,405
-	-	596,108	1,160,771
-	-	67,311	103,625
-	-	395,879	2,055,783
-	-	-	1,018,847
561,056	16,214	1,843,421	2,996,658
160,207	-	-	1,349,123
-	-	-	258,165
(96,785)	188,545	329,793	593,336
-	-	80,000	592,831
-	-	10,439	11,484
-	-	8,400	778,400
-	149,657	506,360	697,054
-	-	123,371	450,972
<u>2,284,478</u>	<u>354,416</u>	<u>8,003,487</u>	<u>36,087,580</u>
-	-	3,009,694	7,418,012
-	-	44,976	9,728,340
-	-	8,227	3,593,951
-	-	248,347	4,768,656
-	-	3,510,000	4,160,000
-	-	1,367,766	1,615,929
-	-	1,066,524	1,125,867
-	-	-	72,679
2,929,796	-	799,800	3,826,309
-	-	793,788	854,169
<u>2,929,796</u>	<u>-</u>	<u>10,849,122</u>	<u>37,163,912</u>
(645,318)	354,416	(2,845,635)	(1,076,332)
-	-	69,709	109,558
-	-	2,570,000	3,965,000
-	-	26,729	47,191
-	-	(2,750,000)	(2,750,000)
1,184,450	1,996,000	1,469,241	5,734,691
-	(1,672,000)	-	(3,680,241)
<u>1,184,450</u>	<u>324,000</u>	<u>1,385,679</u>	<u>3,426,199</u>
539,132	678,416	(1,459,956)	2,349,867
(4,640,412)	12,465,735	18,372,756	40,525,668
<u>\$ (4,101,280)</u>	<u>\$ 13,144,151</u>	<u>\$ 16,912,800</u>	<u>\$ 42,875,535</u>

CITY OF APPLE VALLEY

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010**

Net Change in Fund Balances - Governmental Funds \$ 2,349,867

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

Capital outlays are reported in governmental funds as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated over the
estimated useful lives as depreciation expense.

Capital Outlays	2,910,547
Depreciation Expense	(3,824,433)
Disposal of Capital Assets	(6,776)

Net OPEB obligations are recognized as paid in the governmental funds but
recognized as the expense is incurred in the Statement of Activities. (161,293)

Principal payments on long-term debt are recognized as expenditures in the
governmental funds but as an increase in the net assets in the Statement of Activities. 4,160,000

Bonds were refunded during the year. The amount paid off with the new funding is
reported in the governmental funds as an other use of financing. However, the
payments are not expenditures in the Statement of Activities, but rather a
reduction on long-term liabilities in the Statement of Net Assets. 2,750,000

Interest on long-term debt in the Statement of Activities differs from the
amount reported in the governmental funds because interest is recognized as
an expenditure in the funds when it is due and thus requires use of current financial
resources. In the Statement of Activities, however, interest expense is recognized
as the interest accrues, regardless of when it is due. 12,608

Proceeds from long-term debt are recognized as an other financing source in the
governmental funds but as a decrease in net assets in the Statement of Activities.
Issuance of Bonds Payable (3,965,000)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. 9,018

The net revenue of certain activities of Internal Service Funds are reported with
governmental activities. (238,810)

Change in Net Assets - Governmental Activities \$ 3,995,728

The Notes to the Financial Statements are an integral part of this statement. 26

CITY OF APPLE VALLEY

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 19,987,177	\$ 18,327,177	\$ 18,293,749	\$ (33,428)
Franchise Fees	450,000	450,000	564,663	114,663
Other Taxes	20,000	20,000	36,314	16,314
Special Assessments	-	-	15,637	15,637
Licenses and Permits	606,601	606,601	1,018,847	412,246
Intergovernmental	634,850	634,850	575,967	(58,883)
Charges for Services	1,136,915	1,136,915	1,188,916	52,001
Fines and Forfeitures	315,000	315,000	258,165	(56,835)
Miscellaneous Revenues:				
Investment Income	197,000	197,000	190,854	(6,146)
Rentals	358,700	358,700	512,831	154,131
Contributions and Donations	-	-	1,045	1,045
Administrative Fees	800,000	800,000	770,000	(30,000)
Other	20,000	20,000	41,037	21,037
Refunds and Reimbursements	130,000	130,000	327,601	197,601
Total Revenues	24,656,243	22,996,243	23,795,626	799,383
EXPENDITURES				
Current				
General Government	5,144,010	4,864,170	4,408,318	(455,852)
Public Safety	10,019,585	10,141,340	9,683,364	(457,976)
Public Works	5,375,284	3,789,604	3,585,724	(203,880)
Park and Recreation	4,837,351	4,893,621	4,520,309	(373,312)
Capital Outlay				
General Government	136,200	88,200	59,343	(28,857)
Public Safety	75,000	75,000	72,679	(2,321)
Public Works	80,000	80,000	96,713	16,713
Park and Recreation	62,166	62,166	60,381	(1,785)
Total Expenditures	25,729,596	23,994,101	22,486,831	(1,507,270)
Excess of Revenues Over (Under) Expenditures	(1,073,353)	(997,858)	1,308,795	2,306,653
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	-	-	39,849	39,849
Transfers In	1,085,000	1,085,000	1,085,000	-
Transfers Out	(11,647)	(11,647)	(2,008,241)	(1,996,594)
Total Other Financing Sources (Uses)	1,073,353	1,073,353	(883,392)	(1,956,745)
Net Change in Fund Balances	\$ -	\$ 75,495	425,403	\$ 349,908
FUND BALANCES				
Beginning of Year			12,221,723	
End of Year			\$ 12,647,126	

The Notes to the Financial Statements are an integral part of this statement.

CITY OF APPLE VALLEY

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2010

	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
ASSETS				
Current Assets				
Cash and Investments (Including Cash Equivalents)	\$ 1,557,504	\$ 263,280	\$ 68,760	\$ 13,693,593
Special Assessments Receivable	-	-	-	259,812
Accounts Receivable	-	-	124,593	2,116,064
Interest Receivable	28	-	-	-
Due from Other Governments	-	-	246,743	2,820
Inventory	1,319,931	28,231	-	55,070
Prepaid Items	13,766	219	-	207,513
Total Current Assets	<u>2,891,229</u>	<u>291,730</u>	<u>440,096</u>	<u>16,334,872</u>
Noncurrent Assets				
Restricted Cash with Fiscal Agent	291,591	-	-	-
Deferred Special Assessments Receivable	-	-	-	-
Deferred Charges	47,975	-	7,195	-
Due from Other Funds	-	-	-	770,983
Capital Assets:				
Land and Land Improvements	1,179,183	991,179	2,000	1,678,137
Buildings	3,410,285	294,496	2,970,660	8,269,633
Other Improvements	25,000	385,269	371,650	77,023,509
Furniture and Equipment	263,767	689,268	188,338	3,215,567
Construction in Progress	-	-	-	519,410
Total Capital Assets	<u>4,878,235</u>	<u>2,360,212</u>	<u>3,532,648</u>	<u>90,706,256</u>
Less Accumulated Depreciation	<u>(721,614)</u>	<u>(1,110,545)</u>	<u>(1,922,186)</u>	<u>(26,072,958)</u>
Net Capital Assets	<u>4,156,621</u>	<u>1,249,667</u>	<u>1,610,462</u>	<u>64,633,298</u>
Total Noncurrent Assets	<u>4,496,187</u>	<u>1,249,667</u>	<u>1,617,657</u>	<u>65,404,281</u>
Total Assets	<u>\$ 7,387,416</u>	<u>\$ 1,541,397</u>	<u>\$ 2,057,753</u>	<u>\$ 81,739,153</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 611,597	\$ 6,666	\$ 16,310	\$ 148,288
Contracts Payable	-	-	-	90,075
Accrued Wages Payable	42,085	9,386	18,058	48,149
Interest Payable	10,454	3,412	1,617	735
Due to Other Governments	33,520	283	16,576	37,054
Long-Term Liabilities Due Within One Year	189,660	49,536	123,300	254,400
Total Current Liabilities	<u>887,316</u>	<u>69,283</u>	<u>175,861</u>	<u>578,701</u>
Noncurrent Liabilities				
Compensated Absences Payable	116,180	75,388	71,961	194,303
Net OPEB Obligation	24,309	10,473	6,813	45,683
Due to Other Funds	-	-	770,983	-
Capital Lease Payable	-	109,211	-	-
Bonds Payable	3,050,000	-	430,000	240,000
Less Amounts Due Within One Year	<u>(189,660)</u>	<u>(49,536)</u>	<u>(123,300)</u>	<u>(254,400)</u>
Total Noncurrent Liabilities	<u>3,000,829</u>	<u>145,536</u>	<u>1,156,457</u>	<u>225,586</u>
Total Liabilities	<u>3,888,145</u>	<u>214,819</u>	<u>1,332,318</u>	<u>804,287</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	1,106,621	1,140,456	1,180,462	64,393,298
Unrestricted	2,101,059	186,122	(455,027)	16,541,568
Total Net Assets	<u>3,499,271</u>	<u>1,326,578</u>	<u>725,435</u>	<u>80,934,866</u>
Total Liabilities and Net Assets	<u>\$ 7,387,416</u>	<u>\$ 1,541,397</u>	<u>\$ 2,057,753</u>	<u>\$ 81,739,153</u>

The Notes to the Financial Statements are an integral part of this statement.

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Total	Governmental Activities - Internal Service Funds
\$ 975,629	\$ 588,668	\$ 18,664	\$ 17,166,098	\$ 3,102,874
1,224	-	-	261,036	-
182,937	-	39,771	2,463,365	-
-	-	-	28	-
-	-	-	249,563	-
-	-	-	1,403,232	-
-	-	-	221,498	123,209
<u>1,159,790</u>	<u>588,668</u>	<u>58,435</u>	<u>21,764,820</u>	<u>3,226,083</u>
-	-	-	291,591	-
11,480	-	-	11,480	-
5,414	-	-	60,584	-
-	-	-	770,983	-
1,118,444	358,187	-	5,327,130	-
-	-	-	14,945,074	-
41,845,614	640,404	-	120,291,446	-
-	-	-	4,356,940	-
188,464	-	-	707,874	-
43,152,522	998,591	-	145,628,464	-
(9,197,233)	(99,557)	-	(39,124,093)	-
33,955,289	899,034	-	106,504,371	-
33,972,183	899,034	-	107,639,009	-
<u>\$ 35,131,973</u>	<u>\$ 1,487,702</u>	<u>\$ 58,435</u>	<u>\$ 129,403,829</u>	<u>\$ 3,226,083</u>
\$ 92,850	\$ 4,075	\$ -	\$ 879,786	\$ 7,783
-	-	-	90,075	-
-	-	-	117,678	-
984	-	-	17,202	-
4,624	-	-	92,057	-
85,000	-	-	701,896	1,435,224
183,458	4,075	-	1,898,694	1,443,007
-	-	-	457,832	2,197,355
-	-	-	87,278	-
-	-	-	770,983	-
-	-	-	109,211	-
355,000	-	-	4,075,000	-
(85,000)	-	-	(701,896)	(1,435,224)
270,000	-	-	4,798,408	762,131
453,458	4,075	-	6,697,102	2,205,138
33,600,289	899,034	-	102,320,160	-
-	-	-	291,591	-
1,078,226	584,593	58,435	20,094,976	1,020,945
34,678,515	1,483,627	58,435	122,706,727	1,020,945
<u>\$ 35,131,973</u>	<u>\$ 1,487,702</u>	<u>\$ 58,435</u>	<u>\$ 129,403,829</u>	<u>\$ 3,226,083</u>

CITY OF APPLE VALLEY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2010**

	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)
OPERATING REVENUES			
Liquor Sales	\$ 9,032,194	\$ -	\$ -
Golf Fees and Rentals	-	1,114,395	-
Sports Arena Revenues	-	-	606,262
Charges for Services	-	-	-
Total Operating Revenues	<u>9,032,194</u>	<u>1,114,395</u>	<u>606,262</u>
 Cost of Goods Sold	 <u>6,545,733</u>	 <u>185,199</u>	 <u>753</u>
 Gross Profit	 2,486,461	 929,196	 605,509
OPERATING EXPENSES			
Personal Services	978,123	538,074	359,665
Contractual Services	174,827	19,881	49,231
Other Charges	179,580	35,291	3,439
Supplies and Repairs	38,588	135,903	43,816
Insurance	44,800	40,000	19,300
Utilities	51,138	36,488	118,765
Depreciation	140,930	61,744	128,669
Sewer Charges	-	-	-
Total Operating Expenses	<u>1,607,986</u>	<u>867,381</u>	<u>722,885</u>
 Operating Income (Loss)	 878,475	 61,815	 (117,376)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	27,730	3,868	(1,060)
Special Assessments	-	-	-
Property Taxes	-	-	125,000
Connection Charges	-	-	-
Intergovernmental Revenue	-	-	-
Refunds and Reimbursements	-	-	-
Other Revenue	-	-	135
Interest Expense and Agent Fees	(132,122)	(5,264)	(24,903)
Gain on Sale of Capital Assets	-	129	-
Total Nonoperating Revenues (Expenses)	<u>(104,392)</u>	<u>(1,267)</u>	<u>99,172</u>
 Income (Loss) before Capital Contributions and Transfers	 774,083	 60,548	 (18,204)
Capital Contributions	-	-	84,500
Transfers In	-	-	-
Transfers Out	<u>(485,000)</u>	<u>-</u>	<u>-</u>
 Change in Net Assets	 289,083	 60,548	 66,296
NET ASSETS			
Beginning of Year	<u>3,210,188</u>	<u>1,266,030</u>	<u>659,139</u>
End of Year	<u>\$ 3,499,271</u>	<u>\$ 1,326,578</u>	<u>\$ 725,435</u>

The Notes to the Financial Statements are an integral part of this statement.

Water and Sewer (5300, 5400)	Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Total	Governmental Activities - Internal Service Funds
\$ -	\$ -	\$ -	\$ -	\$ 9,032,194	\$ -
-	-	-	-	1,114,395	-
-	-	-	-	606,262	-
8,439,232	1,360,483	89,695	465,552	10,354,962	1,105,822
8,439,232	1,360,483	89,695	465,552	21,107,813	1,105,822
15,859	-	-	-	6,747,544	-
8,423,373	1,360,483	89,695	465,552	14,360,269	1,105,822
1,375,177	-	935	-	3,251,974	727,082
242,709	57,341	34,466	10,149	588,604	8,000
576,385	318,434	6,317	-	1,119,446	671,136
640,824	731	11,745	26,481	898,088	-
150,000	-	-	-	254,100	-
402,223	-	765	374,157	983,536	-
1,410,545	430,000	14,640	-	2,186,528	-
2,487,517	-	-	-	2,487,517	-
7,285,380	806,506	68,868	410,787	11,769,793	1,406,218
1,137,993	553,977	20,827	54,765	2,590,476	(300,396)
265,647	13,483	9,649	849	320,166	50,405
3,371	-	-	-	3,371	-
-	-	-	-	125,000	-
233,187	7,322	-	-	240,509	-
-	-	-	-	-	11,181
-	-	-	2,821	2,821	-
12,261	-	25	-	12,421	-
(12,189)	(40,237)	-	-	(214,715)	-
11,174	-	-	-	11,303	-
513,451	(19,432)	9,674	3,670	500,876	61,586
1,651,444	534,545	30,501	58,435	3,091,352	(238,810)
585,820	162,349	-	-	832,669	-
100,000	-	-	-	100,000	-
(1,364,450)	(305,000)	-	-	(2,154,450)	-
972,814	391,894	30,501	58,435	1,869,571	(238,810)
79,962,052	34,286,621	1,453,126	-	120,837,156	1,259,755
\$ 80,934,866	\$ 34,678,515	\$ 1,483,627	\$ 58,435	\$ 122,706,727	\$ 1,020,945

CITY OF APPLE VALLEY

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)
CASH FLOWS - OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 9,034,745	\$ 1,117,413	\$ 582,193
Payments to Suppliers	(7,160,945)	(454,815)	(236,087)
Payments to Employees	(973,405)	(529,382)	(380,420)
Internal Activity	-	-	-
Net Cash Flows - Operating Activities	<u>900,395</u>	<u>133,216</u>	<u>(34,314)</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES			
Transfer from Other Funds	-	-	-
Transfer to Other Funds	(485,000)	-	-
Payment of Due from/to Other Funds	-	-	-
Proceeds from Due to Other Funds	-	-	141,990
Intergovernmental Revenue	-	-	-
Taxes, Assessments and Aids	-	-	125,135
Net Cash Flows - Noncapital Financing Activities	<u>(485,000)</u>	<u>-</u>	<u>267,125</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Capital Debt	(130,000)	(35,612)	(100,000)
Interest and Agent Fees Paid	(129,220)	(1,852)	(23,400)
Bond Proceeds	-	-	-
Proceeds from Sale of Capital Assets	-	6,105	-
Connection Fees Received	-	-	-
Acquisition of Capital Assets	(35,340)	(17,862)	(39,591)
Net Cash Flows - Capital and Related Financing Activities	<u>(294,560)</u>	<u>(49,221)</u>	<u>(162,991)</u>
CASH FLOWS - INVESTING ACTIVITIES			
Interest and Dividends Received	<u>27,702</u>	<u>3,868</u>	<u>(1,060)</u>
Net Change in Cash and Cash Equivalents	148,537	87,863	68,760
CASH AND CASH EQUIVALENTS			
January 1	<u>1,700,558</u>	<u>175,417</u>	<u>-</u>
December 31	<u>\$ 1,849,095</u>	<u>\$ 263,280</u>	<u>\$ 68,760</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 878,475	\$ 61,815	\$ (117,376)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:			
Depreciation Expense	140,930	61,744	128,669
Accounts Receivable	2,551	3,018	24,537
Special Assessments Receivable	-	-	-
Due from Other Governments	-	-	(48,606)
Prepaid Items	(413)	-	-
Inventory	(292,826)	1,528	-
Accounts Payable	229,060	(1,713)	(4,518)
Due to Other Governments	(62,100)	(1,868)	3,735
Salaries Payable	4,481	(819)	4,642
Net OPEB Obligation	7,700	3,364	2,470
Compensated Absences Payable	(7,463)	6,147	(27,867)
Total Adjustments	<u>21,920</u>	<u>71,401</u>	<u>83,062</u>
Net Cash Flows - Operating Activities	<u>\$ 900,395</u>	<u>\$ 133,216</u>	<u>\$ (34,314)</u>
NONCASH CAPITAL ACTIVITIES			
Acquisition of Capital Assets through Contracts Payable/Capital Lease	\$ -	\$ 103,905	\$ -
Capital Contributions	-	-	84,500

The Notes to the Financial Statements are an integral part of this statement.

Water and Sewer (5300, 5400)	Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Total	Governmental Activities - Internal Service Funds
\$ 7,770,689	\$ 1,426,024	\$ 89,695	\$ 425,781	\$ 20,446,540	\$ -
(4,557,456)	(307,834)	(51,683)	(410,787)	(13,179,607)	-
(1,320,869)	-	(935)	-	(3,205,011)	-
-	-	-	-	-	(385,659)
<u>1,892,364</u>	<u>1,118,190</u>	<u>37,077</u>	<u>14,994</u>	<u>4,061,922</u>	<u>(385,659)</u>
100,000	-	-	-	100,000	-
(1,364,450)	(305,000)	-	-	(2,154,450)	-
(277,346)	(240,000)	-	-	(517,346)	-
-	-	-	-	141,990	-
-	-	-	-	-	11,181
15,632	-	25	2,821	143,613	-
<u>(1,526,164)</u>	<u>(545,000)</u>	<u>25</u>	<u>2,821</u>	<u>(2,286,193)</u>	<u>11,181</u>
(105,000)	(670,000)	-	-	(1,040,612)	-
(12,495)	(31,035)	-	-	(198,002)	-
-	355,000	-	-	355,000	-
11,174	-	-	-	17,279	-
233,187	7,322	-	-	240,509	-
<u>(1,192,824)</u>	<u>(191,518)</u>	<u>-</u>	<u>-</u>	<u>(1,477,135)</u>	<u>-</u>
<u>(1,065,958)</u>	<u>(530,231)</u>	<u>-</u>	<u>-</u>	<u>(2,102,961)</u>	<u>-</u>
265,647	13,483	9,649	849	320,138	50,405
(434,111)	56,442	46,751	18,664	(7,094)	(324,073)
14,127,704	919,187	541,917	-	17,464,783	3,426,947
<u>\$ 13,693,593</u>	<u>\$ 975,629</u>	<u>\$ 588,668</u>	<u>\$ 18,664</u>	<u>\$ 17,457,689</u>	<u>\$ 3,102,874</u>
\$ 1,137,993	\$ 553,977	\$ 20,827	\$ 54,765	\$ 2,590,476	\$ (300,396)
1,410,545	430,000	14,640	-	2,186,528	-
(658,226)	63,362	-	(39,771)	(604,529)	-
(8,385)	2,179	-	-	(6,206)	-
(1,932)	-	-	-	(50,538)	198
(3,894)	-	-	-	(4,307)	11
1,094	-	-	-	(290,204)	-
(61,619)	76,884	1,610	-	239,704	(628)
22,480	(8,212)	-	-	(45,965)	(180)
10,850	-	-	-	19,154	-
14,574	-	-	-	28,108	-
28,884	-	-	-	(299)	(84,664)
<u>754,371</u>	<u>564,213</u>	<u>16,250</u>	<u>(39,771)</u>	<u>1,471,446</u>	<u>(85,263)</u>
<u>\$ 1,892,364</u>	<u>\$ 1,118,190</u>	<u>\$ 37,077</u>	<u>\$ 14,994</u>	<u>\$ 4,061,922</u>	<u>\$ (385,659)</u>
\$ 74,015	\$ -	\$ -	\$ -	\$ 177,920	\$ -
585,820	102,349	-	-	772,669	-

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CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Apple Valley is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the City is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, one organization has been defined and is presented in this report as follows:

Blended Component Unit – Reported as if they were part of the City.

For the category above, the specific entity is identified as follows:

1. Blended Component Unit

The Apple Valley Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Apple Valley EDA is reported as if it were part of the primary government because it provides services exclusively for the City. Separate financial statements are not prepared for the Apple Valley EDA. The Apple Valley EDA is reported in the financial statements of the City as the Economic Development Debt Service Fund and the EDA Operations Capital Projects Fund.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues; instead, they are properly reported as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Funds:

Major Governmental Funds:

General Fund (Fund 1000) – This Fund is the City’s primary operating fund. It accounts for all financial resources of the general City, except those required to be accounted for in another fund.

Closed Bond Issues Debt Service Fund (Fund 3205) – This Fund accounts for all the closed bond issues that still have activity.

Improvement Bonds of 2006 Debt Service Fund (Fund 3330) – This Fund accounts for the payment of the bond issuance for various 2006 improvements.

Improvement Bonds of 2007 Debt Service Fund (Fund 3340) – This Fund accounts for the payment of the bond issuance for various 2007 improvements.

Road Improvements Capital Projects Fund (Fund 2025) – This Fund accounts for various road improvements.

Future Capital Projects Capital Projects Fund (Fund 4930) – This Fund accounts for funds set aside for future capital improvements.

Proprietary Funds:

Municipal Liquor Fund (Funds 5000 and 5030) – These Funds account for the operations of the City’s liquor stores.

Municipal Golf Course Fund (Fund 5100) – This Fund accounts for the operations of the City’s golf course.

Sports Arena Fund (Fund 5200) – This Fund accounts for the operations of the City’s sports arena.

Water and Sewer Fund (Funds 5300 and 5400) – These Funds account for the activities of the City’s water and sewer operations.

Storm Drainage Fund (Funds 5500 and 5550) – These Funds account for the activities of the City’s storm drainage operations.

Cemetery Fund (Funds 5600 and 5700) – These Funds account for the activities of the City’s cemetery operations.

Street Light Utility Fund (Fund 5800) – This Fund accounts for the activities of the City’s street light operations.

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's sanitary sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Municipal Liquor Enterprise Fund, the Municipal Golf Course Enterprise Fund, the Sports Arena Enterprise Fund, the Water and Sewer Enterprise Fund, the Storm Drainage Enterprise Fund, the Cemetery Enterprise Fund and the Street Light Utility Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool. Investments are stated at fair value.

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

1. Cash and Investments (Continued)

The City had formal policies in place as of December 31, 2010 to address the risks as indicated below.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's investment policy indicates the City follows *Minnesota Statutes*. According to *Minnesota Statutes*, deposits must be collateralized at 110% of excess over Federal Deposit Insurance Corporation (FDIC) insurance.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy does include specific limits on investment maturities as a means of managing its exposure to fair value arising from increasing interest rates. It also states investments should not be purchased that are considered to be highly sensitive to interest rate changes.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy addresses credit risk by limiting investments to the safest type of securities and using prequalifying brokers/financial institutions. The City places specific requirements for credit ratings for each type of investment which are within the top two ratings issued by nationally recognized statistical rating organizations.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states no more than 5% of the overall portfolio may be invested in the securities of a single issuer, except for the securities of the U.S. government or an external investment pool.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states the City may not invest in securities that are both uninsured and not registered in the name of the City and are held by either the counterparty or the counterparty's trust department or agent, but not in the name of the City.

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. Receivables and Payables (Continued)

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Dakota County is the collecting agency for the levy and remits the collections to the City three times a year. Property taxes are submitted to the County Auditor by December 28 of each year, to be levied on January 1, on property values assessed as of the same date. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

3. Inventory and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories for the Municipal Golf and Municipal Liquor Funds use the average cost valuation method. Inventories of the remaining governmental and proprietary funds are valued at cost using the first-in, first-out (FIFO) valuation method. Inventories are recorded as expenditures or expenses when consumed.

4. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, sidewalks and similar items) and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Capital Assets (Continued)

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7-40
Improvements Other than Buildings	5-40
Furniture and Equipment	3-50
Infrastructure	25-50

Capital assets not being depreciated include land, right of ways and easements and construction in progress.

5. Compensated Absences

Full-time employees employed by the City after January 1, 1995 are eligible for 3 to 6 weeks of annual leave depending on their length of service with the City. Annual leave may not accrue in excess of 800 hours. Upon termination of employment with the City, employees in “good standing” are reimbursed for all accrued and unused annual leave. Employees employed by the City prior to January 1, 1995 were eligible to elect to continue earning sick leave and vacation in lieu of the annual leave option. Those employees who elected not to take the annual leave provisions continue to be eligible to earn 12 days of sick leave and 2 to 4 weeks of vacation per year depending on their length of service with the City. Sick leave may carry forward indefinitely. Upon termination of employment in “good standing”, employees with more than 10 years of continuous service shall be paid up to one-third of their accrued and unused sick leave. The maximum amount of vacation that may be accumulated is twice the amount earned in any one year. Upon termination of employment, “good standing” employees shall be paid for their accrued and unused vacation leave. Vacation and sick leave benefits are recorded as expenditures in governmental funds when the obligations are expected to be liquidated with expendable financial resources. Vacation and sick benefits are recorded as expenses in proprietary funds when earned. In accordance with U.S. generally accepted accounting principles, compensated absences are reflected as a liability in the General Fund for employees that have retired but have yet to receive their entire leave balances. Compensated absences payable in the government-wide Statement of Net Assets and the Statement of Net Assets – Proprietary Funds include all leave balances accrued but not yet used by employees, whether or not the employees have terminated employment with the City.

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

6. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

9. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets for the General Fund and Cable TV Special Revenue Fund are adopted on a basis consistent with U.S. generally accepted accounting principles.
5. Expenditures may not legally exceed budgeted appropriations at the fund level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General Fund and Cable TV Special Revenue Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. The Finance Director presents monthly reports to the City Council explaining any variance from the approved budget.
8. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2010, expenditures exceeded appropriations in the following fund:

	<u>Expenditures</u>	<u>Appropriations</u>
Nonmajor Fund:		
Cable TV Special Revenue Fund	\$ 184,624	\$ 181,419

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

C. Deficit Fund Balances

The following Funds had deficit fund balances at December 31, 2010:

Debt Service:

Improvement Bonds of 2006 (3330)	\$ 716,852
Improvement Bonds of 2007 (3340)	419,516
Improvement Bonds of 2003 (3165)	130,781
Improvement Bonds of 1997 (3185)	2,019,394
2001/2008B Refunding Improvement Bonds (3285)	1,562,647
G.O. Refunding Bonds of 2002 (3300)	50,932

Capital Projects:

Road Improvements (2025)	4,101,280
Dakota County Construction Projects (4030)	121,826
1999 Improvement Construction (4225)	69,805
2000 Improvement Construction (4245)	305,449
2008 Construction Projects (4400)	303,628
Engineer Developer Review Nonreimbursable (4600)	33,262
2003 Improvement Construction (4300)	2,194,167
2007 Park Bond (4935)	231,249

The deficits listed above will be eliminated by transfers from other funds, collection of special assessments, future special assessment bond issues, future tax levies and state grant reimbursements.

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash and investment balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool is displayed in the financial statements as "cash and investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

A. Deposits

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

Minnesota Statutes requires all deposits with financial institutions be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance or corporate surety bonds.

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

Custodial Credit Risk – Deposits: As of December 31, 2010, the City’s bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution’s trust department or agent and in the City’s name.

As of December 31, 2010, the City had deposits and petty cash as follows:

Deposits	\$ 6,303,976
Petty Cash	11,090
	11,090
Total Deposits and Petty Cash	\$ 6,315,066

B. Investments

As of December 31, 2010, the City had the following investments:

Investment Type	Fair Value	Investment Maturities			
		Less Than One Year	1-5 Years	6-10 Years	Greater Than 10 Years
Money Markets	\$ 3,940	\$ 3,940	\$ -	\$ -	\$ -
Brokered Certificates of Deposit	95,583	95,583	-	-	-
U.S. Agency Securities	33,447,193	-	6,490,389	18,745,332	8,211,472
Corporate Bonds	1,813,805	-	1,813,805	-	-
Municipal Bonds	16,871,265	826,055	9,781,042	6,264,168	-
State and Local Government Securities	3,993,616	3,993,616	-	-	-
Total Investments	\$ 56,225,402	\$ 4,919,194	\$ 18,085,236	\$ 25,009,500	\$ 8,211,472

Interest Rate Risk: Approximately 2% of the City’s investments have maturity dates less than one year while approximately 16% of the City’s investments will mature more than 10 years from December 31, 2010.

Credit Risk: As of December 31, 2010, the City’s investments in municipal bonds were rated A+ by Standard & Poor’s (S&P) and A1 or better by Moody’s Investors Service. The City’s investments in government securities were rated AAA by S&P and Aaa by Moody’s Investors Service.

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Concentration of Credit Risk: As of December 31, 2010, the City had investments, as indicated in the following chart, that exceeded 5% of the City's total investments.

Investment	Market Value	Percent
Total FFCB	\$ 2,946,836	5.67%
Total FHLB	12,667,594	24.39%
Total FHLMC	6,737,431	12.97%
Total FNMA	10,807,614	20.81%

In addition, the City's cash held with a fiscal agent is also exposed to concentration of credit risk as 93.20% of its balance is invested in SLGS and 6.71% is invested in a FFCB Bond.

Custodial Credit Risk – Investments: The City's investments held by the broker-dealer were insured by SIPC or other supplemental insurance as of December 31, 2010. However, each investment brokerage firm may have a limit to their supplemental insurance and because of the size of the City's portfolio in relation to the brokerage firm's excess SIPC coverage limits, the portion of the supplemental policy applicable to the City's portfolio is unknown. The City accepts this risk due to the controls in place at the broker-dealer.

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 6,315,066
Investments (Note 3.B.)	<u>56,225,402</u>
Total Deposits and Investments	<u><u>\$ 62,540,468</u></u>

Deposits and investments are presented in the December 31, 2010 basic financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 58,255,259
Cash with Fiscal Agent	<u>4,285,209</u>
Total Deposits and Investments	<u><u>\$ 62,540,468</u></u>

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 2,523,813	\$ -	\$ -	\$ 2,523,813
Construction in Progress	<u>3,394,191</u>	<u>2,022,523</u>	<u>5,151,124</u>	<u>265,590</u>
Total Capital Assets not being Depreciated	<u>5,918,004</u>	<u>2,022,523</u>	<u>5,151,124</u>	<u>2,789,403</u>
Capital Assets being Depreciated:				
Buildings	26,622,953	701,999	-	27,324,952
Improvements Other than Buildings	21,060,823	2,843,784	-	23,904,607
Furniture and Equipment	14,299,845	1,315,106	330,606	15,284,345
Infrastructure	<u>61,645,639</u>	<u>1,178,259</u>	<u>-</u>	<u>62,823,898</u>
Total Capital Assets being Depreciated	<u>123,629,260</u>	<u>6,039,148</u>	<u>330,606</u>	<u>129,337,802</u>
Less Accumulated Depreciation for:				
Buildings	7,464,430	674,314	-	8,138,744
Improvements Other than Buildings	4,216,681	731,831	-	4,948,512
Furniture and Equipment	8,957,031	847,691	323,830	9,480,892
Infrastructure	<u>23,586,067</u>	<u>1,570,597</u>	<u>-</u>	<u>25,156,664</u>
Total Accumulated Depreciation	<u>44,224,209</u>	<u>3,824,433</u>	<u>323,830</u>	<u>47,724,812</u>
Total Capital Assets being Depreciated, Net	<u>79,405,051</u>	<u>2,214,715</u>	<u>6,776</u>	<u>81,612,990</u>
Governmental Activities Capital Assets, Net	<u>\$ 85,323,055</u>	<u>\$ 4,237,238</u>	<u>\$ 5,157,900</u>	<u>\$ 84,402,393</u>

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 4 – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 5,203,835	\$ 123,295	\$ -	\$ 5,327,130
Construction in Progress	1,432,917	1,029,843	1,754,886	707,874
Total Capital Assets not being Depreciated	6,636,752	1,153,138	1,754,886	6,035,004
Capital Assets being Depreciated:				
Buildings	14,811,807	133,267	-	14,945,074
Improvements Other than Buildings	117,948,145	2,345,535	2,234	120,291,446
Furniture and Equipment	3,998,720	606,446	248,226	4,356,940
Total Capital Assets being Depreciated	136,758,672	3,085,248	250,460	139,593,460
Less Accumulated Depreciation for:				
Buildings	5,871,438	436,424	-	6,307,862
Improvements Other than Buildings	28,057,001	1,552,395	2,234	29,607,162
Furniture and Equipment	3,253,610	197,709	242,250	3,209,069
Total Accumulated Depreciation	37,182,049	2,186,528	244,484	39,124,093
Total Capital Assets being Depreciated, Net	99,576,623	898,720	5,976	100,469,367
Business-Type Activities Capital Assets, Net	\$ 106,213,375	\$ 2,051,858	\$ 1,760,862	\$ 106,504,371

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities:

General Government	\$ 388,734
Public Safety	506,339
Public Works	1,854,230
Parks and Recreation	<u>1,075,130</u>

Total Depreciation Expense - Governmental Activities \$ 3,824,433

Business-Type Activities:

Municipal Liquor	\$ 140,930
Municipal Golf Course	61,744
Sports Arena	128,669
Water and Sewer	1,410,545
Storm Drainage	430,000
Cemetery	<u>14,640</u>

Total Depreciation Expense - Business-Type Activities \$ 2,186,528

NOTE 5 – INTERFUND ACTIVITY

A. Transfers

Transfers during the year ended December 31, 2010 were as follows:

	Transfers In					Total
	General Fund	Road Improvements	Future Capital Projects	Water and Sewer	Nonmajor Governmental Funds	
Transfers Out:						
General Fund	\$ -	\$ -	\$ 1,996,000	\$ -	\$ 12,241	\$ 2,008,241
Future Capital Projects	-	215,000	-	-	1,457,000	1,672,000
Municipal Liquor	485,000	-	-	-	-	485,000
Water and Sewer	600,000	764,450	-	-	-	1,364,450
Storm Drainage	-	205,000	-	100,000	-	305,000
Total Transfers	<u>\$ 1,085,000</u>	<u>\$ 1,184,450</u>	<u>\$ 1,996,000</u>	<u>\$ 100,000</u>	<u>\$ 1,469,241</u>	<u>\$ 5,834,691</u>

These transfers were made to fund operations, debt payments, capital outlay or to close funds.

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 5 – INTERFUND ACTIVITY

B. Interfund Loans

Interfund loans as of December 31, 2010 were as follows:

	Amounts Due to				Total
	Closed Bond Issues	Future Capital Projects	Nonmajor Governmental Funds	Water and Sewer	
Amounts Due from:					
Improvement Bonds of 2006	\$ 2,125,779	\$ -	\$ -	\$ -	\$ 2,125,779
Improvement Bonds of 2007	419,516	-	-	-	419,516
Road Improvements	-	4,066,221	-	-	4,066,221
Nonmajor Governmental Funds	1,613,579	2,932,156	2,254,006	-	6,799,741
Sports Arena	-	-	-	770,983	770,983
Total Interfund Loans	<u>\$ 4,158,874</u>	<u>\$ 6,998,377</u>	<u>\$ 2,254,006</u>	<u>\$ 770,983</u>	<u>\$ 14,182,240</u>

Interfund loans represent accruals to absorb temporary negative cash balances and to temporarily fund projects.

NOTE 6 – LONG-TERM DEBT

A. General Obligation Bonds

The City issues general obligation (G.O.) bonds to provide financing for street, utility, park, cemetery and tax increment project improvements. Debt service is covered respectively by special assessments, general property taxes and tax increments.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year serial bonds with fluctuating debt service payments each year.

B. G.O. Equipment Certificates

The City issues G.O. equipment certificates to provide financing for capital equipment. Debt service is covered by general property taxes.

G.O. equipment certificates are direct obligation and pledge the full faith and credit of the City. These certificates generally are issued as five year notes with fluctuating debt service payments each year.

C. Revenue Bonds

The City issues revenue bonds to provide financing for its enterprise funds. The City issued revenue bonds for the liquor store, arena, water and sewer and storm drainage activity. Debt service is covered through the revenue producing activities of these funds.

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 6 – LONG-TERM DEBT

D. Components of Long-Term Liabilities

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-Term Liabilities:					
Governmental Activities:					
G.O. Bonds:					
G.O. Improvement Bonds 2003	1.30%-3.95%	\$ 5,380,000	12/01/11	\$ 425,000	\$ 425,000
G.O. Tax Increment Bonds 2003	2.00%-4.60%	1,905,000	12/01/14	865,000	190,000
G.O. Refunding Bonds 2004	2.00%-4.00%	9,220,000	12/01/17	6,365,000	795,000
G.O. Equipment Certificate Bonds 2006	4.00%	860,000	12/01/11	535,000	535,000
G.O. Park Bonds 2007A	3.40%-4.40%	6,400,000	12/15/32	6,255,000	100,000
G.O. Park Bonds 2008D	2.40%-4.20%	6,685,000	12/15/32	6,520,000	100,000
G.O. State-Aid Road Refunding Bonds 2009A	2.00%-3.00%	2,775,000	12/01/16	2,775,000	15,000
G.O. Refunding Improvement Bonds 2010A	1.50%-2.00%	435,000	12/01/15	435,000	-
Total G.O. Bonds				<u>24,175,000</u>	<u>2,160,000</u>
Special Assessment Bonds:					
G.O. Improvement Bonds 2004	1.75%-4.15%	4,325,000	12/01/11	2,350,000	2,350,000
G.O. Refunding Bonds 2004	2.00%-3.00%	1,790,000	12/01/11	340,000	340,000
G.O. Improvement Bonds 2006	3.50%-3.75%	5,785,000	12/01/11	1,785,000	1,785,000
G.O. Improvement Bonds 2007B	3.35%-4.10%	3,600,000	12/15/23	2,975,000	250,000
G.O. Taxable Refunding Bonds 2008A	4.25%-4.55%	2,420,000	12/01/13	1,770,000	615,000
G.O. Improvement Refunding Bonds 2008B	3.25%-4.00%	2,415,000	12/01/15	2,000,000	410,000
G.O. Improvement Refunding Bonds 2010A	1.50%-2.15%	2,135,000	12/01/19	2,135,000	-
G.O. Improvement Refunding Bonds 2010A	1.50%-2.00%	1,395,000	12/01/15	1,395,000	-
Total Special Assessment Bonds				<u>14,750,000</u>	<u>5,750,000</u>
Total Governmental Activities Bonds				<u>38,925,000</u>	<u>7,910,000</u>
Compensated Absences					
Total Governmental Activities				<u>2,197,355</u>	<u>1,435,224</u>
				<u>41,122,355</u>	<u>9,345,224</u>

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 6 – LONG-TERM DEBT

D. Components of Long-Term Liabilities (Continued)

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-Term Liabilities: (Continued)					
Business-Type Activities:					
G.O. Revenue Bonds:					
Recreational Revenue Refunding					
Bonds 2004	1.25%-4.80%	\$ 1,015,000	12/01/14	\$ 430,000	\$ 100,000
G.O. Refunding Bonds 2010A	1.50%	355,000	12/01/14	355,000	85,000
Liquor Store Revenue Bonds 2008C	2.60%-4.60%	3,295,000	12/01/25	<u>3,050,000</u>	<u>135,000</u>
Total Revenue Bonds				<u>3,835,000</u>	<u>320,000</u>
G.O. Bonds:					
G.O. Refunding Bonds 2002	1.50%-3.75%	1,095,000	12/01/12	240,000	120,000
Total Business-Type Activities Bonds				4,075,000	440,000
Capital Lease Obligation				109,211	32,036
Compensated Absences				<u>457,832</u>	<u>229,860</u>
Total Business-Type Activities				<u>4,642,043</u>	<u>701,896</u>
Total all Long-Term Liabilities				<u>\$ 45,764,398</u>	<u>\$ 10,047,120</u>

E. Minimum Debt Payments

Annual debt service requirements to maturity are as follows:

Governmental Activities

Year Ending December 31,	G.O. Improvement Bonds		G.O. Special Assessment Bonds		Total Long-Term Bonded Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 2,160,000	\$ 903,093	\$ 5,750,000	\$ 500,829	\$ 7,910,000	\$ 1,403,922
2012	1,815,000	826,942	1,905,000	273,476	3,720,000	1,100,418
2013	1,945,000	773,537	1,810,000	215,144	3,755,000	988,681
2014	2,050,000	714,372	1,245,000	159,606	3,295,000	873,978
2015	2,005,000	644,375	1,210,000	128,800	3,215,000	773,175
2016-2020	4,655,000	2,375,403	2,155,000	322,500	6,810,000	2,697,903
2021-2025	3,115,000	1,763,938	675,000	55,125	3,790,000	1,819,063
2026-2030	4,305,000	1,027,990	-	-	4,305,000	1,027,990
2030-2032	<u>2,125,000</u>	<u>138,650</u>	-	-	<u>2,125,000</u>	<u>138,650</u>
Total	<u>\$ 24,175,000</u>	<u>\$ 9,168,300</u>	<u>\$ 14,750,000</u>	<u>\$ 1,655,480</u>	<u>\$ 38,925,000</u>	<u>\$ 10,823,780</u>

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 6 – LONG-TERM DEBT

E. Minimum Debt Payments (Continued)

Business-Type Activities

Year Ending December 31,	G.O. Bonds		Revenue Bonds		Total Long-Term Bonded Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 120,000	\$ 8,820	\$ 320,000	\$ 151,506	\$ 440,000	\$ 160,326
2012	120,000	4,500	330,000	140,583	450,000	145,083
2013	-	-	345,000	130,207	345,000	130,207
2014	-	-	360,000	118,795	360,000	118,795
2015	-	-	155,000	106,450	155,000	106,450
2016-2020	-	-	900,000	435,250	900,000	435,250
2021-2025	-	-	1,425,000	223,870	1,425,000	223,870
Total	\$ 240,000	\$ 13,320	\$ 3,835,000	\$ 1,306,661	\$ 4,075,000	\$ 1,319,981

F. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Bonds Payable:				
G.O. Improvement Bonds	\$ 28,120,000	\$ 435,000	\$ (4,380,000)	\$ 24,175,000
G.O. Special Assessment Bonds	13,750,000	3,530,000	(2,530,000)	14,750,000
Total Bonds Payable	41,870,000	3,965,000	(6,910,000)	38,925,000
Compensated Absences	2,282,019	1,355,406	(1,440,070)	2,197,355
Governmental Activities Long-Term Liabilities	\$ 44,152,019	\$ 5,320,406	\$ (8,350,070)	\$ 41,122,355
Business-Type Activities:				
Bonds Payable:				
G.O. Bonds	\$ 575,000	\$ -	\$ (335,000)	\$ 240,000
G.O. Revenue Bonds	440,000	355,000	(440,000)	355,000
Revenue Bonds	3,710,000	-	(230,000)	3,480,000
Total Bonds Payable	4,725,000	355,000	(1,005,000)	4,075,000
Capital Lease Obligation	40,918	103,905	(35,612)	109,211
Compensated Absences	458,131	229,560	(229,859)	457,832
Business-Type Activities Long-Term Liabilities	\$ 5,224,049	\$ 688,465	\$ (1,270,471)	\$ 4,642,043

The General Fund typically liquidates the liability related to compensated absences.

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 6 – LONG-TERM DEBT

F. Changes in Long-Term Liabilities (Continued)

In September 2010, the City issued G.O. Refunding Bonds, Series 2010A in the amount of \$ 4,320,000. The Bonds were issued to refund the G.O. Storm Sewer Revenue Crossover Refunding Bonds, Series 2005B, the G.O Improvements Bonds of 2004, the G.O. Improvement Bonds, Series 2006A and the G.O. Equipment Certificates of Indebtedness, Series 2006B. The total cash savings to the City is \$ 249,602 with a net present value benefit of \$ 250,032.

G. Capital Lease Obligations

The City is obligated under three leases accounted for as capital leases. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the assets.

Minimum future lease payments under the capital leases in the aggregate are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2011	\$ 38,241
2012	38,241
2013	34,230
2014	<u>13,272</u>
Net Minimum Lease Payments	123,984
Less Amount Representing Interest	<u>(14,773)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 109,211</u>

NOTE 7 – JOINT POWERS COMMITMENT

On August 25, 2005, the City entered into a joint powers agreement (the "Agreement") with the Cities of Eagan, Burnsville, Farmington, Hastings, Inver Grove Heights, Lakeville, Mendota Heights, Rosemount, South St. Paul, West St. Paul, Minnesota and Dakota County, Minnesota, to establish the Dakota Communications Center (DCC), a Minnesota nonprofit corporation. The purpose of the DCC is to engage in the operation and maintenance of a county-wide public safety answering point and communications center for law enforcement, fire, emergency medical services and other public safety services for the mutual benefit of residents residing in the above mentioned cities and county (members). Pursuant to the Agreement, members are required to provide DCC their pro rata share of the cost of operations, maintenance and capital projects.

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 7 – JOINT POWERS COMMITMENT

On May 1, 2007, the DCC issued Public Safety Revenue Bonds, Series 2007, in the amount of \$ 7,315,000 to provide financing for the acquisition of equipment and reimbursement for conversion costs. The Bonds are special obligations of the DCC, payable from revenues to be received from members. Pursuant to the Agreement, members will levy taxes for the payment of their pro rata share of the principal and interest payments due on the Bonds. The Bonds mature February 1, 2014 and bear interest rates ranging from 4.0% to 5.0%. The debt will be repaid with member assessments over a seven year amortization. All members reserve the right to prepay, in whole or in part on any date, its allocated share of principal and interest on the Bonds.

Payments from the City are provided from General Fund appropriations. The City's future member payments to the DCC as of December 31, 2010 are as follows:

<u>Payment Year</u>	<u>Amount</u>
2011	\$ 152,600
2012	157,400
2013	156,800
2014	<u>156,000</u>
Total	<u>\$ 622,800</u>

Pursuant to Section 9.5 of the Agreement, member payments are submitted monthly and held in escrow by US Bank National Association (Trustee) until the funds are remitted to the Bond holders according to the established Bond principal and interest due dates. The interest earnings from the escrow account will reduce future member obligations on the debt.

NOTE 8 – CONDUIT DEBT OBLIGATIONS

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 8 – CONDUIT DEBT OBLIGATIONS

As of December 31, 2010, the City's conduit debt consisted of the following:

	<u>Outstanding Balance</u>
Apple Valley EDA:	
Health Care Revenue Bonds (EverCare Senior Living, LLC Projects), Series 2005A	\$ 21,015,000
Public Project Revenue Bond (Independent School District No. 196 Lease Obligations), Series 2006C	2,490,000
Ecumen:	
Housing and Health Care Revenue Bonds (The Seasons at Apple Valley Project), Series 2010	<u>5,545,000</u>
Total Conduit Debt Obligations	<u><u>\$ 29,050,000</u></u>

NOTE 9 – FUND BALANCE/NET ASSETS

A. Fund Balance

Designated fund balance is comprised of the following components:

	<u>General Fund</u>
Designated for:	
Future Projects	\$ 186,415
Future DCC Bond Payments	215,766
Cash Flow	<u>12,191,832</u>
Total	<u><u>\$12,594,013</u></u>

B. Net Assets

The Liquor Fund has a restricted net asset balance of \$ 291,591 as a requirement of the bond covenant for the Liquor Store Revenue Bonds.

NOTE 10 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state, which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 10 – RISK MANAGEMENT

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2010 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2010, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 11 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) and the Public Employees' Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These Plans are established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356.

GERF members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all GERF and PEPFF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

NOTE 11 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the Fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active Plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010. In 2010, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.0% for Coordinated Plan members and 14.1% for PEPFF members. The City's contributions to the Public Employees' Retirement Fund for the years ending December 31, 2010, 2009 and 2008 were \$ 617,175, \$ 579,379 and \$ 536,969, respectively. The City's contributions to the PEPFF for the years ending December 31, 2010, 2009 and 2008 were \$ 591,022, \$ 608,686 and \$ 530,887, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 12 – DEFINED CONTRIBUTION PLAN

The mayor and three council members of the City are covered by the Public Employees' Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 12 – DEFINED CONTRIBUTION PLAN

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes* Chapter 353D.03 specifies Plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official’s employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% of the assets in each member’s account annually.

Total contributions made by the City during fiscal year 2010 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rates</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$ 1,765	\$ 1,765	5.0%	5.0%	5.0%

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by HealthPartners.

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with HealthPartners. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2010, the City contributed \$ 65,270 for current premiums. Retirees are able to use any accumulated banked sick leave at retirement to fund their post employment participation in the City sponsored medical and dental group plans. As of January 1, 2010, there were approximately 16 retirees receiving health benefits from the City’s health plan.

C. Annual OPEB Cost and Net OPEB Obligation

The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The table on the following page shows the components of the City’s annual OPEB cost of the year, the amount actually contributed to the plan and changes in the City’s net OPEB obligation to the plan.

CITY OF APPLE VALLEY

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

	<u>2010</u>
ARC	\$ 238,932
Interest on Net OPEB Obligation	19,142
Adjustment to ARC	<u>(3,403)</u>
Annual OPEB Cost (Expense)	254,671
Contributions Made	<u>(65,270)</u>
Increase in Net OPEB Obligation	189,401
Net OPEB Obligation - Beginning of Year	<u>413,709</u>
 Net OPEB Obligation - End of Year	 <u><u>\$ 603,110</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010, 2009 and 2008 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/10	\$ 254,671	\$ 65,270	26%	\$ 603,110
12/31/09	299,535	102,434	34%	413,709
12/31/08	296,823	80,215	27%	216,608

D. Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$ 2,236,253 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,236,253. The covered payroll (annual payroll of active employees covered by the plan) was \$ 11,655,388 and the ratio of the UAAL to the covered payroll was 19%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN

D. Funded Status and Funding Progress (Continued)

The Schedule of Funding Progress – Other Post Employment Benefits, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The year ending December 31, 2008 was the first year of implementation for the City and the actuarial valuation has been updated once; therefore, only two year's information is presented.

E. Actuarial Methods and Assumptions

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

As of January 1, 2010, the most recent actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5%, shorter-term, based on City's general assets). The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 9% initially, reduced incrementally to an ultimate rate of 5% after 12 years. Both rates included a 4.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2010 was 30 years.

NOTE 14 – COMMITMENTS

At December 31, 2010, the City had the following construction contract commitments outstanding:

<u>Project</u>	<u>Contractor</u>	<u>Commitment</u>
Chlorine Gas Containment System	Vessco, Inc.	\$ 26,387
Well Pump 8, 12 and LZP1 Maintenance	Keys Well Drilling	40,137
Deep Well No. 20 Construction	E.H. Renner & Sons, Inc.	134,838
Ponding Easements	Various Property Owners	261,500
2011 Street Maintenance Project	McNamara Contracting	1,735,384
Galaxie Pond Flood Mitigation	Max Steininger, Inc.	589,686
Upper 147th Street W. Extension	Eneback Construction, Inc.	<u>871,120</u>
Total		<u>\$ 3,659,052</u>

CITY OF APPLE VALLEY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 15 – JOINT POWERS AGREEMENT WITH DAKOTA COUNTY

In July 1987, the City and Dakota County (the “County”) entered into an agreement whereby the City and County jointly acquired certain real estate for the purpose of building a library facility to serve the City and surrounding communities. The City’s portion of the cost of the property was \$ 348,414. As part of this agreement, the City transferred its interest in the property to the County but maintains a lien for 30 years. If during this time the County terminates its library use, the County will pay the City the unamortized cost of the property.

NOTE 16 – SUBSEQUENT EVENT

On May 26, 2011, the City Council approved issuing up to \$ 4,000,000 in G.O. Bonds, Series 2011A. Of this amount, \$ 1,345,000 is the remaining bond authority authorized by the 2007 park referendum and will finance park improvements. The repayment of this portion of the 2011A Bonds will come from future property tax levies. The remainder of the Bond proceeds will be used to finance various storm water projects. The repayment of this portion of the Bonds will come from revenues of the storm water utility.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER
THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

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CITY OF APPLE VALLEY

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
December 31, 2010

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
01/01/10 *	\$ -	\$ 2,236,253	\$ 2,236,253	0.0%	\$ 11,655,388	19.2%
01/01/08	-	2,859,748	2,859,748	0.0%	10,909,139	26.2%

* This Schedule was implemented in 2008 and the actuarial valuations are completed on a bi-annual basis.
 See Note 13 in the Notes to the Financial Statements for more details on this Schedule.

SUPPLEMENTARY INFORMATION

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CITY OF APPLE VALLEY

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
General Property Taxes				
Current	\$ 19,787,177	\$ 18,127,177	\$ 17,988,400	\$ (138,777)
Delinquent	200,000	200,000	305,349	105,349
Total General Property Taxes	<u>19,987,177</u>	<u>18,327,177</u>	<u>18,293,749</u>	<u>(33,428)</u>
Franchise Fees	450,000	450,000	564,663	114,663
Aggregate Taxes	20,000	20,000	36,314	16,314
Special Assessments	-	-	15,637	15,637
Licenses and Permits				
General Government	138,200	138,200	138,645	445
Public Safety	8,800	8,800	5,195	(3,605)
Public Works	459,601	459,601	875,007	415,406
Total Licenses and Permits	<u>606,601</u>	<u>606,601</u>	<u>1,018,847</u>	<u>412,246</u>
Intergovernmental Revenue				
State:				
PERA Aid	36,095	36,095	36,095	-
Fire Relief Aid - Public Safety	215,000	215,000	182,389	(32,611)
Police Relief Aid - Public Safety	330,000	330,000	330,917	917
Other - Public Safety	48,755	48,755	21,566	(27,189)
Local:				
Other - General Government	5,000	5,000	5,000	-
Total Intergovernmental Revenue	<u>634,850</u>	<u>634,850</u>	<u>575,967</u>	<u>(58,883)</u>
Charges for Services				
Administration Charges - General Government:				
Construction Funds	30,000	30,000	-	(30,000)
Enterprise Funds	670,000	670,000	670,000	-
Investment Charge - General Government	100,000	100,000	100,000	-
Other - General Government	17,815	17,815	36,720	18,905
Other - Public Safety	185,100	185,100	223,668	38,568
Other - Public Works	-	-	8,600	8,600
Other - Park and Recreation	934,000	934,000	919,928	(14,072)
Total Charges for Services	<u>1,936,915</u>	<u>1,936,915</u>	<u>1,958,916</u>	<u>22,001</u>
Fines and Forfeitures	315,000	315,000	258,165	(56,835)
Investment Income	197,000	197,000	190,854	(6,146)
Contributions and Donations - Park and Recreation	-	-	1,045	1,045
Rentals				
City Hall - General Government	12,200	12,200	11,162	(1,038)
Fire Station	30,500	30,500	30,558	58
Antenna Rentals - Public Works	210,000	210,000	356,833	146,833
Recreation Facilities - Park and Recreation	106,000	106,000	114,278	8,278
Total Rentals	<u>358,700</u>	<u>358,700</u>	<u>512,831</u>	<u>154,131</u>

CITY OF APPLE VALLEY

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Miscellaneous - General Government	\$ 20,000	\$ 20,000	\$ 41,037	\$ 21,037
Refunds and Reimbursements				
Public Safety	-	-	215,766	215,766
Public Works	60,000	60,000	60,000	-
Park and Recreation	70,000	70,000	51,835	(18,165)
Total Refunds and Reimbursements	130,000	130,000	327,601	197,601
Total Revenues	24,656,243	22,996,243	23,795,626	799,383
EXPENDITURES				
General Government				
Mayor and City Council:				
Personal Services	106,160	106,240	99,539	(6,701)
Other Current Expenditures	29,985	30,065	21,981	(8,084)
Total Mayor and City Council	136,145	136,225	121,520	(14,705)
Administration:				
Personal Services	351,169	359,041	358,962	(79)
Other Current Expenditures	16,336	16,336	13,956	(2,380)
Total Administration	367,505	375,377	372,918	(2,459)
Finance and Data Processing:				
Personal Services	481,205	483,205	481,137	(2,068)
Other Current Expenditures	268,070	268,070	251,140	(16,930)
Total Finance and Data Processing	749,275	751,275	732,277	(18,998)
Information Technology:				
Personal Services	297,901	299,021	288,030	(10,991)
Other Current Expenditures	220,670	275,170	237,265	(37,905)
Capital Outlay	136,200	88,200	59,343	(28,857)
Total Information Technology	654,771	662,391	584,638	(77,753)
Human Resources:				
Personal Services	480,205	482,225	476,769	(5,456)
Other Current Expenditures	92,380	62,380	49,179	(13,201)
Total Human Resources	572,585	544,605	525,948	(18,657)
City Clerk/Elections:				
Personal Services	137,163	137,773	136,341	(1,432)
Other Current Expenditures	133,551	133,551	120,195	(13,356)
Total City Clerk/Elections	270,714	271,324	256,536	(14,788)
Legal:				
Other Current Expenditures	460,059	460,059	453,002	(7,057)
General Government Buildings:				
Personal Services	216,799	222,309	214,086	(8,223)
Other Current Expenditures	201,110	201,110	195,857	(5,253)
Total General Government Buildings	417,909	423,419	409,943	(13,476)

CITY OF APPLE VALLEY

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
EXPENDITURES				
General Government (Continued)				
Community Development:				
Personal Services	\$ 510,260	\$ 512,560	\$ 510,766	\$ (1,794)
Other Current Expenditures	102,070	102,070	69,246	(32,824)
Total Community Development	<u>612,330</u>	<u>614,630</u>	<u>580,012</u>	<u>(34,618)</u>
Code Enforcement:				
Personal Services	224,596	225,196	162,674	(62,522)
Other Current Expenditures	15,470	15,470	6,998	(8,472)
Total Code Enforcement	<u>240,066</u>	<u>240,666</u>	<u>169,672</u>	<u>(70,994)</u>
Unallocated:				
Personal Services	325,000	5,000	4,195	(805)
Other Current Expenditures	473,851	467,399	257,000	(210,399)
Total Unallocated	<u>798,851</u>	<u>472,399</u>	<u>261,195</u>	<u>(211,204)</u>
Total General Government	<u>5,280,210</u>	<u>4,952,370</u>	<u>4,467,661</u>	<u>(484,709)</u>
Public Safety				
Police Protection:				
Personal Services	6,045,780	6,167,820	6,005,194	(162,626)
Other Current Expenditures	1,494,920	1,510,420	1,471,284	(39,136)
Capital Outlay	75,000	75,000	72,679	(2,321)
Total Police Protection	<u>7,615,700</u>	<u>7,753,240</u>	<u>7,549,157</u>	<u>(204,083)</u>
Fire Protection:				
Personal Services	871,635	918,365	825,529	(92,836)
Other Current Expenditures	442,380	379,965	350,310	(29,655)
Total Fire Protection	<u>1,314,015</u>	<u>1,298,330</u>	<u>1,175,839</u>	<u>(122,491)</u>
Fire Relief:				
Other Current Expenditures	<u>507,161</u>	<u>507,161</u>	<u>474,550</u>	<u>(32,611)</u>
Civil Defense:				
Other Current Expenditures	19,720	14,720	9,864	(4,856)
Animal Control:				
Personal Services	122,227	125,567	81,298	(44,269)
Other Current Expenditures	19,800	19,800	13,832	(5,968)
Total Animal Control	<u>142,027</u>	<u>145,367</u>	<u>95,130</u>	<u>(50,237)</u>

CITY OF APPLE VALLEY

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
EXPENDITURES				
Public Safety (Continued)				
Building Inspection:				
Personal Services	\$ 464,112	\$ 465,672	\$ 426,943	\$ (38,729)
Other Current Expense	31,850	31,850	24,560	(7,290)
Total Building Inspection	<u>495,962</u>	<u>497,522</u>	<u>451,503</u>	<u>(46,019)</u>
Total Public Safety	<u>10,094,585</u>	<u>10,216,340</u>	<u>9,756,043</u>	<u>(460,297)</u>
Public Works				
Public Works Administration:				
Personal Services	502,762	508,192	599,802	91,610
Other Current Expense	350,704	350,704	225,919	(124,785)
Total Public Works Administration	<u>853,466</u>	<u>858,896</u>	<u>825,721</u>	<u>(33,175)</u>
Central Maintenance Facility:				
Personal Services	408,451	419,491	394,918	(24,573)
Other Current Expense	185,595	185,595	163,321	(22,274)
Capital Outlay	10,000	10,000	12,070	2,070
Total Central Maintenance Facility	<u>604,046</u>	<u>615,086</u>	<u>570,309</u>	<u>(44,777)</u>
Streets:				
Personal Services	1,353,369	1,411,219	1,368,194	(43,025)
Other Current Expense	2,574,403	914,403	833,570	(80,833)
Capital Outlay	70,000	70,000	84,643	14,643
Total Streets	<u>3,997,772</u>	<u>2,395,622</u>	<u>2,286,407</u>	<u>(109,215)</u>
Total Public Works	<u>5,455,284</u>	<u>3,869,604</u>	<u>3,682,437</u>	<u>(187,167)</u>
Culture and Recreation				
Park and Recreation Administration:				
Personal Services	717,394	724,044	678,471	(45,573)
Other Current Expense	161,750	161,750	132,629	(29,121)
Total Park and Recreation Administration	<u>879,144</u>	<u>885,794</u>	<u>811,100</u>	<u>(74,694)</u>
Recreation Programs:				
Personal Services	211,649	216,609	220,564	3,955
Other Current Expense	199,800	199,800	164,286	(35,514)
Total Recreation Programs	<u>411,449</u>	<u>416,409</u>	<u>384,850</u>	<u>(31,559)</u>
Parks Maintenance:				
Personal Services	1,465,614	1,491,694	1,444,818	(46,876)
Other Current Expense	794,634	794,634	764,907	(29,727)
Capital Outlay	39,166	39,166	50,026	10,860
Total Parks Maintenance	<u>2,299,414</u>	<u>2,325,494</u>	<u>2,259,751</u>	<u>(65,743)</u>
Redwood Pool:				
Personal Services	68,788	71,088	53,924	(17,164)
Other Current Expense	42,600	42,600	22,190	(20,410)
Total Redwood Pool	<u>111,388</u>	<u>113,688</u>	<u>76,114</u>	<u>(37,574)</u>

CITY OF APPLE VALLEY

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
EXPENDITURES				
Culture and Recreation (Continued)				
Aquatic Swim Center:				
Personal Services	\$ 306,802	\$ 317,092	\$ 305,288	\$ (11,804)
Other Current Expense	299,900	299,900	265,727	(34,173)
Capital Outlay	5,000	5,000	-	(5,000)
Total Aquatic Swim Center	611,702	621,992	571,015	(50,977)
Apple Valley Community Center:				
Personal Services	110,961	113,461	94,743	(18,718)
Other Current Expense	140,175	140,175	113,913	(26,262)
Capital Outlay	12,000	12,000	10,355	(1,645)
Total Apple Valley Community Center	263,136	265,636	219,011	(46,625)
Hayes Community and Senior Center:				
Personal Services	214,759	218,249	200,725	(17,524)
Other Current Expense	79,300	79,300	49,239	(30,061)
Capital Outlay	6,000	6,000	-	(6,000)
Total Hayes Community and Senior Center	300,059	303,549	249,964	(53,585)
Cable TV:				
Other Current Expense	23,225	23,225	8,885	(14,340)
Total Culture and Recreation	4,899,517	4,955,787	4,580,690	(375,097)
Total Expenditures	25,729,596	23,994,101	22,486,831	(1,507,270)
Excess of Revenues Over (Under) Expenditures	(1,073,353)	(997,858)	1,308,795	2,306,653
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	39,849	39,849
Transfer to Special Revenue Fund	(11,647)	(11,647)	(12,241)	(594)
Transfer to Capital Project Fund	-	-	(1,996,000)	(1,996,000)
Transfer from Water/Sewer Fund	600,000	600,000	600,000	-
Transfer from Liquor Fund	485,000	485,000	485,000	-
Total Other Financing Sources (Uses)	1,073,353	1,073,353	(883,392)	(1,956,745)
Net Change in Fund Balances	\$ -	\$ 75,495	425,403	\$ 349,908
FUND BALANCES				
Beginning of Year			12,221,723	
End of Year			\$ 12,647,126	

CITY OF APPLE VALLEY
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	Special Revenue				Total
	Cable TV (2010)	Solid Waste Grant (2040)	Police Crime (2060)	Lodging Tax (7000)	
ASSETS					
Cash and Investments	\$ 115,376	\$ 56,018	\$ 47,188	\$ 72,840	\$ 291,422
Cash with Fiscal Agent	-	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	17,978	-	-	4,656	22,634
Due from Other Funds	-	-	-	-	-
Due from Other Governments	23,369	-	-	-	23,369
	<u>156,723</u>	<u>56,018</u>	<u>47,188</u>	<u>77,496</u>	<u>337,425</u>
Total Assets	<u>\$ 156,723</u>	<u>\$ 56,018</u>	<u>\$ 47,188</u>	<u>\$ 77,496</u>	<u>\$ 337,425</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued Wages Payable	\$ 5,960	\$ -	\$ -	\$ -	\$ 5,960
Accounts Payable	1,255	-	-	5,959	7,214
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>7,215</u>	<u>-</u>	<u>-</u>	<u>5,959</u>	<u>13,174</u>
Fund Balances					
Unreserved, Reported in:					
Special Revenue - Undesignated	149,508	56,018	47,188	71,537	324,251
Debt Service - Undesignated	-	-	-	-	-
Capital Projects - Undesignated	-	-	-	-	-
Total Fund Balances	<u>149,508</u>	<u>56,018</u>	<u>47,188</u>	<u>71,537</u>	<u>324,251</u>
	<u>156,723</u>	<u>56,018</u>	<u>47,188</u>	<u>77,496</u>	<u>337,425</u>
Total Liabilities and Fund Balances	<u>\$ 156,723</u>	<u>\$ 56,018</u>	<u>\$ 47,188</u>	<u>\$ 77,496</u>	<u>\$ 337,425</u>

Debt Service

1997 Park Bonds (3060)	Cemetery Bonds of 1997 (3065)	G.O. Closed Bond Issues (3075)	Refunding Bonds of 1993 (3155)	Improvement Bonds of 2003 (3165)	Improvement Bonds of 1997 (3185)	State Aid Street Bonds of 2004 (3190)
\$ 153,474	\$ 40,806	\$ 140,084	\$ 930,426	\$ -	\$ -	\$ 384,224
-	-	-	-	-	-	-
-	-	-	6,697	-	4,464	-
-	-	-	20,094	13,951	-	-
-	-	-	27,037	-	13,394	-
-	-	2,150,175	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 153,474</u>	<u>\$ 40,806</u>	<u>\$ 2,290,259</u>	<u>\$ 984,254</u>	<u>\$ 13,951</u>	<u>\$ 17,858</u>	<u>\$ 384,224</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	130,781	2,019,394	-
-	-	-	-	-	-	-
-	-	-	50,499	13,951	17,858	-
-	-	-	<u>50,499</u>	<u>144,732</u>	<u>2,037,252</u>	-
-	-	-	-	-	-	-
153,474	40,806	2,290,259	933,755	(130,781)	(2,019,394)	384,224
<u>153,474</u>	<u>40,806</u>	<u>2,290,259</u>	<u>933,755</u>	<u>(130,781)</u>	<u>(2,019,394)</u>	<u>384,224</u>
<u>\$ 153,474</u>	<u>\$ 40,806</u>	<u>\$ 2,290,259</u>	<u>\$ 984,254</u>	<u>\$ 13,951</u>	<u>\$ 17,858</u>	<u>\$ 384,224</u>

CITY OF APPLE VALLEY

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010**

	Debt Service				
	1998/2008 Improvement Bonds (3195)	2001/2008B Refunding Improvement Bonds (3285)	G.O. Refunding Bonds of 2002 (3300)	2003/2009A Refunding Improvement Bonds (3305)	Improvement Bonds of 2004 (3320)
ASSETS					
Cash and Investments	\$ 1,021,983	\$ -	\$ -	\$ 276,753	\$ 1,513,131
Cash with Fiscal Agent	-	-	-	-	2,142,154
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	161,662	60,377	-	-	61,558
Delinquent	3,154	89,383	-	-	116,438
Deferred	528,027	913,246	-	-	492,465
Accounts Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	\$ 1,714,826	\$ 1,063,006	\$ -	\$ 276,753	\$ 4,325,746
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	1,562,647	50,932	-	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	692,842	1,063,006	-	-	670,461
Total Liabilities	692,842	2,625,653	50,932	-	670,461
Fund Balances					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	1,021,984	(1,562,647)	(50,932)	276,753	3,655,285
Capital Projects - Undesignated	-	-	-	-	-
Total Fund Balances	1,021,984	(1,562,647)	(50,932)	276,753	3,655,285
Total Liabilities and Fund Balances	\$ 1,714,826	\$ 1,063,006	\$ -	\$ 276,753	\$ 4,325,746

Debt Service

G.O. Equipment Certificates of 2003 (3310)	G.O. Equipment Certificates of 2004 (3315)	G.O. Equipment Certificates of 2005 (3325)	G.O. Equipment Certificates of 2006 (3335)	Economic Development (3215)	Tax Increment Downtown Redevelopment (3260)	Taxable Tax Increment Bonds of 2003 (3270)
\$ 32,749	\$ 5,765	\$ 25,117	\$ 40,224 442,537	\$ 94,602	\$ 1,651,160	\$ 1,742,701
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	119,129
-	-	-	-	-	-	-
<u>\$ 32,749</u>	<u>\$ 5,765</u>	<u>\$ 25,117</u>	<u>\$ 482,761</u>	<u>\$ 94,602</u>	<u>\$ 1,651,160</u>	<u>\$ 1,861,830</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,190	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,190</u>	<u>-</u>
32,749	5,765	25,117	482,761	94,602	1,649,970	1,861,830
<u>32,749</u>	<u>5,765</u>	<u>25,117</u>	<u>482,761</u>	<u>94,602</u>	<u>1,649,970</u>	<u>1,861,830</u>
<u>\$ 32,749</u>	<u>\$ 5,765</u>	<u>\$ 25,117</u>	<u>\$ 482,761</u>	<u>\$ 94,602</u>	<u>\$ 1,651,160</u>	<u>\$ 1,861,830</u>

CITY OF APPLE VALLEY
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	Debt Service				Total
	Taxable Tax Increment Bonds of 1985-1992 ^A Refunding (3220)	Tax Increment Fischer Marketplace (3275)	G.O. Park Bond of 2007 (3345)	G.O. Park Bond of 2008 (3355)	
ASSETS					
Cash and Investments	\$ 1,979,813	\$ 338,830	\$ 39,516	\$ 121,789	\$ 10,533,147
Cash with Fiscal Agent	-	-	-	-	2,584,691
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	294,758
Delinquent	-	-	-	-	243,020
Deferred	-	-	-	-	1,974,169
Accounts Receivable	-	-	-	-	119,129
Due from Other Funds	-	-	-	-	2,150,175
Due from Other Governments	-	-	-	-	-
Total Assets	\$ 1,979,813	\$ 338,830	\$ 39,516	\$ 121,789	\$ 17,899,089
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	560	-	-	560
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	3,763,754
Due to Other Governments	640	4,140	-	-	5,970
Deferred Revenue	-	-	-	-	2,508,617
Total Liabilities	640	4,700	-	-	6,278,901
Fund Balances					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	1,979,173	334,130	39,516	121,789	11,620,188
Capital Projects - Undesignated	-	-	-	-	-
Total Fund Balances	1,979,173	334,130	39,516	121,789	11,620,188
Total Liabilities and Fund Balances	\$ 1,979,813	\$ 338,830	\$ 39,516	\$ 121,789	\$ 17,899,089

Capital Projects

Equipment Certificates (2005)	Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)	Police 911 (2065)	Tree Preservation Escrow (2070)	Pond Escrow (2075)	Pathways and Sidewalks Escrow (2080)
\$ 459,009	\$ 1,355,369	\$ 110,287	\$ 111,590	\$ 345,743	\$ 348,045	\$ 222,265	\$ 224,052
	103,831						
		50,317					
<u>\$ 459,009</u>	<u>\$ 1,459,200</u>	<u>\$ 160,604</u>	<u>\$ 111,590</u>	<u>\$ 345,743</u>	<u>\$ 348,045</u>	<u>\$ 222,265</u>	<u>\$ 224,052</u>
\$ -	\$ -	\$ 117,482	\$ 39	\$ -	\$ -	\$ -	\$ -
					236		
3,305							
<u>3,305</u>		<u>117,482</u>	<u>39</u>	<u>-</u>	<u>236</u>		<u>-</u>
455,704	1,459,200	43,122	111,551	345,743	347,809	222,265	224,052
<u>455,704</u>	<u>1,459,200</u>	<u>43,122</u>	<u>111,551</u>	<u>345,743</u>	<u>347,809</u>	<u>222,265</u>	<u>224,052</u>
<u>\$ 459,009</u>	<u>\$ 1,459,200</u>	<u>\$ 160,604</u>	<u>\$ 111,590</u>	<u>\$ 345,743</u>	<u>\$ 348,045</u>	<u>\$ 222,265</u>	<u>\$ 224,052</u>

CITY OF APPLE VALLEY
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010

	Capital Projects				
	Dodd Road Escrow (2085)	Dakota Technical Building Escrow (2090)	EDA Operations (3210)	Capital Building (4000)	Park Improvement Development (4010)
ASSETS					
Cash and Investments	\$ 215,966	\$ 380,719	\$ 882,707	\$ 423,990	\$ 1,526
Cash with Fiscal Agent	-	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	\$ 215,966	\$ 380,719	\$ 882,707	\$ 423,990	\$ 1,526
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Contracts Payable	-	-	-	45,899	-
Due to Other Funds	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	-	-	-	45,899	-
Fund Balances					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	-	-	-	-	-
Capital Projects - Undesignated	215,966	380,719	882,707	378,091	1,526
Total Fund Balances	215,966	380,719	882,707	378,091	1,526
Total Liabilities and Fund Balances	\$ 215,966	\$ 380,719	\$ 882,707	\$ 423,990	\$ 1,526

Capital Projects

Dakota County Construction Projects (4030)	C.I.P. Development (4045)	1999 Improvement Construction (4225)	2000 Improvement Construction (4245)	2008 Construction Projects (4400)	Engineer Developer Review Nonreimbursable (4600)	Cable Capital Equipment (4800)
\$ -	\$ 239,225	\$ -	\$ -	\$ -	\$ 93,890	\$ 55,860
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	4,886	8,588	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 239,225</u>	<u>\$ -</u>	<u>\$ 4,886</u>	<u>\$ 8,588</u>	<u>\$ 93,890</u>	<u>\$ 55,860</u>
\$ 561	-	-	\$ 15,637	\$ 18,295	\$ 127,152	-
121,265	-	69,805	294,698	293,921	-	-
-	-	-	-	-	-	-
<u>121,826</u>	<u>-</u>	<u>69,805</u>	<u>310,335</u>	<u>312,216</u>	<u>127,152</u>	<u>-</u>
(121,826)	239,225	(69,805)	(305,449)	(303,628)	(33,262)	55,860
<u>(121,826)</u>	<u>239,225</u>	<u>(69,805)</u>	<u>(305,449)</u>	<u>(303,628)</u>	<u>(33,262)</u>	<u>55,860</u>
<u>\$ -</u>	<u>\$ 239,225</u>	<u>\$ -</u>	<u>\$ 4,886</u>	<u>\$ 8,588</u>	<u>\$ 93,890</u>	<u>\$ 55,860</u>

CITY OF APPLE VALLEY

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2010**

	Capital Projects				
	Physical Improvement (4900)	Future Improvements (4910)	Private Development (4920)	Construction Projects (4500)	2003 Improvement Construction (4300)
ASSETS					
Cash and Investments	\$ 145,194	\$ 664,970	\$ 117,251	\$ 74,619	\$ -
Cash with Fiscal Agent	-	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	248	-	-	-	8,712
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	1,246
Total Assets	\$ 145,442	\$ 664,970	\$ 117,251	\$ 74,619	\$ 9,958
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	39,455	-	-	26,061	51,658
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	2,152,467
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	39,455	-	-	26,061	2,204,125
Fund Balances					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	-	-	-	-	-
Capital Projects - Undesignated	105,987	664,970	117,251	48,558	(2,194,167)
Total Fund Balances	105,987	664,970	117,251	48,558	(2,194,167)
Total Liabilities and Fund Balances	\$ 145,442	\$ 664,970	\$ 117,251	\$ 74,619	\$ 9,958

Capital Projects

TIF District No. 13 (4700)	TIF District No. 7 (4710)	2007 Park Bond (4935)	Fire Grants Project (7600)	Total	Total Nonmajor Governmental Funds
\$ 1,273,453	\$ 629,151	\$ -	\$ 29,738	\$ 8,404,619	\$ 19,229,188
-	-	-	-	-	2,584,691
30,113	-	-	-	30,113	30,113
-	-	-	-	-	294,758
-	-	-	-	-	243,020
-	-	-	-	-	1,974,169
-	-	-	-	22,434	164,197
-	-	-	-	103,831	2,254,006
-	-	-	-	51,563	74,932
<u>\$ 1,303,566</u>	<u>\$ 629,151</u>	<u>\$ -</u>	<u>\$ 29,738</u>	<u>\$ 8,612,560</u>	<u>\$ 26,849,074</u>
\$ -	\$ -	\$ -	\$ -	\$ 39	\$ 5,999
-	2,748	-	-	399,285	407,059
-	-	127,418	-	173,317	173,317
-	-	103,831	-	3,035,987	6,799,741
2,153	-	-	-	5,458	11,428
30,113	-	-	-	30,113	2,538,730
<u>32,266</u>	<u>2,748</u>	<u>231,249</u>	<u>-</u>	<u>3,644,199</u>	<u>9,936,274</u>
-	-	-	-	-	324,251
-	-	-	-	-	11,620,188
1,271,300	626,403	(231,249)	29,738	4,968,361	4,968,361
<u>1,271,300</u>	<u>626,403</u>	<u>(231,249)</u>	<u>29,738</u>	<u>4,968,361</u>	<u>16,912,800</u>
<u>\$ 1,303,566</u>	<u>\$ 629,151</u>	<u>\$ -</u>	<u>\$ 29,738</u>	<u>\$ 8,612,560</u>	<u>\$ 26,849,074</u>

CITY OF APPLE VALLEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	Special Revenue				Total
	Cable TV (2010)	Solid Waste Grant (2040)	Police Crime (2060)	Lodging Tax (7000)	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Franchise Fees	71,756	-	-	-	71,756
Other Taxes	-	-	-	67,311	67,311
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Miscellaneous:					
Investment Income	2,246	990	737	-	3,973
Rentals	-	-	-	-	-
Refunds and Reimbursements	83,997	-	-	-	83,997
Contributions and Donations	-	-	-	-	-
Administrative Fees	-	-	-	-	-
Other	308	5,815	1,910	-	8,033
Total Revenues	<u>158,307</u>	<u>6,805</u>	<u>2,647</u>	<u>67,311</u>	<u>235,070</u>
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Public Safety	-	-	35,323	-	35,323
Public Works	-	8,227	-	-	8,227
Park and Recreation	175,581	-	-	65,059	240,640
Debt Service					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	9,043	-	-	-	9,043
Total Expenditures	<u>184,624</u>	<u>8,227</u>	<u>35,323</u>	<u>65,059</u>	<u>293,233</u>
Excess of Revenues Over (Under) Expenditures	(26,317)	(1,422)	(32,676)	2,252	(58,163)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Asset	-	-	27,709	-	27,709
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	12,241	-	-	-	12,241
Total Other Financing Sources (Uses)	<u>12,241</u>	<u>-</u>	<u>27,709</u>	<u>-</u>	<u>39,950</u>
Net Change in Fund Balances	(14,076)	(1,422)	(4,967)	2,252	(18,213)
FUND BALANCES					
Beginning of Year	<u>163,584</u>	<u>57,440</u>	<u>52,155</u>	<u>69,285</u>	<u>342,464</u>
End of Year	<u>\$ 149,508</u>	<u>\$ 56,018</u>	<u>\$ 47,188</u>	<u>\$ 71,537</u>	<u>\$ 324,251</u>

Debt Service

1997 Park Bonds (3060)	Cemetery Bonds of 1997 (3065)	G.O. Closed Bond Issues (3075)	Refunding Bonds of 1993 (3155)	Improvement Bonds of 2003 (3165)	Improvement Bonds of 1997 (3185)	State Aid Street Bonds of 2004 (3190)
\$ 835,000	\$ 68,000	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	8,599	5,923	6,138	-
-	-	-	-	-	-	48,570
3,630	738	38,311	14,789	-	-	7,310
-	-	-	-	-	-	-
-	-	-	8,400	-	-	-
<u>838,630</u>	<u>68,738</u>	<u>38,311</u>	<u>31,788</u>	<u>5,923</u>	<u>6,138</u>	<u>55,880</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
630,000	50,000	-	240,000	-	350,000	100,000
228,438	17,410	-	5,072	-	20,000	8,888
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>858,438</u>	<u>67,410</u>	<u>-</u>	<u>245,072</u>	<u>-</u>	<u>370,000</u>	<u>108,888</u>
(19,808)	1,328	38,311	(213,284)	5,923	(363,862)	(53,008)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(19,808)</u>	<u>1,328</u>	<u>38,311</u>	<u>(213,284)</u>	<u>5,923</u>	<u>(363,862)</u>	<u>(53,008)</u>
173,282	39,478	2,251,948	1,147,039	(136,704)	(1,655,532)	437,232
<u>\$ 153,474</u>	<u>\$ 40,806</u>	<u>\$ 2,290,259</u>	<u>\$ 933,755</u>	<u>\$ (130,781)</u>	<u>\$ (2,019,394)</u>	<u>\$ 384,224</u>

CITY OF APPLE VALLEY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010**

	Debt Service				
	1998/2008 Improvement Bonds (3195)	2001/2008B Refunding Improvement Bonds (3285)	G.O. Refunding Bonds of 2002 (3300)	2003/2009A Refunding Improvement Bonds (3305)	Improvement Bonds of 2004 (3320)
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Other Taxes	-	-	-	-	-
Special Assessments	230,716	58,390	-	-	86,113
Intergovernmental	-	-	-	1,347,829	-
Miscellaneous:					
Investment Income	24,221	-	-	25,457	28,636
Rentals	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Administrative Fees	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>254,937</u>	<u>58,390</u>	<u>-</u>	<u>1,373,286</u>	<u>114,749</u>
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Debt Service					
Principal	625,000	415,000	-	400,000	250,000
Interest and Other Charges	105,273	81,906	-	205,538	103,650
Capital Outlay					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>730,273</u>	<u>496,906</u>	<u>-</u>	<u>605,538</u>	<u>353,650</u>
Excess of Revenues Over (Under) Expenditures	(475,336)	(438,516)	-	767,748	(238,901)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	2,135,000
Bond Premium	-	-	-	-	17,154
Payment of Refunded Debt	-	-	-	(2,750,000)	-
Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,750,000)</u>	<u>2,152,154</u>
Net Change in Fund Balances	(475,336)	(438,516)	-	(1,982,252)	1,913,253
FUND BALANCES					
Beginning of Year	1,497,320	(1,124,131)	(50,932)	2,259,005	1,742,032
End of Year	<u>\$ 1,021,984</u>	<u>\$ (1,562,647)</u>	<u>\$ (50,932)</u>	<u>\$ 276,753</u>	<u>\$ 3,655,285</u>

Debt Service

G.O. Equipment Certificates of 2003 (3310)	G.O. Equipment Certificates of 2004 (3315)	G.O. Equipment Certificates of 2005 (3325)	G.O. Equipment Certificates of 2006 (3335)	Economic Development (3215)	Tax Increment Downtown Redevelopment (3260)	Taxable Tax Increment Bonds of 2003 (3270)
\$	\$	\$	\$ 123,000	\$ -	\$ 17,697	\$
						524,352
548	96	420	773	1,594	31,359	27,886
<u>548</u>	<u>96</u>	<u>420</u>	<u>123,773</u>	<u>1,594</u>	<u>49,056</u>	<u>552,238</u>
				587	263,984	
			95,000			185,000
			27,238			44,175
			<u>122,238</u>	<u>587</u>	<u>263,984</u>	<u>229,175</u>
548	96	420	1,535	1,007	(214,928)	323,063
			435,000			
			9,575			
			<u>444,575</u>			
548	96	420	446,110	1,007	(214,928)	323,063
<u>32,201</u>	<u>5,669</u>	<u>24,697</u>	<u>36,651</u>	<u>93,595</u>	<u>1,864,898</u>	<u>1,538,767</u>
<u>\$ 32,749</u>	<u>\$ 5,765</u>	<u>\$ 25,117</u>	<u>\$ 482,761</u>	<u>\$ 94,602</u>	<u>\$ 1,649,970</u>	<u>\$ 1,861,830</u>

CITY OF APPLE VALLEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	Debt Service				Total
	Taxable Tax Increment Bonds of 1985-1992A Refunding (3220)	Tax Increment Fischer Marketplace (3275)	G.O. Park Bond of 2007 (3345)	G.O. Park Bond of 2008 (3355)	
REVENUES					
Taxes	\$ -	\$ -	\$ 365,000	\$ 340,000	\$ 1,731,000
Tax Increments	286,960	27,133	-	-	331,790
Franchise Fees	-	-	-	-	524,352
Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	395,879
Intergovernmental	-	-	-	-	1,396,399
Miscellaneous:					
Investment Income	29,708	21,213	475	2,254	259,418
Rentals	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Administrative Fees	-	-	-	-	8,400
Other	-	-	-	-	-
Total Revenues	<u>316,668</u>	<u>48,346</u>	<u>365,475</u>	<u>342,254</u>	<u>4,647,238</u>
EXPENDITURES					
Current					
General Government	2,157	2,619,456	-	-	2,886,184
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Debt Service					
Principal	-	-	80,000	90,000	3,510,000
Interest and Other Charges	-	-	262,540	257,638	1,367,766
Capital Outlay					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>2,157</u>	<u>2,619,456</u>	<u>342,540</u>	<u>347,638</u>	<u>7,763,950</u>
Excess of Revenues Over (Under) Expenditures	314,511	(2,571,110)	22,935	(5,384)	(3,116,712)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	2,570,000
Bond Premium	-	-	-	-	26,729
Payment of Refunded Debt	-	-	-	-	(2,750,000)
Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(153,271)</u>
Net Change in Fund Balances	314,511	(2,571,110)	22,935	(5,384)	(3,269,983)
FUND BALANCES					
Beginning of Year	<u>1,664,662</u>	<u>2,905,240</u>	<u>16,581</u>	<u>127,173</u>	<u>14,890,171</u>
End of Year	<u>\$ 1,979,173</u>	<u>\$ 334,130</u>	<u>\$ 39,516</u>	<u>\$ 121,789</u>	<u>\$ 11,620,188</u>

Capital Projects

Equipment Certificates (2005)	Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)	Police 911 (2065)	Tree Preservation Escrow (2070)	Pond Escrow (2075)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	408,828	-	-	-	-
3,769	22,641	-	1,667	5,784	5,939	3,718
-	-	27,789	-	-	-	-
-	1,947	-	11,585	-	-	-
-	-	-	8,492	-	-	-
-	336,984	-	6,592	-	-	-
<u>3,769</u>	<u>361,572</u>	<u>436,617</u>	<u>28,336</u>	<u>5,784</u>	<u>5,939</u>	<u>3,718</u>
-	-	-	-	-	-	-
-	-	-	7,653	-	-	-
-	-	-	-	-	7,707	-
-	-	-	-	-	-	-
-	-	396,849	-	-	-	-
727,273	-	-	-	-	-	-
-	53	-	-	-	-	-
<u>727,273</u>	<u>53</u>	<u>396,849</u>	<u>7,653</u>	<u>-</u>	<u>7,707</u>	<u>-</u>
(723,504)	361,519	39,768	20,683	5,784	(1,768)	3,718
42,000	-	-	-	-	-	-
-	-	-	-	-	-	-
1,457,000	-	-	-	-	-	-
<u>1,499,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
775,496	361,519	39,768	20,683	5,784	(1,768)	3,718
(319,792)	1,097,681	3,354	90,868	339,959	349,577	218,547
<u>\$ 455,704</u>	<u>\$ 1,459,200</u>	<u>\$ 43,122</u>	<u>\$ 111,551</u>	<u>\$ 345,743</u>	<u>\$ 347,809</u>	<u>\$ 222,265</u>

CITY OF APPLE VALLEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	Capital Projects				
	Pathways and Sidewalks Escrow (2080)	Dodd Road Escrow (2085)	Dakota Technical Building Escrow (2090)	EDA Operations (3210)	Capital Building (4000)
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Miscellaneous:					
Investment Income	3,710	3,613	7,280	13,419	7,092
Rentals	-	-	80,000	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Administrative Fees	-	-	-	-	-
Other	29,375	-	-	-	-
Total Revenues	<u>33,085</u>	<u>3,613</u>	<u>87,280</u>	<u>13,419</u>	<u>7,092</u>
EXPENDITURES					
Current					
General Government	-	-	18,993	5,270	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay					
General Government	-	-	160,207	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>179,200</u>	<u>5,270</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	33,085	3,613	(91,920)	8,149	7,092
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	33,085	3,613	(91,920)	8,149	7,092
FUND BALANCES					
Beginning of Year	<u>190,967</u>	<u>212,353</u>	<u>472,639</u>	<u>874,558</u>	<u>370,999</u>
End of Year	<u>\$ 224,052</u>	<u>\$ 215,966</u>	<u>\$ 380,719</u>	<u>\$ 882,707</u>	<u>\$ 378,091</u>

CITY OF APPLE VALLEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	Capital Projects				
	Cable Capital Equipment (4800)	Physical Improvement (4900)	Future Improvements (4910)	Private Development (4920)	Construction Projects (4500)
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Miscellaneous:					
Investment Income	934	-	-	-	-
Rentals	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Administrative Fees	-	-	-	-	-
Other	-	(11,973)	-	-	65,133
Total Revenues	<u>934</u>	<u>(11,973)</u>	<u>-</u>	<u>-</u>	<u>65,133</u>
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay					
General Government	-	-	-	-	-
Public Works	-	-	-	-	14,561
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,561</u>
Excess of Revenues Over (Under) Expenditures	934	(11,973)	-	-	50,572
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	934	(11,973)	-	-	50,572
FUND BALANCES					
Beginning of Year	<u>54,926</u>	<u>117,960</u>	<u>664,970</u>	<u>117,251</u>	<u>(2,014)</u>
End of Year	<u>\$ 55,860</u>	<u>\$ 105,987</u>	<u>\$ 664,970</u>	<u>\$ 117,251</u>	<u>\$ 48,558</u>

Capital Projects

2003 Improvement Construction (4300)	TIF District No. 13 (4700)	TIF District No. 7 (4710)	2007 Park Bond (4935)	Fire Grants Project (7600)	Total	Total Nonmajor Governmental Funds
\$ -	\$ 1,350,160	\$ 629,455	\$ -	\$ -	\$ 1,979,615	\$ 1,731,000
-	-	-	-	-	-	2,311,405
-	-	-	-	-	-	596,108
-	-	-	-	-	-	67,311
-	16,144	-	20,000	2,050	447,022	395,879
-	-	-	-	-	-	1,843,421
(23,602)	746	445	4,710	509	66,402	329,793
-	-	-	-	-	80,000	80,000
-	-	-	-	-	39,374	123,371
-	-	-	-	-	10,439	10,439
-	-	-	-	-	-	8,400
2,216	-	-	-	-	498,327	506,360
<u>(21,386)</u>	<u>1,367,050</u>	<u>629,900</u>	<u>24,710</u>	<u>2,559</u>	<u>3,121,179</u>	<u>8,003,487</u>
-	95,750	3,497	-	-	123,510	3,009,694
-	-	-	-	2,000	9,653	44,976
-	-	-	-	-	-	8,227
-	-	-	-	-	7,707	248,347
-	-	-	-	-	-	3,510,000
-	-	-	-	-	-	1,367,766
-	-	-	-	-	1,066,524	1,066,524
16,191	-	-	-	-	799,800	799,800
-	-	-	784,692	-	784,745	793,788
<u>16,191</u>	<u>95,750</u>	<u>3,497</u>	<u>784,692</u>	<u>2,000</u>	<u>2,791,939</u>	<u>10,849,122</u>
(37,577)	1,271,300	626,403	(759,982)	559	329,240	(2,845,635)
-	-	-	-	-	42,000	69,709
-	-	-	-	-	-	2,570,000
-	-	-	-	-	-	26,729
-	-	-	-	-	-	(2,750,000)
-	-	-	-	-	1,457,000	1,469,241
-	-	-	-	-	1,499,000	1,385,679
(37,577)	1,271,300	626,403	(759,982)	559	1,828,240	(1,459,956)
(2,156,590)	-	-	528,733	29,179	3,140,121	18,372,756
<u>\$ (2,194,167)</u>	<u>\$ 1,271,300</u>	<u>\$ 626,403</u>	<u>\$ (231,249)</u>	<u>\$ 29,738</u>	<u>\$ 4,968,361</u>	<u>\$ 16,912,800</u>

CITY OF APPLE VALLEY

**COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
December 31, 2010**

	Insurance Trust (7100)	Risk Management (7200)	Total Internal Service Funds
ASSETS			
Current Assets			
Cash and Investments (Including Cash Equivalents)	\$ 98,282	\$ 3,004,592	\$ 3,102,874
Prepaid Items	-	123,209	123,209
	<u>98,282</u>	<u>3,127,801</u>	<u>3,226,083</u>
Total Assets	<u>\$ 98,282</u>	<u>\$ 3,127,801</u>	<u>\$ 3,226,083</u>
 LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ -	\$ 7,783	\$ 7,783
Compensated Absences Payable	-	1,435,224	1,435,224
Total Current Liabilities	<u>-</u>	<u>1,443,007</u>	<u>1,443,007</u>
 Noncurrent Liabilities			
Compensated Absences Payable	-	762,131	762,131
Total Liabilities	<u>-</u>	<u>2,205,138</u>	<u>2,205,138</u>
 Net Assets			
Unrestricted	<u>98,282</u>	<u>922,663</u>	<u>1,020,945</u>
Total Liabilities and Net Assets	<u>\$ 98,282</u>	<u>\$ 3,127,801</u>	<u>\$ 3,226,083</u>

CITY OF APPLE VALLEY

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2010**

	Insurance Trust (7100)	Risk Management (7200)	Total Internal Service Funds
OPERATING REVENUE			
Charges for Services	<u>\$ 161,283</u>	<u>\$ 944,539</u>	<u>\$ 1,105,822</u>
OPERATING EXPENSES			
Personal Services	198,652	528,430	727,082
Contractual Services	-	8,000	8,000
Other Charges	-	671,136	671,136
Total Operating Expenses	<u>198,652</u>	<u>1,207,566</u>	<u>1,406,218</u>
Operating Loss	(37,369)	(263,027)	(300,396)
NONOPERATING REVENUE (EXPENSES)			
Investment Income	2,050	48,355	50,405
Operating Grants and Contributions	-	11,181	11,181
Total Nonoperating Revenue (Expenses)	<u>2,050</u>	<u>59,536</u>	<u>61,586</u>
Change in Net Assets	(35,319)	(203,491)	(238,810)
NET ASSETS			
Beginning of Year	<u>133,601</u>	<u>1,126,154</u>	<u>1,259,755</u>
End of Year	<u>\$ 98,282</u>	<u>\$ 922,663</u>	<u>\$ 1,020,945</u>

CITY OF APPLE VALLEY

**COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2010**

	Governmental Activities		
	Insurance Trust (7100)	Risk Management (7200)	Total Internal Service Funds
CASH FLOWS - OPERATING ACTIVITIES			
Receipts from Customers	\$ 161,283	\$ 944,737	\$ 1,106,020
Payments to Suppliers	(198,652)	(1,293,027)	(1,491,679)
Net Cash Flows - Operating Activities	(37,369)	(348,290)	(385,659)
 CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES			
Operating Grants and Contributions	-	11,181	11,181
 CASH FLOWS - INVESTING ACTIVITIES			
Interest and Dividends Received	2,050	48,355	50,405
 Net Change in Cash and Cash Equivalents	(35,319)	(288,754)	(324,073)
 CASH AND CASH EQUIVALENTS			
January 1	133,601	3,293,346	3,426,947
December 31	\$ 98,282	\$ 3,004,592	\$ 3,102,874
 RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS - OPERATING ACTIVITIES			
Operating Loss	\$ (37,369)	\$ (263,027)	\$ (300,396)
Adjustments to Reconcile Operating Loss to Net Cash Flows - Operating Activities:			
Due from Other Governments	-	198	198
Prepaid Items	-	11	11
Accounts Payable	-	(628)	(628)
Due to Other Governments	-	(180)	(180)
Compensated Absences Payable	-	(84,664)	(84,664)
Total Adjustments	-	(85,263)	(85,263)
Net Cash Flows - Operating Activities	\$ (37,369)	\$ (348,290)	\$ (385,659)