



COMPREHENSIVE ANNUAL FINANCIAL REPORT



City of Apple Valley

Minnesota

Year Ended December 31, 2013

CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

Comprehensive Annual Financial Report
for the Year Ended
December 31, 2013

Prepared by
Finance Department

CITY OF APPLE VALLEY
7100 147th Street West
Apple Valley, Minnesota 55124

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CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

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DAKOTA COUNTY, MINNESOTA

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INTRODUCTORY SECTION

CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

Elected Officials and Administration
December 31, 2013

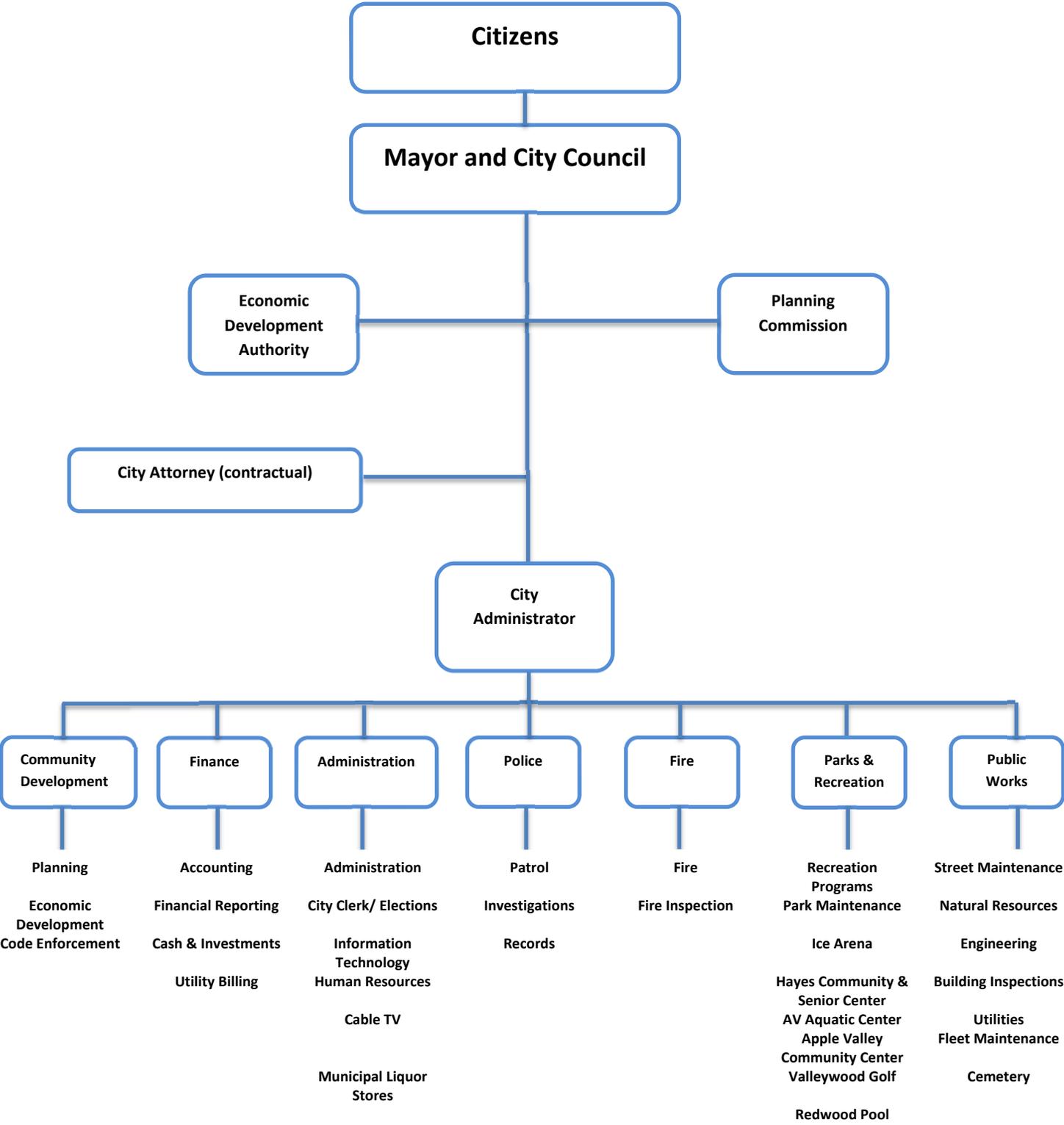
ELECTED OFFICIALS

		<u>Term Expires</u>
Mary Hamann-Roland	Mayor	December 31, 2014
John Bergman	Councilmember	December 31, 2014
Thomas Goodwin	Councilmember	December 31, 2016
Ruth Grendahl	Councilmember	December 31, 2016
Clint Hooppaw	Councilmember	December 31, 2014

ADMINISTRATION

M. Thomas Lawell	City Administrator
Pamela Gackstetter	City Clerk
Ronald Hedberg	Finance Director/Treasurer

Organizational Structure City of Apple Valley



June 27, 2014

To the Honorable Mayor, City Council, and Citizens of the City of Apple Valley:

The comprehensive annual financial report (CAFR) of the City of Apple Valley, Minnesota (the City), for the year ended December 31, 2013, is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board and meets the requirements of the State Auditor's Office.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented within this report. To provide a reasonable basis for making these representations, management of the City has established internal controls designed to protect the City's assets from loss, theft, or misuse and to provide sufficient information for the preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh the benefits, the City's internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements. As management, we assert that to the best of our knowledge and belief this CAFR is complete and reliable in all material respects.

The City's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates used by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was reasonable basis for rendering an unmodified opinion that the City's financial statements, for the year ended December 31, 2013, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is present in the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The City's MD&A compliments this letter of transmittal and should be read in conjunction with it.

The City operates as a Statutory Plan A City, the Mayor-Council form, under Minnesota law. The governing body, consisting of the Mayor and four council members, is elected at large and on a non-partisan basis. Terms of office are four years, with elections held in each even-numbered year; not more than two council members' terms expire in any one year. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to various advisory committees and commissions, and hiring the City Administrator and other city employees. The City Administrator is responsible for carrying out the policies, ordinances, and directions of the City Council and for overseeing the day-to-day operations of the City.

The City provides its residents and businesses with a full range of municipal services consisting of public safety (police, fire, building inspections), public works, parks and recreation, and general government administration. The City also operates a number of enterprise activities including: water and sanitary sewer, Valleywood Golf Course, three off-sale liquor stores, storm water, street lights, sports arenas, and a cemetery. Sanitary sewage treatment and disposal is operated on a regional basis by the Metropolitan Council Environmental Services (MCES). Refuse collection and disposal are handled on a private basis through contractual arrangements by city residents with private haulers. Further information regarding city services can be obtained from the City's website at www.ci.apple-valley.mn.us.

The Apple Valley Economic Development Authority (EDA) is a separate legal entity organized pursuant to Minnesota Statute Section 469, and is included as a blended component unit. The EDA is considered a component unit because the governing body is City Council members and two other members being appointed by the City Council. Also, the EDA is in a relationship of financial benefit or burden with the City.

The annual budget serves as the foundation for the City's financial planning and control. The budgetary process is outlined in the notes within the Stewardship and Accountability footnote. The City applies budgetary controls to ensure compliance with legal provisions of the laws of Minnesota. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the General Fund in addition to certain special revenue and capital projects funds. Budget to actual comparisons are presented for each governmental fund for which an annual budget has been adopted.

Factors Affecting Financial Condition

The City is committed to maintaining a strong financial condition, while continuing to provide public services to its residents and businesses. The City's financial position, as reflected in the financial statements presented in the reports, is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The sluggish economic conditions that have persisted since 2008 appear to be improving for the City, its residents, and its businesses. The Minneapolis-St. Paul metropolitan area unemployment rate as of February 2014, for example, is 5.1 percent, compared to the state of Minnesota's rate of 5.5 percent and the national unemployment rate of 6.7 percent.

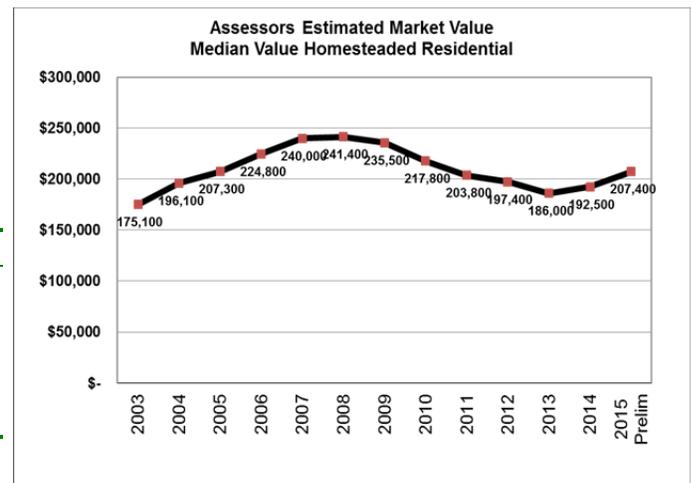
Unemployment Rate:	Feb. 2014	Dec. 2012
Dakota County	4.9%	5.3%
MSP Metropolitan Area	5.1%	5.5%
State of Minnesota	5.5%	5.7%
National	6.7%	7.8%

(Source: Bureau of Labor Statistics)

Housing Values

Like many areas of the state and country, housing values have trended downward in recent years. The assessor's estimated market for residential market values declined on the median valued home approximately 5.8 percent for 2013, but is now starting to show signs of improvement.

Increase (Decline) in Median Value Home:	
2011	(6.4%)
2012	(3.1%)
2013	(5.8%)
2014	3.5%
2015 (Preliminary)	7.7%

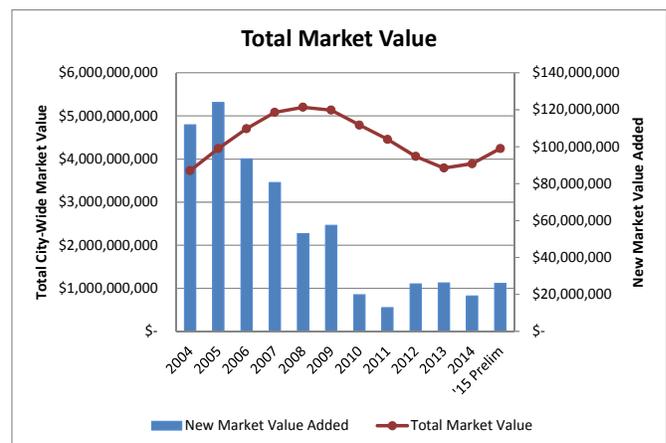


The population of the City has increased from 585 in 1960 to 49,084 according to the 2010 census and is estimated at 50,326 for 2013. Most of the population of the City concentrates in two age groups: 45–54 years and 5–14 years at 17.0 percent and 14.2 percent, respectively. According to the 2010 census, the average age is 32 years and the median family income was \$65,825.

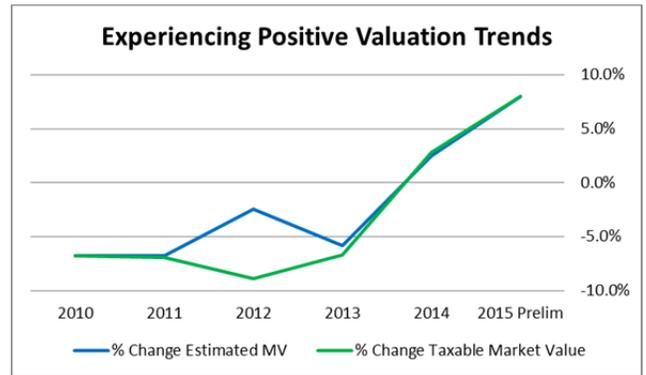
The City is the home to Uponor and Wings Financial Credit Union. Other major employers in the area include Target, Wal-Mart, Minnesota Zoo, Apple Valley Health Care Center, and Apple Valley Redi-Mix.

Market Value Growth

The City has been adding new tax base which previously was at or near historic low levels, but in 2013 the City saw improvement over recent years. In 2013, a total of \$26.2 million of market value was added to the City's tax base which current data indicates is continuing. The total city-wide market value declined to \$3.8 billion for 2013 due to deflation in the existing property values. Conditions have improved for the future as preliminary County Assessor data for payable 2015 shows a 7.7 percent increase in the median value home and a total city-wide market value of \$4.2 billion.



The City's economy, like similar communities, is recovering from the downturn in its property valuations. This recovery is fueled by underlying housing and commercial values and new construction.



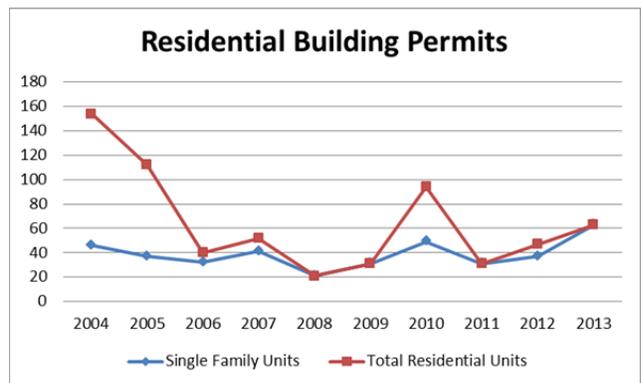
Major Initiatives

Following significant road improvements initiated in 2012, the City Council initiated the expansion of the water treatment plant. This expansion, once completed, will provide adequate supply for the projected full growth of the City. The total amount of the project is approximately \$14 million; in May 2014, \$8,830,000 of the \$9,510,000 2014A General Obligation Bonds will be used to finance a portion of the construction costs.

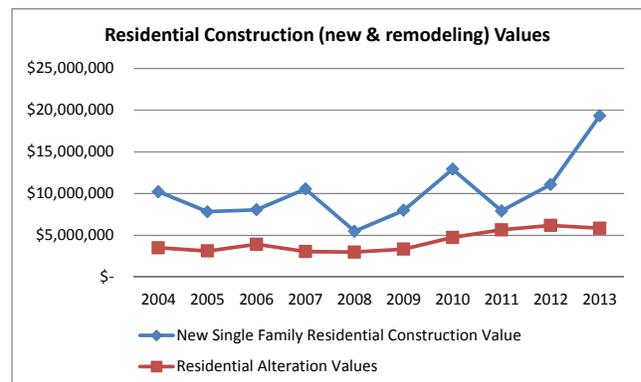
In 2013, investment continued in the City as new businesses opened and new developments were approved. The City also completed planning for the Cedar Avenue corridor, which includes the first Bus Rapid Transit (BRT) line in Minnesota. The Cedar Avenue BRT line, also called the “Red Line,” began service in June 2013. What follows is a sample of some of the development projects that were reviewed, approved, began construction, or completed in 2013, as well as some of the long-range planning and economic development initiatives that will help maintain the City’s high quality of life.

Residential Development

Over the past 10 years, single-family construction has averaged 39 units per year, and 2013 saw 63 single-family units constructed. Multi-family residential construction had slowed in recent years but recent development interest is beginning to show a return toward investment in multi-family units.



While the construction of new single-family homes has increased for 2013, the valuation added by remodeling and renovations is being maintained at a high level. This reflects homeowners’ continued interest in investing in their properties.



Four different residential subdivisions were approved in 2013, providing for 104 single-family lots.

The first phase of Parkside Village, a 322-unit market rate, multi-family development, was approved in 2012. Construction of the first phase, including 196 units, is planned to begin in August 2014.

Remington Cove Apartments was recently approved for 101 units and construction is planned to begin in summer 2014.

Commercial Development

Commercial and industrial development continued to improve in 2013 with total improvement values, including commercial alterations, totaling \$24,641,000 in 2013.

New commercial construction projects included an additional 120,000 square feet in the Apple Valley Business Campus, approved and started in 2013. Other new construction has provided for the locations of Crooked Pint Restaurant, Chick-fil-A Restaurant, and the reconstruction of a 7,500 square foot Kwik Trip Store. Several businesses opened, expanded, or made

significant reinvestments in their businesses in the City in 2013, including Vivo Restaurant, Uponor-US, Warners' Stellan, Dog Day Getaway, Perkins Restaurant, and the Old Chicago Restaurant.



Institutional Development

Independent School District No. 196 began construction of a 52,000 square foot building in which to locate their early childhood education and adult basic education services.

Long-Term Financial Planning

Each year the City adopts a five-year Capital Improvement Program (CIP). The CIP is a five-year plan that identifies the City's infrastructure, development objectives, and the allocation of resources for these projects. This CIP provides policy makers and the community with a strategic approach to implementation and administration of improvement projects.

One of the larger improvements included in the CIP includes the expansion of the City's water treatment plant. In 2013, the City continued its progress on the expansion of the water treatment facility to expand capacity to meet ultimate demands of the utility customers once fully developed. Construction started in 2012. The total cost of the treatment plant expansion is estimated at \$14 million and will be financed by cash on hand in the Utility Fund of \$5.2 million, along with \$8.8 million long-term water utility revenue bonds.

Relevant Financial Policies

The City has utilized various financial and budget policies to guide the City Council and staff when making financial decisions. These include adoption of a balanced budget minimizing the reliance on state revenues which have proven to be unpredictable, setting of a 50 percent of subsequent years budgeted expenditures minimum fund balance level to provide for cash flow purposes, and adoption of a five-year capital improvement plan to provide for capital asset acquisition and replacement.

Cash temporarily idle during the year was invested in U.S. government agency obligations, municipal securities, certificates of deposit, and money market instruments. The City's investment policy calls for the investment of public funds in a manner that will provide the highest investment return with minimum risk while meeting the daily cash flow demands of the City. For investments held at December 31, 2013, the effective duration of the investment portfolio was 4.0 years. The City's average return on investments in 2013 was negative 2.0 percent.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City a “Certificate of Achievement for Excellence in Financial Reporting” for its CAFR for the fiscal year-end December 31, 2012. This is the second year that the City achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government has to publish an easily readable and efficiently organized CAFR that satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another award.

The preparation of this report could not occur without the efficient and dedicated service of the entire finance department staff throughout the reporting year. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We would like to thank the City Council for its commitment in planning and implementing the financial operations of the City in a fiscally prudent and progressive manner.

Respectfully Submitted,

CITY OF APPLE VALLEY, MINNESOTA

A handwritten signature in cursive script, appearing to read "Ronald Hedberg".

Ronald Hedberg,
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Apple Valley
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

FINANCIAL SECTION



PRINCIPALS

Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Apple Valley, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the 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 (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page 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 at December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 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, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
June 27, 2014

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CITY OF APPLE VALLEY

Management's Discussion and Analysis December 31, 2013

As management of the City of Apple Valley, Minnesota (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 year ended December 31, 2013. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found on pages iii–ix of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$259,743,366 (net position). Of this amount, \$51,882,858 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$5,179,391. The governmental activities net position increased by \$2,963,354 due primarily to capital grants and contributions, retirement of debt, and decreases in expenses. Business-type activities had an increase of \$2,216,037 in net position due to capital grants related to the installation of utilities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$51,846,494, an increase of \$7,877,275 from the prior year. Restricted fund balances increased from \$11,435,144 to \$20,966,147, an increase of \$9,531,003, which represents the investment of restricted funds in street projects. The unassigned fund balances increased \$4,004,071 to \$4,268,913. Assigned fund balances decreased \$5,451,427 to \$26,366,589.
- At the end of the current fiscal year, the General Fund balance was \$14,226,384, an increase of \$850,868 from the previous fiscal year. The City's General Fund balance is 57.8 percent of General Fund total expenditures.
- The City's capital assets, net of depreciation, increased by \$12,127,290, or 5.8 percent, and reflects the investment in infrastructure. Please see further detail of capital assets in Note 4 of the notes to basic financial statements.
- The City's long-term liabilities increased by \$5,399,654, or 13.5 percent, during the current fiscal year and is attributable to a combination of debt retirement and the issuance of \$9,000,000 of Crossover Refunding Debt. Please see further detail of long-term debt in Note 5 of the notes to basic financial statements.

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 basic 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 Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of 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.

The government-wide financial statements not only include the City itself (known as the primary government), but also the Apple Valley Economic Development Authority (EDA). The EDA is legally separate and is reported as if it were part of the primary government because it provides services exclusively for the City. The EDA is reported as the Economic Development Debt Service Fund and the EDA Operations Special Revenue Fund.

The government-wide financial statements can be found on pages 18–20 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 funds Balance Sheet and the governmental funds 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 a number of individual governmental funds during 2013. Of these funds, seven 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, 2001/2008B Refunding Improvement Bonds Debt Service Fund, Future Capital Projects Fund, and the Road Improvements Capital Projects Fund. Data from the other 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 annual appropriated budgets for the following funds: General Fund, Road Improvements Capital Projects Fund, Future Capital Projects Fund, Cable TV Special Revenue Fund, EDA Operations Special Revenue Fund, and the Equipment Certificate Capital Projects Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. Budget to actual comparisons are provided in the supplementary information for all of these funds.

The basic governmental fund financial statements can be found on pages 21–27 of this report.

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 and one internal service fund to account for vehicle and equipment replacement 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 business-type activities in 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 lighting, and cemetery operations, all of which are considered to be major funds of the City.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28–35 of this report.

Notes to Basic 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 basic financial statements can be found on pages 36–63 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s progress in funding the post-employment benefits plan and Firefighters’ Relief Association. This required supplementary information can be found on page 64 of this report.

The combining and individual fund statements and schedules 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 benefits plan and Firefighters’ Relief Association. The combining statements can be found on pages 65–108 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$259,743,366 at the close of the most recent fiscal year.

The largest portion of the City's net position, \$188,937,289, or 72.7 percent, 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.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 72,053,871	\$ 67,366,260	\$ 18,130,927	\$ 22,380,561	\$ 90,184,798	\$ 89,746,821
Capital assets, net	97,379,541	93,191,547	122,747,657	114,808,361	220,127,198	207,999,908
Total assets	169,433,412	160,557,807	140,878,584	137,188,922	310,311,996	297,746,729
Long-term liabilities	39,474,734	33,768,920	5,841,190	6,147,350	45,315,924	39,916,270
Other liabilities	2,158,023	1,951,586	3,094,683	1,314,898	5,252,706	3,266,484
Total liabilities	41,632,757	35,720,506	8,935,873	7,462,248	50,568,630	43,182,754
Net position						
Net investment in capital assets	70,526,658	64,226,520	118,410,631	110,376,210	188,937,289	174,602,730
Restricted	18,619,396	17,001,111	303,823	319,582	18,923,219	17,320,693
Unrestricted	38,654,601	43,609,670	13,228,257	19,030,882	51,882,858	62,640,552
Total net position	\$ 127,800,655	\$ 124,837,301	\$ 131,942,711	\$ 129,726,674	\$ 259,743,366	\$ 254,563,975

A portion of the City's net position, \$18,923,219, or 7.3 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$51,882,858, or 20.0 percent, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position increased \$5,179,391, reflecting \$4.7 million in capital grants received during the year. Investment earnings resulted in a decrease in net position of \$1,415,215 due to a negative market value adjustment on the City's investment portfolio. Approximately \$4.1 million of bonded debt was retired during the year.

The governmental activities net position increased \$2,963,354, and includes \$3,250,152 in capital grants through the development process and the retirement of debt. A portion of the governmental activities increase in net position relates to an increase in the General Fund's net position due to revenue exceeding expenses in building permits, along with realizing savings within the General Fund from vacant positions and other budget savings.

The increase in the business-type activities net position totals \$2,216,037 and include \$1,497,501 in capital grants during the year. Positive operating income in the enterprise funds resulted in an addition to net assets of \$2,440,539.

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

A summary of the statement of activities is presented below:

Summary of Statement of Activities for the Years Ended December 31, 2013 and 2012						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program revenues						
Charges for services	\$ 5,028,282	\$ 4,774,238	\$ 22,242,843	\$ 22,357,826	\$ 27,271,125	\$ 27,132,064
Operating grants and contributions	900,223	579,675	80,707	13,890	980,930	593,565
Capital grants and contributions	3,250,152	4,445,816	1,497,501	3,201,690	4,747,653	7,647,506
General revenues						
Taxes	24,070,953	25,091,127	121,000	120,000	24,191,953	25,211,127
Grants and contributions not restricted to specific programs	40,397	145,755	–	–	40,397	145,755
Investment earnings (net)	(1,056,882)	1,026,594	(358,333)	388,923	(1,415,215)	1,415,517
Gain on sale of assets	–	110,905	–	–	–	110,905
Other general revenues	186,872	5,653	–	43,845	186,872	49,498
Total revenue	<u>32,419,997</u>	<u>36,179,763</u>	<u>23,583,718</u>	<u>26,126,174</u>	<u>56,003,715</u>	<u>62,305,937</u>
Expenses						
General government	5,012,638	6,157,131	–	–	5,012,638	6,157,131
Public safety	11,336,972	11,101,520	–	–	11,336,972	11,101,520
Public works	6,905,011	6,382,138	–	–	6,905,011	6,382,138
Parks and recreation	6,345,937	6,166,397	–	–	6,345,937	6,166,397
Interest and fiscal charges	1,194,974	1,235,352	–	–	1,194,974	1,235,352
Municipal liquor	–	–	8,419,472	8,377,991	8,419,472	8,377,991
Municipal golf course	–	–	1,507,451	1,292,371	1,507,451	1,292,371
Sports arena	–	–	759,930	778,931	759,930	778,931
Water and sewer	–	–	7,794,274	7,194,007	7,794,274	7,194,007
Storm drainage	–	–	1,052,087	1,001,140	1,052,087	1,001,140
Cemetery	–	–	51,472	69,376	51,472	69,376
Street light utility	–	–	444,106	447,954	444,106	447,954
Total expenses	<u>30,795,532</u>	<u>31,042,538</u>	<u>20,028,792</u>	<u>19,161,770</u>	<u>50,824,324</u>	<u>50,204,308</u>
Increase (decrease) in net position before transfers	1,624,465	5,137,225	3,554,926	6,964,404	5,179,391	12,101,629
Transfers in (out)	<u>1,338,889</u>	<u>1,075,105</u>	<u>(1,338,889)</u>	<u>(1,075,105)</u>	<u>–</u>	<u>–</u>
Increase (decrease) in net position	2,963,354	6,212,330	2,216,037	5,889,299	5,179,391	12,101,629
Net position – beginning	<u>124,837,301</u>	<u>118,624,971</u>	<u>129,726,674</u>	<u>123,837,375</u>	<u>254,563,975</u>	<u>242,462,346</u>
Net position – ending	<u>\$ 127,800,655</u>	<u>\$ 124,837,301</u>	<u>\$ 131,942,711</u>	<u>\$ 129,726,674</u>	<u>\$ 259,743,366</u>	<u>\$ 254,563,975</u>

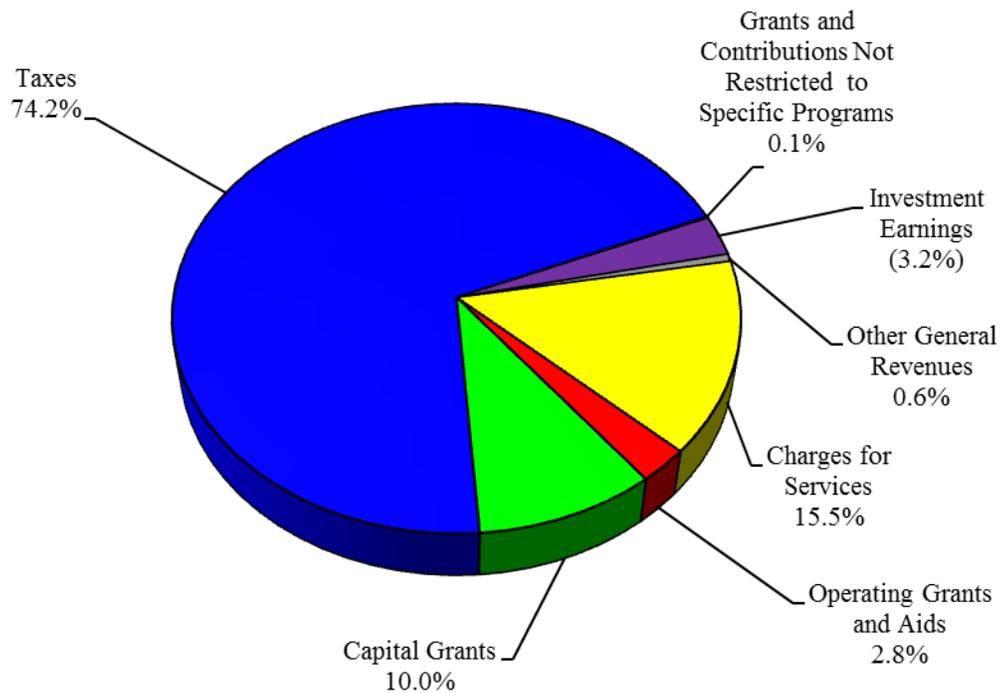
Governmental Activities – Governmental activities increased the City’s net position by \$2,963,354, accounting for 57.2 percent of the total growth in the net position of the City.

The revenues included in the chart below include all program and general revenues for the governmental activities such as property taxes, capital grants and contributions, and investment earnings. Taxes remain the largest component of governmental revenues, approximately 74.2 percent. 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.

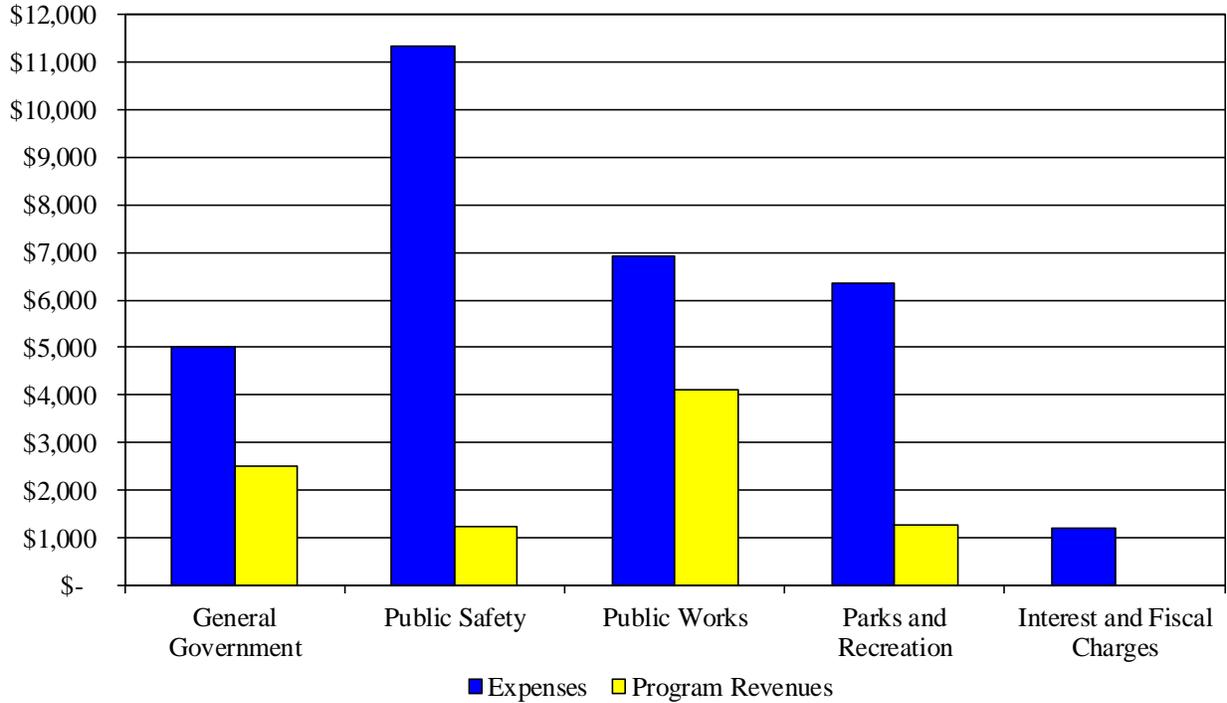
Revenues decreased \$3,759,766, or 10.4 percent, for 2013. The key elements of this net change are:

- Taxes decreased \$1,020,174 for 2013; the decline was related to the retirement of Tax Increment District #13; tax increment revenues for 2013 are down \$1,467,998 and these parcels are now on the tax rolls. In addition, overall property taxes experienced an increase of \$479,114.
- Capital grants declined \$1,195,664, and this is related to a lower level of activity in developer-installed infrastructure and the levying of special assessments.
- Investment earnings (net of market value adjustment) for governmental activities decreased for 2013 by \$2,083,476 and results from the decrease in the market value of the portfolio related to a decline in the overall fixed income investment market.
- In addition to the change in revenues, the net transfers that went into the governmental activities for 2013 were \$1,338,889, an increase of \$263,784 from the 2012 net transfers.

Revenue by Source – Governmental Activities



Expenses and Program Revenues – Governmental Activities
(in \$1,000s)



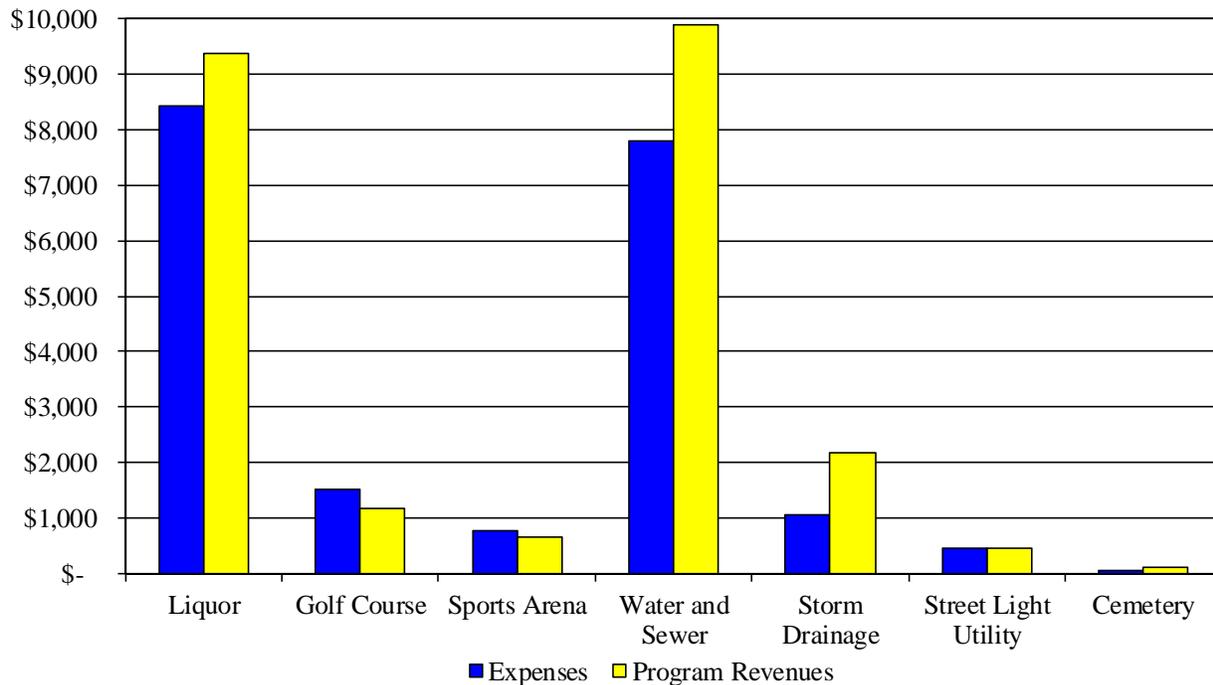
Expenses in the governmental activities decreased \$247,006 for 2013. Some of the significant items included in 2013 activities are:

- The public safety area of governmental activities saw an increase in expenses of \$235,452 and approximately \$180,000 of this increase is related to the addition of two new employees.
- The public works area of governmental activities increased \$522,873 and approximately \$215,000 of this increase resulted from additional snow and ice removal expenses related to the above average number and extent of snow events in 2013.
- The parks and recreation area increased \$179,540. Approximately \$100,000 is related to additional part-time staffing hours. The remainder is related to a position vacancy that occurred in 2012 in the operation of the Apple Valley Senior Center and a new position in the park maintenance department.
- General government expense for 2013 declined \$1,144,493 related to fewer uncapitalized road expenses experienced in 2013.

Business-Type Activities – Business-type activities increased the City’s net position by \$2,216,037, accounting for 42.8 percent of the increase in the total net position 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 Municipal Liquor, Municipal Golf Course, Sports Arena, Water and Sewer, Storm Drainage, Street Light, and Cemetery.

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



Overall, total revenues for the business-type activities decreased \$2,542,456, or 9.7 percent, for 2013. The key elements making up this change are as follows:

- Charges for services overall were relatively flat although the individual activities showed variances with the prior year.
 - The liquor operations showed an increase in operating revenues of \$148,928. The increase in liquor revenues can be attributed to increased sales at Liquor Store #1 which experienced revenue increases of approximately \$160,000. This increase is a reversal of the sales decline experienced in 2012 related to road construction activities on Cedar Avenue.
 - The water and sewer utility operating revenues decreased \$304,911 for 2013 resulting from the shorter irrigation season because of the wet, cool spring.
 - The municipal golf course experienced increases in operating revenues of \$45,363, which is related to the first full year of operations of the new clubhouse.
 - The sports arena operating revenues decreased approximately \$3,279, and are related to fewer ice time rentals.
 - The storm drainage utility operating revenues increased minimally by \$8,046, resulting from an increase in the number of storm water utility customers in addition to the fact there was no rate increase implemented for 2013.

- Capital grants and contributions decreased \$1,704,189 for 2013. The key elements of this change are the Water and Sewer Fund capital grant and contributions decreasing \$756,022 attributed to the infrastructure installed privately and donated to the City. The remainder of the decline in capital grants is lower values of public improvement projects installed and specially assessed against benefiting properties.
- Investment earnings (net of market value adjustment) for all business-type activities decreased for 2013 by \$747,256 and results from the decrease in the market value of the City's investment portfolio related to a decline in the overall fixed income investment market.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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, unassigned fund balance may serve as a useful measure of the City's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a delegated authority to assign resources for use for particular purposes by the City.

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$51,846,494, an increase of \$7,877,275 in comparison with the prior year. Unassigned fund balance totals \$4,268,913, and the remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is: 1) not in spendable form – \$90,745; 2) restricted for particular purposes – \$20,966,147; 3) committed for particular purposes – \$154,100; or 4) assigned for particular purposes – \$26,366,589.

The City has seven major governmental funds: the General Fund, the Closed Bond Issues Debt Service Fund, the Improvement Bonds of 2006 Debt Service Fund, the Improvement Bonds of 2007 Debt Service Fund, the 2001/2008B Refunding Improvement Bonds Debt Service Fund, the Road Improvements Capital Projects Fund, and the Future Capital Projects Capital Projects Fund.

GENERAL FUND

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,830,037, while total fund balance increased to \$14,226,384. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 56.2 percent of total fiscal 2013 General Fund expenditures, while total fund balance represents approximately 57.8 percent of that same amount. The fund balance of the City's General Fund increased by \$850,868 during the current fiscal year.

Total General Fund revenues increased \$3,098,218. The largest portion of this increase was due to a change in the accounting for the property tax levy for the road maintenance program in 2013; \$2,755,000 was included in the General Fund property tax levy and was subsequently transferred out of the General Fund to the Road Improvements Capital Projects Fund. Licenses and permits increased \$106,806 resulting from increased construction activity. Intergovernmental revenue increased \$268,966 for 2013 and \$200,000 of this is attributed to a Department of Housing and Urban Development Housing Study Grant. In addition, a grant in the amount of \$57,203 was received to fund a Fire Department Deputy Fire Chief/Training Officer position. Investment earnings, net of market value adjustments for the General Fund were \$294,026 lower than 2012 results. A \$50,000 grant was received from a resident to fund future improvements at one of the City's ball fields during 2013. In addition, rentals from cell phone companies for antennae space increased \$27,198 in 2013.

Total General Fund Expenditures totaled \$24,625,113 for 2013, an increase of \$1,604,924. Personal services in the General Fund increased approximately \$955,000 and approximately \$370,000 was related to the addition of three new positions; two in police and one in park maintenance, and the filling of vacant positions. Approximately \$268,000 was related to employee wage adjustments, \$107,000 was related to additional health insurance costs, and \$92,000 in additional employer's share of Public Employees' Retirement Association pension expense throughout the General Fund. Approximately \$72,000 was an increase in the overtime costs associated with snow plowing. Capital outlay in the General Fund increased approximately \$486,000 resulting from the purchase of information technology equipment, vehicles, and building improvements at the fire stations

CLOSED BOND ISSUES FUND

The Closed Bond Issues Fund accumulates resources remaining from retired debt service funds. The fund balance at the end of 2013 is \$7,161,368. The fund balance decreased \$95,270 from the prior year. Total revenue declined \$326,701 and results from \$237,380 less in investment income and \$87,448 less in special assessment collections. Net transfers out increased \$1,646,736 for 2013 and is the result of closing funds with deficit fund balances.

IMPROVEMENT BONDS OF 2006 FUND

The Improvement Bonds of 2006 Fund accounts for the debt service activity and special assessment collections for bond retirement. The fund balance at the end of 2013 is negative \$667,921. The fund balance increased \$710,966 from the prior year and results from the collection of special assessments in the current year.

IMPROVEMENT BONDS OF 2007 FUND

The Improvement Bonds of 2007 Fund accounts for the debt service activity and special assessment collections for bond retirement. The fund balance at the end of 2013 is negative \$984,813. The fund balance decreased \$253,627 from the prior year and results from increases in debt service cost and the lower collection of special assessments in the current year.

2001/2008B REFUNDING IMPROVEMENT BONDS FUND

The 2001/2008B Refunding Improvement Bonds Fund accounts for the debt service activity and special assessment collections for bond retirement. The fund balance at the end of 2013 is negative \$2,500,601. The fund balance decreased \$277,469 from the prior year resulting from increases in debt service costs and the lower collection of special assessments in the current year.

ROAD IMPROVEMENTS FUND

The Road Improvements Fund receives transfers from other funds. These resources are used to finance street overlays and reconstruction projects per the City's pavement management plan. The fund balance at the end of 2013 is negative \$3,507,744, which is an increase of \$450,998 from the prior year resulting from additional transfers.

FUTURE CAPITAL PROJECTS FUND

The Future Capital Projects Fund accumulates resources according to the City Council's adopted Fund Balance Policy. This policy calls for amounts in the General Fund that exceed a maximum level to be transferred to the Future Capital Projects Fund. The fund balance at the end of 2013 is \$13,151,914. The fund balance decreased \$2,712,923 from the prior year. Transfers out in the amount of \$2,551,838 were recorded in 2013 and were used to fund a number of one-time expenditures: \$1,466,838 was transferred to the Nonmajor Capital Building Fund; \$835,450 of which funded a portion of the cold storage building at the public works facility. The remainder of the transfer was used to fund energy and roof improvements at a number of city facilities. In addition, \$960,000 was used to replace the 2013 property levy for the 2002 park bonds. This reduction of the park bond levy provided levy capacity to add to the annual road improvement levy. An additional \$125,000 was a transfer to the Road Improvements Fund to fund a portion of the 2013 project.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has seven enterprise funds and three internal service funds. The seven enterprise funds include the Municipal Liquor Fund, Valleywood Municipal Golf Course Fund, Sports Arena Fund, Water and Sewer Fund, Strom Drainage Fund, Cemetery Fund, and the Street Light Utility Fund.

The total net position of all enterprise funds totals \$131,993,983, of which \$118,410,631 is within net investment in capital assets, and is an increase of \$8,034,421 over the prior year. Much of this increase results from the addition of capital assets during 2013 related to the expansion of the water treatment plant. The total unrestricted net position for all proprietary funds for the year was \$13,279,529, a decrease of \$5,751,353. The decline is related to the spend-down of current assets on the water treatment plant expansion project; a portion of this spend-down will be reimbursed through issuing the 2014 water revenue bonds.

MUNICIPAL LIQUOR FUND

The increase in net position in the Municipal Liquor Fund of \$395,470 reflects continued positive operations of the City's liquor stores; this is after transferring \$525,000 to the General Fund in support of public safety and parks and recreation activities. The increase in the Municipal Liquor Fund comes from an improvement in sales at Liquor Stores #1 and #3.

MUNICIPAL GOLF COURSE FUND

The Valleywood Municipal Golf Course operations had a decrease in net position of \$333,805, which can be attributed to startup costs associated with the first full year of operations of the new Valleywood Clubhouse.

SPORTS ARENA FUND

The Sports Arena Fund posted an increase in net position of \$6,361, which results from reductions in personal service costs.

WATER AND SEWER FUND

The Water and Sewer Fund is the City's largest proprietary fund. Unrestricted net position at the end of the year amounted to \$10,288,723, a decrease of \$6,535,272 resulting from the spend-down of assets to fund the water treatment expansion project. A portion of this spend-down will be reimbursed through issuing the 2014 water revenue bonds. Current year operations posted a \$1,197,577 increase in net position, resulting from continued positive operations. The operating revenues were down \$307,101 for the year and result from a late, wet spring resulting in lower sales in early spring which was offset by a 3 percent increase in utility rates. Total net investment in capital assets totals \$75,170,911, an increase of \$7,732,849, which reflects an increase related to the water treatment plant expansion of \$6,919,603.

STORM DRAINAGE UTILITY FUND

The Storm Drainage Utility Fund increased its net position by \$937,663, resulting from the capital contributions through the public improvement process and the special assessments of improvements or the contribution of infrastructure improvements by developers constructing subdivisions.

CEMETERY FUND

The Cemetery Fund increased its net position by \$58,785, resulting from lot sales during the year.

STREET LIGHT UTILITY FUND

The Street Light Utility Fund increased its net position by \$5,258, reflecting a slight increase in sales for the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The most significant amendment to the 2013 General Fund budget was related to a change in the accounting for the property tax levy for the road maintenance program. In 2013, the General Fund budget was amended to include \$2,755,000 in the General Fund property tax levy and added to the 2013 budgeted transfers out to the Road Improvements Fund. This includes some projects that were carried over from 2012 to 2013 in the amount of \$489,978.

During the year, the total revenues exceeded the final amended budgetary estimates by \$199,601, which is attributed to licensing and permits exceeding the budget by \$337,103 and intergovernmental revenue exceeding the budget by \$100,093, of which \$81,399 was additional fire relief aid received from the state of Minnesota. Total actual expenditures were \$1,142,318 less than the budgetary estimates. General Fund budget performance can be attributed to curtailing spending where possible and conservative budgeting practices. Actual employer insurance costs were approximately \$221,000 under budget, as well as approximately \$305,000 of 2013 projects or purchases that were not completed in 2013.

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, 2013, amounted to \$220,127,198, net of accumulated depreciation of \$105,300,910. This investment in capital assets includes land, buildings and system improvements other than buildings, furniture and equipment, infrastructure, and construction in progress. The total increase in the City’s investment in capital assets for the current fiscal year was \$12,127,290, or approximately 5.8 percent. Total depreciation charged in 2013 was \$7,423,955.

City of Apple Valley’s Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and land improvements	\$ 3,885,715	\$ 2,793,438	\$ 6,167,679	\$ 5,969,490	\$ 10,053,394	\$ 8,762,928
Buildings	17,269,033	17,929,966	10,475,847	10,977,413	27,744,880	28,907,379
Improvements other than buildings	17,151,730	17,620,642	97,017,887	95,783,307	114,169,617	113,403,949
Furniture and equipment	5,137,168	5,357,773	1,338,361	1,298,311	6,475,529	6,656,084
Infrastructure	52,167,774	48,973,312	–	–	52,167,774	48,973,312
Construction in progress	1,768,121	516,416	7,747,883	779,837	9,516,004	1,296,253
Total	\$ 97,379,541	\$ 93,191,547	\$ 122,747,657	\$ 114,808,358	\$ 220,127,198	\$ 207,999,905

Major capital asset additions during the current year included the following:

- Land was purchased for the expansion of Kelley Park, resulting in the addition of \$1,092,277 to land values. Street improvement projects totaling approximately \$5.5 million included the following significant projects: Greenleaf Street Improvements (\$1,623,947) and Whitney Drive Improvements (\$1,735,159), along with other 2013 street and trail improvements totaling \$1,087,628.
- Utility improvements, including increases related to the water treatment plant expansion of \$6,919,603, and water and sewer infrastructure improvements of \$1,426,483.

Additional information on the City’s capital assets can be found in Note 4 on pages 48–49 of this report.

Long-Term Debt – At the end of the current fiscal year, the City had total debt outstanding of \$40,770,645, a net increase of \$5,035,761, or 14.1 percent. Of the total bonded debt, \$3,972,987, or 9.7 percent, is due within one year. Of the total amount, \$29,350,000 is backed by the full faith and credit of the City, and \$6,205,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the debt is backed by the revenues of the enterprise funds.

City of Apple Valley’s Debt

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds <i>(backed by the City)</i>	\$ 29,350,000	\$ 22,165,000	\$ 2,395,000	\$ 2,735,000	\$ 31,745,000	\$ 24,900,000
Special assessment bonds <i>(backed by the City)</i>	6,205,000	8,015,000	–	–	6,205,000	8,015,000
Revenue bonds <i>(backed by specific revenues)</i>	–	–	2,630,000	2,775,000	2,630,000	2,775,000
Capital lease <i>(backed by specific revenues)</i>	–	–	190,645	44,884	190,645	44,884
Total	\$ 35,555,000	\$ 30,180,000	\$ 5,215,645	\$ 5,554,884	\$ 40,770,645	\$ 35,734,884

The total debt increased \$5,035,761 during the current fiscal year. The increase resulted from the issuance of \$9,000,000 in Crossover Refunding Bonds in 2013. Cash and investments held in escrow for this issue at December 31, 2013 totals \$8,662,068. The proceeds of the 2013A G.O. Crossover Refunding Bonds are for the advance refunding of the 2007A and 2008D Park Bonds in the amount of \$8,375,000 for the bond years 2023 to 2032.

The City maintains an “Aaa” rating from Moody’s and AAA from Standard and Poor’s on all of its general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of the assessed valuation. The current debt limitation for the City is \$123,111,918, which is significantly in excess of the City’s outstanding general obligation debt subject to the limit.

Additional information on the City’s long-term debt can be found in Note 5 on pages 50–53 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property taxes provide the largest source, approximately 73 percent, of the resources needed to support the General Fund activities. Minnesota cities are subject to levy limits for 2014.
- Property values in the City are declining as they are in other locations. The increase in the median valued residential property for the 2014 budget year will be approximately 3.3 percent, compared to a reduction of 5.8 for the 2013 budget year. The preliminary county data for 2015 shows a 7.7 percent increase in the median valued home.
- The total property tax levy increased 1.4 percent for 2014.
- The taxes paid by the median valued home increased for 2014 to \$863, from \$853 in 2013, or approximately 1.1 percent.
- Contract settlements with all of the City's unions have been reached for 2014.
- A 3 percent increase in the water utility rates was enacted in 2012, 2013, and 2014 to fund the expansion of the City's water treatment plant. Utility rates for the sewer, storm water, and street light utilities were each increased 3 percent for 2014.

All of these factors were considered in preparing the City's budget for the 2014 fiscal year.

REQUESTS FOR INFORMATION

This comprehensive annual 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 – 147th Street West, Apple Valley, Minnesota 55124.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF APPLE VALLEY

Statement of Net Position
as of December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 42,412,219	\$ 14,879,553	\$ 57,291,772
Receivables			
Accounts and interest	783,732	2,920,593	3,704,325
Delinquent taxes	361,658	-	361,658
Special assessments	14,129,959	306,425	14,436,384
Due from other governmental units	3,462,175	11,805	3,473,980
Internal balances	2,028,625	(2,028,625)	-
Prepays	159,874	231,777	391,651
Inventory	41,721	1,505,576	1,547,297
Restricted assets			
Cash and investments for debt service	8,662,068	303,823	8,965,891
Interest receivable	11,840	-	11,840
Capital assets			
Not depreciated	5,653,836	13,915,562	19,569,398
Depreciated, net of accumulated depreciation	91,725,705	108,832,095	200,557,800
Total assets	\$ 169,433,412	\$ 140,878,584	\$ 310,311,996
Liabilities			
Accrued salaries payable	\$ 936,956	\$ 163,178	\$ 1,100,134
Accounts payable	740,372	1,585,924	2,326,296
Contracts payable	360,003	1,149,352	1,509,355
Interest payable	44,551	12,855	57,406
Due to other governmental units	70,778	183,374	254,152
Claims incurred, but not reported	1,543	-	1,543
Unearned revenue	3,820	-	3,820
Long-term liabilities			
Due within one year	4,848,184	800,517	5,648,701
Due in more than one year	34,626,550	5,040,673	39,667,223
Total long-term liabilities	39,474,734	5,841,190	45,315,924
Total liabilities	41,632,757	8,935,873	50,568,630
Net position			
Net investment in capital assets	70,526,658	118,410,631	188,937,289
Restricted for			
Debt service	8,922,926	303,823	9,226,749
Tax increment financing	5,683,915	-	5,683,915
Economic development	1,019,171	-	1,019,171
Police forfeiture	108,869	-	108,869
Capital acquisition	2,725,771	-	2,725,771
Other purposes	158,744	-	158,744
Unrestricted	38,654,601	13,228,257	51,882,858
Total net position	127,800,655	131,942,711	259,743,366
Total liabilities and net position	\$ 169,433,412	\$ 140,878,584	\$ 310,311,996

See notes to basic financial statements

CITY OF APPLE VALLEY

Statement of Activities
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 5,012,638	\$ 2,315,613	\$ 200,000	\$ 11,996
Public safety	11,336,972	549,371	700,223	–
Public works	6,905,011	892,267	–	3,238,156
Parks and recreation	6,345,937	1,271,031	–	–
Interest and fiscal charges	1,194,974	–	–	–
Total governmental activities	<u>30,795,532</u>	<u>5,028,282</u>	<u>900,223</u>	<u>3,250,152</u>
Business-type activities				
Municipal liquor	8,419,472	9,380,818	–	–
Municipal golf course	1,507,451	1,168,154	–	–
Sports arena	759,930	643,855	–	–
Water and sewer	7,794,274	8,951,798	–	926,804
Storm drainage	1,052,087	1,525,136	80,707	570,697
Cemetery	51,472	123,197	–	–
Street light utility	444,106	449,885	–	–
Total business-type activities	<u>20,028,792</u>	<u>22,242,843</u>	<u>80,707</u>	<u>1,497,501</u>
Total governmental and business-type activities	<u>\$ 50,824,324</u>	<u>\$ 27,271,125</u>	<u>\$ 980,930</u>	<u>\$ 4,747,653</u>

General revenues
 Property taxes
 Other taxes
 Franchise taxes
 Grants and contributions not restricted to specific programs
 Other general revenues
 Investment earnings (net of market value adjustment)
 Transfers
 Total general revenues and transfers

Change in net position

Net position – beginning

Net position – ending

See notes to basic financial statements

Net (Expenses)
Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,485,029)	\$ —	\$ (2,485,029)
(10,087,378)	—	(10,087,378)
(2,774,588)	—	(2,774,588)
(5,074,906)	—	(5,074,906)
(1,194,974)	—	(1,194,974)
<u>(21,616,875)</u>	<u>—</u>	<u>(21,616,875)</u>
—	961,346	961,346
—	(339,297)	(339,297)
—	(116,075)	(116,075)
—	2,084,328	2,084,328
—	1,124,453	1,124,453
—	71,725	71,725
—	5,779	5,779
<u>—</u>	<u>3,792,259</u>	<u>3,792,259</u>
(21,616,875)	3,792,259	(17,824,616)
22,639,147	121,000	22,760,147
169,413	—	169,413
1,262,393	—	1,262,393
40,397	—	40,397
186,872	—	186,872
(1,056,882)	(358,333)	(1,415,215)
1,338,889	(1,338,889)	—
<u>24,580,229</u>	<u>(1,576,222)</u>	<u>23,004,007</u>
2,963,354	2,216,037	5,179,391
<u>124,837,301</u>	<u>129,726,674</u>	<u>254,563,975</u>
<u>\$ 127,800,655</u>	<u>\$ 131,942,711</u>	<u>\$ 259,743,366</u>

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FUND FINANCIAL STATEMENTS

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CITY OF APPLE VALLEY

Balance Sheet
 Governmental Funds
 as of December 31, 2013

	Debt Service			
	General Fund (1000)	Closed Bond Issues (3205)	Improvement Bonds of 2006 (3330)	Improvement Bonds of 2007 (3340)
Assets				
Cash and investments	\$ 11,356,150	\$ 2,776,279	\$ -	\$ -
Restricted cash with fiscal agent	-	-	-	-
Receivables				
Accounts	272,436	-	-	-
Taxes – delinquent	353,699	-	-	-
Special assessments				
Current	3,189	348,845	176,738	41,821
Delinquent	20,583	522,115	869,377	2,034,031
Deferred	-	2,998,107	1,332,437	2,407,951
Interest	362,938	-	-	-
Due from other governmental units	3,457,998	-	-	-
Due from other funds	-	4,385,089	-	-
Advances to other funds	-	-	-	-
Prepays	49,024	-	-	-
Inventory	41,721	-	-	-
	<u>\$ 15,917,738</u>	<u>\$ 11,030,435</u>	<u>\$ 2,378,552</u>	<u>\$ 4,483,803</u>
Liabilities				
Accrued salaries payable	\$ 928,858	\$ -	\$ -	\$ -
Accounts payable	341,731	-	-	-
Contracts payable	3,550	-	-	-
Due to other governmental units	35,924	-	-	-
Unearned revenue	3,820	-	-	-
Due to other funds	-	-	667,921	984,813
Total liabilities	<u>1,313,883</u>	<u>-</u>	<u>667,921</u>	<u>984,813</u>
Deferred inflows of resources				
Unavailable revenue – property taxes	353,699	-	-	-
Unavailable revenue – special assessments	23,772	3,869,067	2,378,552	4,483,803
Total deferred inflows of resources	<u>377,471</u>	<u>3,869,067</u>	<u>2,378,552</u>	<u>4,483,803</u>
Fund balances (deficit)				
Nonspendable	90,745	-	-	-
Restricted	-	-	-	-
Committed	154,100	-	-	-
Assigned	151,502	7,161,368	-	-
Unassigned	13,830,037	-	(667,921)	(984,813)
Total fund balances (deficit)	<u>14,226,384</u>	<u>7,161,368</u>	<u>(667,921)</u>	<u>(984,813)</u>
	<u>\$ 15,917,738</u>	<u>\$ 11,030,435</u>	<u>\$ 2,378,552</u>	<u>\$ 4,483,803</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,917,738</u>	<u>\$ 11,030,435</u>	<u>\$ 2,378,552</u>	<u>\$ 4,483,803</u>

See notes to basic financial statements

Capital Projects				
2001/2008B Refunding Improvement Bonds (3285)	Road Improvements (2025)	Future Capital Projects (4930)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 6,392,571	\$ 18,363,692	\$ 38,888,692
-	-	-	8,662,068	8,662,068
-	-	-	146,970	419,406
-	-	-	7,959	361,658
89,289	57,965	-	288,738	1,006,585
85,540	-	-	69,295	3,600,941
588,180	642,981	-	1,552,777	9,522,433
-	-	-	11,840	374,778
-	-	-	4,177	3,462,175
-	-	4,844,193	-	9,229,282
-	-	1,915,150	62,203	1,977,353
-	-	-	-	49,024
-	-	-	-	41,721
<u>\$ 763,009</u>	<u>\$ 700,946</u>	<u>\$ 13,151,914</u>	<u>\$ 29,169,719</u>	<u>\$ 77,596,116</u>
\$ -	\$ -	\$ -	\$ 8,098	\$ 936,956
-	43,018	-	272,558	657,307
-	62,643	-	293,810	360,003
-	34,515	-	198	70,637
-	-	-	-	3,820
2,500,601	3,367,568	-	1,708,379	9,229,282
2,500,601	3,507,744	-	2,283,043	11,258,005
-	-	-	7,959	361,658
763,009	700,946	-	1,910,810	14,129,959
763,009	700,946	-	1,918,769	14,491,617
-	-	-	-	90,745
-	-	-	20,966,147	20,966,147
-	-	-	-	154,100
-	-	13,151,914	5,901,805	26,366,589
(2,500,601)	(3,507,744)	-	(1,900,045)	4,268,913
<u>(2,500,601)</u>	<u>(3,507,744)</u>	<u>13,151,914</u>	<u>24,967,907</u>	<u>51,846,494</u>
<u>\$ 763,009</u>	<u>\$ 700,946</u>	<u>\$ 13,151,914</u>	<u>\$ 29,169,719</u>	<u>\$ 77,596,116</u>

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CITY OF APPLE VALLEY

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
December 31, 2013

Total fund balances – governmental funds	\$ 51,846,494
Amounts reported for governmental activities in the Statement of Net Position 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	157,093,077
Less accumulated depreciation	(59,713,536)
Long-term liabilities, including bonds payable, are not due or payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable	(35,555,000)
Net OPEB obligation	(959,650)
Due to availability, certain revenues are not recognized under the governmental fund statements until received; however, under full accrual in the government-wide Statement of Activities, revenues are recorded when earned regardless of when received.	14,491,617
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(44,551)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
Internal service balances included in governmental activities	966,283
Add internal services balances allocated to business-type activities	51,272
Governmental funds report debt premiums as other financing sources at the time of issuance. Premiums are reported as liabilities in the Statement of Net Position.	<u>(375,351)</u>
Total net position – governmental activities	<u><u>\$ 127,800,655</u></u>

See notes to basic financial statements

CITY OF APPLE VALLEY

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2013

	Debt Service			
	General Fund (1000)	Closed Bond Issues (3205)	Improvement Bonds of 2006 (3330)	Improvement Bonds of 2007 (3340)
Revenue				
Taxes	\$ 21,081,786	\$ 12,376	\$ -	\$ -
Other taxes	95,909	-	-	-
Franchise fees	489,083	-	-	-
Special assessments	11,996	2,033,277	1,083,041	67,786
Licenses and permits	1,140,603	-	-	-
Intergovernmental	938,090	-	-	-
Charges for services	2,498,587	-	-	-
Fines and forfeits	257,345	-	-	-
Investment earnings (net of market value adjustment)	(122,708)	(138,498)	-	-
Other	709,163	-	-	-
Total revenue	<u>27,099,854</u>	<u>1,907,155</u>	<u>1,083,041</u>	<u>67,786</u>
Expenditures				
Current				
General government	4,443,847	-	-	-
Public safety	10,444,742	-	-	-
Public works	4,024,884	-	-	-
Parks and recreation	4,688,539	-	-	-
Capital outlay	1,023,101	-	-	-
Debt service				
Principal	-	-	355,000	225,000
Interest and fiscal charges	-	19,299	17,075	96,413
Total expenditures	<u>24,625,113</u>	<u>19,299</u>	<u>372,075</u>	<u>321,413</u>
Excess (deficiency) of revenue over expenditures	2,474,741	1,887,856	710,966	(253,627)
Other financing sources (uses)				
Sale of capital assets	27,544	-	-	-
Refunding bonds issued	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Transfers in	1,125,000	1,006,774	-	-
Transfers (out)	(2,776,417)	(2,989,900)	-	-
Total other financing sources (uses)	<u>(1,623,873)</u>	<u>(1,983,126)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	850,868	(95,270)	710,966	(253,627)
Fund balances (deficit)				
Beginning of year	13,375,516	7,256,638	(1,378,887)	(731,186)
End of year	<u>\$ 14,226,384</u>	<u>\$ 7,161,368</u>	<u>\$ (667,921)</u>	<u>\$ (984,813)</u>

See notes to basic financial statements

2001/2008B Refunding Improvement Bonds (3285)	Capital Projects			
	Road Improvements (2025)	Future Capital Projects (4930)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,702,283	\$ 22,796,445
-	-	-	73,504	169,413
-	-	-	773,310	1,262,393
164,462	97,812	-	614,687	4,073,061
-	-	-	-	1,140,603
-	824,303	29	626,500	2,388,922
-	-	-	-	2,498,587
-	-	-	-	257,345
-	-	(237,114)	(493,383)	(991,703)
-	-	83,361	546,341	1,338,865
<u>164,462</u>	<u>922,115</u>	<u>(153,724)</u>	<u>3,843,242</u>	<u>34,933,931</u>
-	-	-	74,755	4,518,602
-	-	-	93,301	10,538,043
-	-	-	6,608	4,031,492
-	-	-	290,357	4,978,896
-	4,317,281	7,361	3,368,797	8,716,540
400,000	-	-	2,645,000	3,625,000
41,931	-	-	1,093,509	1,268,227
<u>441,931</u>	<u>4,317,281</u>	<u>7,361</u>	<u>7,572,327</u>	<u>37,676,800</u>
(277,469)	(3,395,166)	(161,085)	(3,729,085)	(2,742,869)
-	-	-	172,166	199,710
-	-	-	9,000,000	9,000,000
-	-	-	81,545	81,545
-	3,846,164	-	5,204,670	11,182,608
-	-	(2,551,838)	(1,525,564)	(9,843,719)
-	<u>3,846,164</u>	<u>(2,551,838)</u>	<u>12,932,817</u>	<u>10,620,144</u>
(277,469)	450,998	(2,712,923)	9,203,732	7,877,275
(2,223,132)	(3,958,742)	15,864,837	15,764,175	43,969,219
<u>\$ (2,500,601)</u>	<u>\$ (3,507,744)</u>	<u>\$ 13,151,914</u>	<u>\$ 24,967,907</u>	<u>\$ 51,846,494</u>

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CITY OF APPLE VALLEY

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2013

Total net change in fund balances – governmental funds \$ 7,877,275

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 outlay	8,449,268
Capital contributions	768,046
Depreciation expense	(4,887,518)

A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.

(141,802)

The amount of bond proceeds used to finance the acquisition of capital assets is reported in the governmental funds as a source of financing. Bond proceeds are not revenues in the Statement of Activities, but rather constitute long-term liabilities.

(9,000,000)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

3,625,000

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

(146,106)

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 the 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.

36,078

Governmental funds report debt issuance premiums as other financing sources at the time of issuance. Premiums are reported as liabilities in the Statement of Net Position.

(44,370)

Certain revenues are recognized as soon as they are earned in the Statement of Activities. However, under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

(3,394,908)

Internal service funds are used by management to charge certain costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities in the government-wide financial statements.

Internal service fund activity included in governmental activities	(228,881)
Add back internal service fund activity allocated to business-type activities	51,272

Change in net position – governmental activities \$ 2,963,354

See notes to basic financial statements

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CITY OF APPLE VALLEY

Statement of Revenue, Expenditures, and Changes in Fund Balances
 General Fund – Budget and Actual
 Year Ended December 31, 2013

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenue				
Taxes	\$ 18,377,570	\$ 21,132,570	\$ 21,081,786	\$ (50,784)
Other taxes	88,019	88,019	95,909	7,890
Franchise fees	450,000	450,000	489,083	39,083
Special assessments	14,000	14,000	11,996	(2,004)
Licenses and permits	771,700	803,500	1,140,603	337,103
Intergovernmental	582,997	837,997	938,090	100,093
Charges for services	2,552,227	2,584,567	2,498,587	(85,980)
Fines and forfeits	282,000	282,000	257,345	(24,655)
Investment earnings (net of market value adjustment)	160,000	160,000	(122,708)	(282,708)
Other	547,600	547,600	709,163	161,563
Total revenue	<u>23,826,113</u>	<u>26,900,253</u>	<u>27,099,854</u>	<u>199,601</u>
Expenditures				
Current				
General government	4,521,531	4,823,579	4,443,847	(379,732)
Public safety	10,527,933	10,730,122	10,444,742	(285,380)
Public works	4,111,048	4,238,143	4,024,884	(213,259)
Parks and recreation	4,953,466	4,968,466	4,688,539	(279,927)
Capital outlay				
General government	262,356	241,456	221,069	(20,387)
Public safety	360,700	381,850	437,819	55,969
Public works	174,825	174,825	156,413	(18,412)
Parks and recreation	214,000	208,990	207,800	(1,190)
Total expenditures	<u>25,125,859</u>	<u>25,767,431</u>	<u>24,625,113</u>	<u>(1,142,318)</u>
Excess (deficiency) of revenue over expenditures	(1,299,746)	1,132,822	2,474,741	1,341,919
Other financing sources (uses)				
Sale of capital assets	20,000	20,000	27,544	7,544
Transfers in	1,125,000	1,125,000	1,125,000	-
Transfers (out)	(12,800)	(2,767,800)	(2,776,417)	(8,617)
Total other financing sources (uses)	<u>1,132,200</u>	<u>(1,622,800)</u>	<u>(1,623,873)</u>	<u>(1,073)</u>
Net change in fund balances	<u>\$ (167,546)</u>	<u>\$ (489,978)</u>	850,868	<u>\$ 1,340,846</u>
Fund balances				
Beginning of year			<u>13,375,516</u>	
End of year			<u>\$ 14,226,384</u>	

See notes to basic financial statements

CITY OF APPLE VALLEY

Statement of Net Position
 Proprietary Funds
 as of December 31, 2013

	Business-Type Activities – Enterprise Funds			
	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Assets				
Current assets				
Cash and investments	\$ 2,451,413	\$ –	\$ –	\$ 9,320,663
Receivables				
Special assessments				
Current	–	–	–	274,369
Delinquent	–	–	–	21,041
Accounts	971	5,524	373,824	2,038,224
Interest	1,960	–	–	–
Due from other governmental units	–	–	–	5,265
Prepays	15,719	–	–	216,058
Inventory	1,364,957	65,092	–	75,527
Total current assets	<u>3,835,020</u>	<u>70,616</u>	<u>373,824</u>	<u>11,951,147</u>
Noncurrent assets				
Restricted cash with fiscal agent	303,823	–	–	–
Deferred special assessment receivable	–	–	–	–
Advance to other funds	–	–	–	915,836
Capital assets				
Land and land improvements	1,179,183	991,179	2,000	1,781,235
Construction in progress	–	–	–	7,692,835
Buildings	3,439,237	3,190,504	3,308,602	8,269,633
Other improvements	25,000	584,612	40,594	84,494,374
Furniture and equipment	336,978	976,974	187,284	3,215,078
Less accumulated depreciation	<u>(1,121,794)</u>	<u>(1,193,035)</u>	<u>(2,218,828)</u>	<u>(30,282,244)</u>
Total capital assets (net of accumulated depreciation)	<u>3,858,604</u>	<u>4,550,234</u>	<u>1,319,652</u>	<u>75,170,911</u>
Total noncurrent assets	<u>4,162,427</u>	<u>4,550,234</u>	<u>1,319,652</u>	<u>76,086,747</u>
Total assets	<u>\$ 7,997,447</u>	<u>\$ 4,620,850</u>	<u>\$ 1,693,476</u>	<u>\$ 88,037,894</u>

See notes to basic financial statements

<u>Storm Drainage (5500, 5550)</u>	<u>Cemetery (5600, 5700)</u>	<u>Street Light Utility (5800)</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 2,394,589	\$ 681,047	\$ 31,841	\$ 14,879,553	\$ 3,523,527
1,224	—	—	275,593	—
—	—	—	21,041	—
384,179	—	115,911	2,918,633	1,388
—	—	—	1,960	—
6,540	—	—	11,805	—
—	—	—	231,777	110,850
—	—	—	1,505,576	—
<u>2,786,532</u>	<u>681,047</u>	<u>147,752</u>	<u>19,845,938</u>	<u>3,635,765</u>
—	—	—	303,823	—
9,791	—	—	9,791	—
—	—	—	915,836	—
1,700,522	513,560	—	6,167,679	—
55,048	—	—	7,747,883	—
—	—	—	18,207,976	—
45,576,750	655,674	—	131,377,004	—
118,175	—	—	4,834,489	—
<u>(10,615,993)</u>	<u>(155,480)</u>	<u>—</u>	<u>(45,587,374)</u>	<u>—</u>
<u>36,834,502</u>	<u>1,013,754</u>	<u>—</u>	<u>122,747,657</u>	<u>—</u>
<u>36,844,293</u>	<u>1,013,754</u>	<u>—</u>	<u>123,977,107</u>	<u>—</u>
<u>\$ 39,630,825</u>	<u>\$ 1,694,801</u>	<u>\$ 147,752</u>	<u>\$ 143,823,045</u>	<u>\$ 3,635,765</u>

(continued)

CITY OF APPLE VALLEY

Statement of Net Position
 Proprietary Funds (continued)
 as of December 31, 2013

	Business-Type Activities – Enterprise Funds			
	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Liabilities and Net Position				
Current liabilities				
Accrued salaries payable	\$ 52,615	\$ 19,299	\$ 20,655	\$ 70,014
Accounts payable	449,031	69,569	40,444	968,733
Contracts payable	–	–	–	1,148,830
Interest payable	9,321	518	460	–
Due to other governmental units	100,490	846	183	74,323
Claims incurred, but not reported	–	–	–	–
Accrued compensated absences	50,480	20,550	22,500	149,000
Capital lease payable	–	52,987	–	–
Bonds payable	150,000	–	115,000	–
Total current liabilities	<u>811,937</u>	<u>163,769</u>	<u>199,242</u>	<u>2,410,900</u>
Noncurrent liabilities				
Accrued compensated absences	45,670	51,560	20,155	79,967
Net OPEB obligation	44,030	20,210	14,055	87,393
Capital lease payable	–	137,658	–	–
Advance from other fund	–	2,219,846	673,343	–
Premium on bonds issued	–	–	–	–
Bonds payable	2,480,000	–	–	–
Total noncurrent liabilities	<u>2,569,700</u>	<u>2,429,274</u>	<u>707,553</u>	<u>167,360</u>
Total liabilities	3,381,637	2,593,043	906,795	2,578,260
Net position (deficit)				
Net investment in capital assets	1,228,604	4,359,589	1,204,652	75,170,911
Restricted for debt service	303,823	–	–	–
Unrestricted	3,083,383	(2,331,782)	(417,971)	10,288,723
Total net position	<u>4,615,810</u>	<u>2,027,807</u>	<u>786,681</u>	<u>85,459,634</u>
Total liabilities and net position	<u>\$ 7,997,447</u>	<u>\$ 4,620,850</u>	<u>\$ 1,693,476</u>	<u>\$ 88,037,894</u>

See notes to basic financial statements

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
\$ -	\$ 595	\$ -	\$ 163,178	\$ -
16,112	5,233	36,802	1,585,924	83,065
522	-	-	1,149,352	-
2,556	-	-	12,855	-
6,426	-	1,106	183,374	141
-	-	-	-	1,543
-	-	-	242,530	1,433,184
-	-	-	52,987	-
240,000	-	-	505,000	-
<u>265,616</u>	<u>5,828</u>	<u>37,908</u>	<u>3,895,200</u>	<u>1,517,933</u>
-	-	-	197,352	1,151,549
46	-	-	165,734	-
-	-	-	137,658	-
-	-	-	2,893,189	-
19,929	-	-	19,929	-
2,040,000	-	-	4,520,000	-
<u>2,059,975</u>	<u>-</u>	<u>-</u>	<u>7,933,862</u>	<u>1,151,549</u>
2,325,591	5,828	37,908	11,829,062	2,669,482
35,433,121	1,013,754	-	118,410,631	-
-	-	-	303,823	-
1,872,113	675,219	109,844	13,279,529	966,283
<u>37,305,234</u>	<u>1,688,973</u>	<u>109,844</u>	<u>131,993,983</u>	<u>966,283</u>
<u>\$ 39,630,825</u>	<u>\$ 1,694,801</u>	<u>\$ 147,752</u>	<u>\$ 143,823,045</u>	<u>\$ 3,635,765</u>
Total net position – enterprise funds			\$ 131,993,983	
Adjustment to reflect the consolidation of internal service fund activity related to enterprise funds			<u>(51,272)</u>	
Net position – business-type activities			<u>\$ 131,942,711</u>	

CITY OF APPLE VALLEY

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2013

	Business-Type Activities – Enterprise Funds			
	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Operating revenue				
Sales and rentals	\$ 9,380,818	\$ 1,167,654	\$ 643,855	\$ –
Charges for services	–	–	–	8,949,608
Total operating revenue	<u>9,380,818</u>	<u>1,167,654</u>	<u>643,855</u>	<u>8,949,608</u>
Cost of goods sold	<u>6,695,446</u>	<u>231,404</u>	<u>849</u>	<u>–</u>
Gross profit	2,685,372	936,250	643,006	8,949,608
Operating expenses				
Personal services	978,237	758,809	367,831	1,492,769
Contractual services	28,838	49,769	44,558	223,868
Other charges	317,057	46,238	6,147	630,714
Supplies and repairs	28,127	146,318	43,515	778,840
Insurance	48,500	37,000	11,600	150,000
Utilities	59,973	51,685	127,134	372,324
Depreciation	134,489	159,987	144,720	1,590,047
Sewer charges	–	–	–	2,537,948
Total operating expenses	<u>1,595,221</u>	<u>1,249,806</u>	<u>745,505</u>	<u>7,776,510</u>
Operating income (loss)	1,090,151	(313,556)	(102,499)	1,173,098
Nonoperating revenue (expense)				
Taxes	–	–	121,000	–
Intergovernmental	–	–	–	–
Investment earnings (net of market value adjustment)	(54,549)	(1,344)	(1,982)	(239,646)
Other income	–	500	–	2,190
Gain on sale of capital assets	1,304	–	–	9,581
Interest expense	(116,436)	(19,405)	(10,158)	–
Total nonoperating revenue (expense)	<u>(169,681)</u>	<u>(20,249)</u>	<u>108,860</u>	<u>(227,875)</u>
Income (loss) before capital contributions and transfers	920,470	(333,805)	6,361	945,223
Capital contributions	–	–	–	689,021
Capital contributions – connection fees	–	–	–	237,783
Transfers (out)	<u>(525,000)</u>	<u>–</u>	<u>–</u>	<u>(674,450)</u>
Change in net position	395,470	(333,805)	6,361	1,197,577
Net position				
Beginning of year	<u>4,220,340</u>	<u>2,361,612</u>	<u>780,320</u>	<u>84,262,057</u>
End of year	<u>\$ 4,615,810</u>	<u>\$ 2,027,807</u>	<u>\$ 786,681</u>	<u>\$ 85,459,634</u>

See notes to basic financial statements

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
\$ -	\$ -	\$ -	\$ 11,192,327	\$ -
1,505,136	123,197	449,885	11,027,826	1,283,667
<u>1,505,136</u>	<u>123,197</u>	<u>449,885</u>	<u>22,220,153</u>	<u>1,283,667</u>
-	-	-	6,927,699	-
1,505,136	123,197	449,885	15,292,454	1,283,667
8,096	2,650	-	3,608,392	666,826
86,848	15,441	9,842	459,164	35,527
303,421	10,737	2,154	1,316,468	923,123
46,005	1,671	1,759	1,046,235	-
2,000	-	1,900	251,000	-
54,795	1,909	428,451	1,096,271	-
488,130	19,064	-	2,536,437	-
-	-	-	2,537,948	-
<u>989,295</u>	<u>51,472</u>	<u>444,106</u>	<u>12,851,915</u>	<u>1,625,476</u>
515,841	71,725	5,779	2,440,539	(341,809)
-	-	-	121,000	-
80,707	-	-	80,707	-
(47,351)	(12,940)	(521)	(358,333)	(65,179)
20,000	-	-	22,690	178,107
-	-	-	10,885	-
<u>(62,792)</u>	<u>-</u>	<u>-</u>	<u>(208,791)</u>	<u>-</u>
<u>(9,436)</u>	<u>(12,940)</u>	<u>(521)</u>	<u>(331,842)</u>	<u>112,928</u>
506,405	58,785	5,258	2,108,697	(228,881)
424,960	-	-	1,113,981	-
145,737	-	-	383,520	-
<u>(139,439)</u>	<u>-</u>	<u>-</u>	<u>(1,338,889)</u>	<u>-</u>
937,663	58,785	5,258	2,267,309	(228,881)
<u>36,367,571</u>	<u>1,630,188</u>	<u>104,586</u>	<u>129,726,674</u>	<u>1,195,164</u>
<u>\$ 37,305,234</u>	<u>\$ 1,688,973</u>	<u>\$ 109,844</u>	<u>\$ 131,993,983</u>	<u>\$ 966,283</u>
Change in net position – enterprise funds			\$ 2,267,309	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds			(51,272)	
Change in net position – business-type activities			<u>\$ 2,216,037</u>	

CITY OF APPLE VALLEY

Statement of Cash Flows
 Proprietary Funds
 Year Ended December 31, 2013

	Business-Type Activities – Enterprise Funds			
	Municipal Liquor (5000, 5030)	Municipal Golf Course (1500)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Cash flows from operating activities				
Cash received from customers	\$ 9,383,845	\$ 1,162,130	\$ 650,259	\$ 8,918,667
Cash receipts on interfund services provided	–	–	–	–
Cash payments to suppliers	(7,221,407)	(658,504)	(230,808)	(2,823,203)
Cash payments to employees for services	(967,131)	(764,169)	(365,488)	(1,449,050)
Net cash flows from operating activities	<u>1,195,307</u>	<u>(260,543)</u>	<u>53,963</u>	<u>4,646,414</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	–	(314,044)	(13,846)	(8,633,877)
Connection fees received	–	–	–	237,783
Proceeds from sale of capital assets	1,304	–	–	9,581
Proceeds from capital lease	–	218,015	–	–
Payment on debt	(145,000)	(72,254)	(110,000)	–
Interest paid	(116,853)	(20,430)	(10,580)	–
Net cash flows from capital and related financing activities	<u>(260,549)</u>	<u>(188,713)</u>	<u>(134,426)</u>	<u>(8,386,513)</u>
Cash flows from investing activities				
Interest received (market value adjustment) on investments	(54,520)	(1,344)	(1,982)	(239,646)
Cash flows from noncapital financing activities				
Intergovernmental revenue	–	–	–	–
Taxes	–	–	121,000	–
Other income	–	500	–	2,190
Cash received from (paid to) other funds	–	56,311	(38,555)	(203,938)
Transfers (out)	(525,000)	–	–	(674,450)
Net cash flows from noncapital financing activities	<u>(525,000)</u>	<u>56,811</u>	<u>82,445</u>	<u>(876,198)</u>
Net increase (decrease) in cash and cash equivalents	355,238	(393,789)	–	(4,855,943)
Cash and cash equivalents				
Beginning of year	2,399,998	393,789	–	14,176,606
End of year	<u>\$ 2,755,236</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 9,320,663</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 1,090,151	\$ (313,556)	\$ (102,499)	\$ 1,173,098
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	134,489	159,987	144,720	1,590,047
Change in assets and liabilities				
Receivables				
Special assessments	–	–	–	(16,827)
Accounts	3,027	(5,524)	(233,245)	(16,145)
Due from other governmental units	–	–	239,649	2,031
Inventory	(3,653)	(18,098)	–	(7,030)
Prepays	(2,013)	50	175	(10,215)
Accounts payable	(34,596)	45,064	20,127	800,652
Contracts payable	–	(123,457)	–	1,067,898
Accrued salaries payable	3,611	4,541	1,896	7,194
Claims incurred, but not reported	–	–	–	–
Net OPEB obligation	6,218	3,362	2,150	13,555
Accrued compensated absences	1,277	(13,263)	(1,703)	22,970
Due to other governmental units	(3,204)	351	(17,307)	19,186
Net cash flows from operating activities	<u>\$ 1,195,307</u>	<u>\$ (260,543)</u>	<u>\$ 53,963</u>	<u>\$ 4,646,414</u>
Noncash capital activities				
Capital contributions	\$ –	\$ –	\$ –	\$ 689,021

See notes to basic financial statements

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
\$ 1,524,702	\$ 123,197	\$ 447,381	\$ 22,210,181	\$ -
-	-	-	-	1,285,401
(506,702)	(27,984)	(442,807)	(11,911,415)	(1,329,506)
(8,050)	(2,166)	-	(3,556,054)	(14,080)
<u>1,009,950</u>	<u>93,047</u>	<u>4,574</u>	<u>6,742,712</u>	<u>(58,185)</u>
(244,615)	(155,373)	-	(9,361,755)	-
145,737	-	-	383,520	-
-	-	-	10,885	-
-	-	-	218,015	-
(230,000)	-	-	(557,254)	-
(64,553)	-	-	(212,416)	-
<u>(393,431)</u>	<u>(155,373)</u>	<u>-</u>	<u>(9,519,005)</u>	<u>-</u>
(47,351)	(12,940)	(521)	(358,304)	(65,179)
80,707	-	-	80,707	-
-	-	-	121,000	-
20,000	-	-	22,690	178,107
-	-	-	(186,182)	-
<u>(139,439)</u>	<u>-</u>	<u>-</u>	<u>(1,338,889)</u>	<u>-</u>
<u>(38,732)</u>	<u>-</u>	<u>-</u>	<u>(1,300,674)</u>	<u>178,107</u>
530,436	(75,266)	4,053	(4,435,271)	54,743
<u>1,864,153</u>	<u>756,313</u>	<u>27,788</u>	<u>19,618,647</u>	<u>3,468,784</u>
<u>\$ 2,394,589</u>	<u>\$ 681,047</u>	<u>\$ 31,841</u>	<u>\$ 15,183,376</u>	<u>\$ 3,523,527</u>
\$ 515,841	\$ 71,725	\$ 5,779	\$ 2,440,539	\$ (341,809)
488,130	19,064	-	2,536,437	-
(2,448)	-	-	(19,275)	-
(11,446)	-	(2,504)	(265,837)	1,734
33,460	-	-	275,140	-
-	-	-	(28,781)	-
-	-	-	(12,003)	61,547
12,907	1,774	1,126	847,054	78,321
(19,047)	-	-	925,394	-
-	484	-	17,726	-
-	-	-	-	1,543
46	-	-	25,331	-
-	-	-	9,281	140,338
<u>(7,493)</u>	<u>-</u>	<u>173</u>	<u>(8,294)</u>	<u>141</u>
<u>\$ 1,009,950</u>	<u>\$ 93,047</u>	<u>\$ 4,574</u>	<u>\$ 6,742,712</u>	<u>\$ (58,185)</u>
<u>\$ 424,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,113,981</u>	<u>\$ -</u>

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CITY OF APPLE VALLEY

Notes to Basic Financial Statements
December 31, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component units. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

The Apple Valley Economic Development Authority (EDA) is a legally separate entity 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. Members of the governing board of the Apple Valley EDA are the City councilmembers and two other members appointed by the City Council. Separate financial statements are not prepared for the Apple Valley EDA. The Apple Valley EDA is a blended component unit and reported in the financial statements of the City as the Economic Development Debt Service Fund and the EDA Operations Special Revenue Fund.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which significantly rely upon sales, fees, and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City's enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. 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. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Major revenue that is susceptible to accrual includes property taxes, special assessments, intergovernmental revenue, charges for services, and interest earned on investments. Major revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected.

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, other post-employment benefits (OPEB) obligations, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. 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 City's enterprise funds and internal service funds are charges to customers for sales and services. The operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

Aggregated information for the internal service funds is reported in a single column in the proprietary fund financial statements. Because the principal user of the internal services is the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Description of Funds

The City reports the following major governmental funds:

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

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

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

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

2001/2008B Refunding Improvement Bonds Debt Service Fund (3285) – This fund accounts for the payment of the bond issuance for various improvements.

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

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

The City reports the following major enterprise funds:

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Additionally, the City reports the following fund types:

Internal Service Funds – Internal service funds account for the financing of goods and services provided to other departments or agencies of the City on a cost reimbursement basis. The City utilizes an Insurance Internal Service Fund, Risk Management Internal Service Fund, and a Vehicle Equipment Replacement Internal Service Fund in managing city operations.

E. Cash and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. The City generally reports investments at fair value.

Restricted cash with fiscal agent in the G.O. Refunding Bonds of 2013 Debt Service Fund includes balances held in an escrow account for future bond refunding. Earnings on this account are allocated directly to this fund. Restricted cash with fiscal agent in the Municipal Liquor Fund includes balances held in an account in accordance with debt agreements to subsidize potential deficiencies from the liquor store operations that could adversely affect debt service payments.

F. Receivables

Utility and miscellaneous accounts receivable are reported at gross. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables. The City does record an allowance for the amount of utility receivables that remain delinquent after having been certified to the county. The only receivables not expected to be collected within one year are property taxes and special assessments receivable.

G. Interfund Receivables and Payables

In the fund financial statements, activity between funds that is representative of lending or borrowing arrangements is reported as either “due to/from other funds” (current portion) or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Taxes

Property tax levies are set by the City Council in December of each year, and are certified to Dakota County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads the levies over all taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes are due in full on May 15. The county provides tax settlements to cities and other taxing districts three times a year; in July, December, and January.

Property taxes are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, taxes are recognized as revenue when received in cash or within 60 days after year-end. Taxes which remain unpaid on December 31 are classified as delinquent taxes receivable, and are offset by a deferred inflow of resources in the governmental fund financial statements.

I. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. Special assessments are recorded as receivables upon certification to the county. Special assessments are recognized as revenue in the year levied in the government-wide financial statements and proprietary fund financial statements. In the governmental fund financial statements, special assessments are recognized as revenue when received in cash or within 60 days after year-end. Governmental fund special assessments receivable which remain unpaid on December 31 are offset by a deferred inflow of resources in the governmental fund financial statements.

J. Prepaids

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. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

K. Inventories

The 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 valuation method. Inventories are recorded as expenditures or expenses when consumed.

L. Capital Assets

Capital assets, which include land, land improvements, buildings, other improvements, furniture and equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value on the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over their estimated useful lives. Land and construction in progress are not depreciated.

The estimated useful lives are as follows:

Assets	Years
Buildings	7–40
Improvements Other Than Buildings	5–40
Furniture and Equipment	3–50
Infrastructure	25–50

M. Compensated Absences

Full-time employees employed by the City after January 1, 1995 are eligible for three to six 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 the internal service 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 accounting principles generally accepted in the United States of America, compensated absences are reflected as a liability in the Internal Service 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 Position and the Statement of Net Position – Proprietary Funds include all leave balances accrued but not yet used by employees, whether or not the employees have terminated employment with the City.

N. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the period incurred.

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 expenditures.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Inflows of Resources

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from two sources: property taxes and special assessments not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

P. Budgets and Budgetary Accounting

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

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the 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 by the City Council.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
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 transfers 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, Cable TV Special Revenue Fund, and EDA Operations 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 for most Capital Projects Funds. In 2013, the City also adopted formal annual appropriated budget for the Road Improvements Capital Projects, Future Capital Projects, and Equipment Certificate Capital Projects Funds.
7. The Finance Director/Treasurer presents monthly reports to the City Council.
8. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditures appropriate lapse at year-end.

Q. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Position and Flow Assumptions

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other elements of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

S. Fund Balance Classifications and Flow Assumptions

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the City Administrator and/or the Finance Director/Treasurer are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the City’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverage. LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The City pays an annual premium to LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The City also carries commercial insurance for certain other risks of loss. Settled claims resulting from these risks did not exceed insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage in 2013.

The City uses its Insurance Internal Service Fund to account for and finance its self-insured risk of loss for an employee dental plan. The dental plan is funded by the City, employee contributions, and investment earnings. The claims liability of \$1,543 is included in the liabilities of the Insurance Fund at December 31, 2013 and is based on the requirement that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred on the date of the financial statements and the loss can be reasonably estimated.

Changes in the fund's claim liability for the past two years were:

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2012	\$ –	\$ 178,178	\$ 178,178	\$ –
2013	\$ –	\$ 189,377	\$ 187,834	\$ 1,543

U. Restricted Assets

Restricted assets are cash, investments, and interest accrued thereon; the use of which is limited by external requirements such as a bond indenture.

V. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that 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/expenses during the reporting period. Actual results could differ from those estimates.

W. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	\$ 4,362,006
Investments	61,879,381
Petty cash	<u>16,276</u>
Total	<u>\$ 66,257,663</u>

Cash and investments are presented in the financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 57,291,772
Restricted assets	
Cash and investments for debt service	<u>8,965,891</u>
Total	<u>\$ 66,257,663</u>

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City has no additional deposit policies addressing custodial credit risk.

At year-end, the carrying amount of the City’s deposits was \$4,362,006, while the balance on the bank records was \$4,339,100. At December 31, 2013, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years				Total
	Rating	Agency	Less	1 to 5	6 to 10	Greater	
			Than 1			Than 10	
U.S. agency securities	AA	S&P	\$ 142,814	\$ 10,691,828	\$ 8,030,069	\$ 5,871,728	\$ 24,736,439
State and local bonds	AAA	S&P	–	3,440,586	545,394	–	3,985,980
State and local bonds	AAA	Moody’s	–	969,681	–	–	969,681
State and local bonds	AA	S&P	–	7,358,929	5,167,369	–	12,526,298
State and local bonds	AA	Moody’s	673,605	4,917,845	3,962,210	291,894	9,845,554
State and local bonds	A	S&P	–	–	730,770	–	730,770
State and local bonds	A	Moody’s	–	622,091	–	–	622,091
Negotiable certificates of deposit	N/R	N/A	4,899,809	1,719,975	–	–	6,619,784
			<u>\$ 5,716,228</u>	<u>\$ 29,720,935</u>	<u>\$ 18,435,812</u>	<u>\$ 6,163,622</u>	60,036,597
Investment pools/mutual funds							
Federated treasury cash series	AAA	S&P					26,515
General money market	N/R	N/A					4,375
Wells Fargo Advantage Heritage	AAA	S&P					1,811,894
Total investments							<u>\$ 61,879,381</u>

N/A – Not Applicable
N/R – Not Rated

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would 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.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City’s investment policy addresses credit risk by limiting investments to the safest type of securities and using prequalifying brokers/financial institutions.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policy states no more than 5 percent 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. As of December 31, 2013, the City’s investment portfolio includes the Federal National Mortgage Association at 19.0 percent.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). 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.

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due To and Due From Other Funds

Interfund receivables and payables at year-end were as follows:

Due To Other Funds	Due From Other Funds		
	Governmental		Total
	Closed Bond Issues	Future Capital Projects	
Governmental			
Improvement Bonds of 2006	\$ 667,921	\$ –	\$ 667,921
Improvement Bonds of 2007	984,813	–	984,813
2001/2008B Refunding Improvement Bonds	2,500,601	–	2,500,601
Road Improvements	–	3,367,568	3,367,568
Nonmajor	231,754	1,476,625	1,708,379
Total	\$ 4,385,089	\$ 4,844,193	\$ 9,229,282

Interfund borrowing is utilized for cash flow borrowing to eliminate temporary cash balance deficits.

B. Advance From and Advance To Other Funds

Borrowing at year-end was as follows:

Advance From Other Funds	Advance To Other Funds			Total
	Governmental		Enterprise	
	Future Capital Projects	Nonmajor	Water and Sewer	
Enterprise				
Municipal Golf Course	\$ 1,915,150	\$ 62,203	\$ 242,493	\$ 2,219,846
Sports Arena	–	–	673,343	673,343
Total	\$ 1,915,150	\$ 62,203	\$ 915,836	\$ 2,893,189

Advances are utilized to cover operations and capital improvements.

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

C. Interfund Transfers

Transfers Out	Transfers In				
	Governmental				Total
	General Fund	Closed Bond Issues	Road Improvements	Nonmajor	
Governmental					
General Fund	\$ -	\$ -	\$ 2,755,000	\$ 21,417	\$ 2,776,417
Closed Bond Issues	-	-	455,000	2,534,900	2,989,900
Future Capital Projects	-	-	125,000	2,426,838	2,551,838
Nonmajor	-	1,006,774	297,275	221,515	1,525,564
Enterprise					
Municipal Liquor	525,000	-	-	-	525,000
Water and Sewer	600,000	-	74,450	-	674,450
Storm Drainage	-	-	139,439	-	139,439
Total	\$ 1,125,000	\$ 1,006,774	\$ 3,846,164	\$ 5,204,670	\$ 11,182,608

Transfers are made in accordance with budget appropriations or as approved by the City Council for special funding of city activities. These transfers were made to fund operations, debt payments, capital outlay, or to close funds.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Beginning of Year	Additions	Deletions	Completed Construction	End of Year
Capital assets, not depreciated					
Land and land improvements	\$ 2,793,438	\$ 199,337	\$ -	\$ 892,940	\$ 3,885,715
Construction in progress	516,416	6,859,420	-	(5,607,715)	1,768,121
Total capital assets, not depreciated	3,309,854	7,058,757	-	(4,714,775)	5,653,836
Capital assets, depreciated					
Buildings	27,433,672	48,300	(26,832)	16,800	27,471,940
Other improvements	24,176,473	379,649	(163,900)	98,700	24,490,922
Furniture and equipment	15,836,000	829,597	(581,553)	-	16,084,044
Infrastructure	77,892,049	901,011	-	4,599,275	83,392,335
Total capital assets, depreciated	145,338,194	2,158,557	(772,285)	4,714,775	151,439,241
Less accumulated depreciation on					
Buildings	9,503,706	715,254	(16,053)	-	10,202,907
Other improvements	6,555,831	816,238	(32,877)	-	7,339,192
Furniture and equipment	10,478,227	1,050,202	(581,553)	-	10,946,876
Infrastructure	28,918,737	2,305,824	-	-	31,224,561
Total accumulated depreciation	55,456,501	4,887,518	(630,483)	-	59,713,536
Net capital assets, depreciated	89,881,693	(2,728,961)	(141,802)	4,714,775	91,725,705
Total capital assets, net	\$ 93,191,547	\$ 4,329,796	\$ (141,802)	\$ -	\$ 97,379,541

NOTE 4 – CAPITAL ASSETS (CONTINUED)

B. Changes in Capital Assets Used in Business-Type Activities

	Beginning of Year	Additions	Deletions	Completed Construction	End of Year
Capital assets, not depreciated					
Land and land improvements	\$ 5,969,490	\$ 198,189	\$ –	\$ –	\$ 6,167,679
Construction in progress	779,837	8,816,851	–	(1,848,805)	7,747,883
Total capital assets, not depreciated	<u>6,749,327</u>	<u>9,015,040</u>	<u>–</u>	<u>(1,848,805)</u>	<u>13,915,562</u>
Capital assets, depreciated					
Buildings	18,186,013	21,963	–	–	18,207,976
Other improvements	128,386,905	1,141,294	–	1,848,805	131,377,004
Furniture and equipment	4,568,098	297,439	(31,048)	–	4,834,489
Total capital assets, depreciated	<u>151,141,016</u>	<u>1,460,696</u>	<u>(31,048)</u>	<u>1,848,805</u>	<u>154,419,469</u>
Less accumulated depreciation on					
Buildings	7,208,600	523,529	–	–	7,732,129
Other improvements	32,603,598	1,755,519	–	–	34,359,117
Furniture and equipment	3,269,787	257,389	(31,048)	–	3,496,128
Total accumulated depreciation	<u>43,081,985</u>	<u>2,536,437</u>	<u>(31,048)</u>	<u>–</u>	<u>45,587,374</u>
Net capital assets, depreciated	<u>108,059,031</u>	<u>(1,075,741)</u>	<u>–</u>	<u>1,848,805</u>	<u>108,832,095</u>
Total capital assets, net	<u>\$ 114,808,358</u>	<u>\$ 7,939,299</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 122,747,657</u>

C. Depreciation Expense by Function

Depreciation expense for the year ended December 31, 2013 was charged to the following functions:

Governmental activities	
General government	\$ 405,986
Public safety	586,816
Public works	2,657,072
Parks and recreation	1,237,644
Total depreciation expense – governmental activities	<u>\$ 4,887,518</u>
Business-type activities	
Municipal liquor	\$ 134,489
Municipal golf course	159,987
Sports arena	144,720
Water and sewer	1,590,047
Storm drainage	488,130
Cemetery	19,064
Total depreciation expense – business-type activities	<u>\$ 2,536,437</u>

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Debt

	Original Issue	Interest Rate	Final Maturity	Balance – End of Year
Governmental activities				
General obligation bonds				
G.O. Park Bonds 2007A	\$ 6,400,000	3.40–4.40%	12/15/2032	\$ 5,920,000
G.O. Park Bonds 2008D	\$ 6,685,000	2.40–4.20%	12/15/2032	6,310,000
G.O. State-Aid Road Refunding Bonds 2009A	\$ 2,775,000	2.00–3.00%	12/01/2016	1,760,000
G.O. Refunding Improvement Bonds 2010A	\$ 435,000	1.50–2.00%	12/01/2015	225,000
G.O. Park Bonds 2011A	\$ 1,345,000	2.00–4.10%	12/15/2032	1,265,000
G.O. Equipment Certificate Bonds 2012A	\$ 1,305,000	2.00%	12/15/2021	1,135,000
G.O. Park Refunding Bonds 2012A	\$ 4,550,000	2.00%	12/15/2017	3,735,000
G.O. Crossover Refunding Bonds 2013A	\$ 9,000,000	1.75–2.35%	12/15/2031	9,000,000
Total general obligation bonds				<u>29,350,000</u>
General obligation improvement bonds				
G.O. Improvement Bonds 2007B	\$ 3,600,000	3.35–4.10%	12/15/2023	2,250,000
G.O. Improvement Refunding Bonds 2008B	\$ 2,415,000	3.25–4.00%	12/01/2015	785,000
G.O. Improvement Refunding Bonds 2010A	\$ 2,135,000	1.50–2.15%	12/01/2019	1,575,000
G.O. Improvement Refunding Bonds 2010A	\$ 1,395,000	1.50–2.00%	12/01/2015	675,000
G.O. Improvement Bonds 2012A	\$ 920,000	2.00%	12/15/2022	920,000
Total general obligation improvement bonds				<u>6,205,000</u>
Total governmental activities bonds				<u>35,555,000</u>
Unamortized premium				375,351
Net OPEB obligation				959,650
Compensated absences				<u>2,584,733</u>
Total governmental activities				<u>\$ 39,474,734</u>
Business-type activities				
General obligation revenue bonds				
Recreational Revenue Refunding				
Bonds 2004	\$ 1,015,000	1.25–4.80%	12/01/2014	\$ 115,000
G.O. Refunding Bonds 2010A	\$ 355,000	1.50%	12/01/2014	95,000
G.O. Storm Water Bonds 2011A	\$ 2,600,000	2.00–3.60%	12/15/2026	2,185,000
Total general obligation revenue bonds				<u>2,395,000</u>
Revenue bonds				
Liquor Store Revenue Bonds 2008C	\$ 3,295,000	2.60–4.60%	12/01/2025	2,630,000
Total business-type activities bonds				<u>5,025,000</u>
Capital lease				190,645
Unamortized premium				19,929
Net OPEB obligation				165,734
Compensated absences				<u>439,882</u>
Total business-type activities				<u>\$ 5,841,190</u>

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Debt

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 22,165,000	\$ 9,000,000	\$ 1,815,000	\$ 29,350,000	\$ 2,145,000
General obligation improvement bonds	8,015,000	–	1,810,000	6,205,000	1,270,000
Unamortized premium	330,981	81,545	37,175	375,351	–
Net OPEB obligation	813,544	204,638	58,532	959,650	–
Compensated absences	2,444,395	1,576,970	1,436,632	2,584,733	1,433,184
Total governmental activities	<u>33,768,920</u>	<u>10,863,153</u>	<u>5,157,339</u>	<u>39,474,734</u>	<u>4,848,184</u>
Business-type activities					
General obligation revenue bonds	2,735,000	–	340,000	2,395,000	355,000
Revenue bonds	2,775,000	–	145,000	2,630,000	150,000
Capital lease	44,884	218,015	72,254	190,645	52,987
Unamortized premium	21,462	–	1,533	19,929	–
Net OPEB obligation	140,403	35,341	10,010	165,734	–
Compensated absences	430,601	271,819	262,538	439,882	242,530
Total business-type activities	<u>6,147,350</u>	<u>525,175</u>	<u>831,335</u>	<u>5,841,190</u>	<u>800,517</u>
Total government-wide	<u>\$ 39,916,270</u>	<u>\$ 11,388,328</u>	<u>\$ 5,988,674</u>	<u>\$ 45,315,924</u>	<u>\$ 5,648,701</u>

C. Minimum Debt Payments

Minimum annual payments required to retire bonds are as follows:

Governmental Activities

Year Ending December 31,	General Obligation Bonds		General Obligation Improvement Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,145,000	\$ 871,658	\$ 1,270,000	\$ 178,006	\$ 3,415,000	\$ 1,049,664
2015	2,190,000	822,150	1,300,000	146,700	3,490,000	968,850
2016	2,100,000	767,908	600,000	108,400	2,700,000	876,308
2017	9,895,000	714,733	595,000	92,348	10,490,000	807,081
2018	695,000	325,785	590,000	76,288	1,285,000	402,073
2019–2023	4,055,000	1,279,325	1,850,000	166,188	5,905,000	1,445,513
2024–2028	4,780,000	740,255	–	–	4,780,000	740,255
2029–2032	3,490,000	183,348	–	–	3,490,000	183,348
	<u>\$ 29,350,000</u>	<u>\$ 5,705,162</u>	<u>\$ 6,205,000</u>	<u>\$ 767,930</u>	<u>\$ 35,555,000</u>	<u>\$ 6,473,092</u>

Business-Type Activities

Year Ending December 31,	General Obligation Revenue Bonds		Revenue Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 355,000	\$ 65,428	\$ 150,000	\$ 111,850	\$ 52,987	\$ 3,103	\$ 557,987	\$ 180,381
2015	150,000	55,582	155,000	106,450	41,038	1,780	346,038	163,812
2016	155,000	52,582	160,000	100,560	96,620	1,321	411,620	154,463
2017	160,000	49,483	170,000	94,320	–	–	330,000	143,803
2018	165,000	46,283	180,000	87,520	–	–	345,000	133,803
2019–2023	875,000	169,053	1,050,000	317,500	–	–	1,925,000	486,553
2024–2026	535,000	34,270	765,000	59,220	–	–	1,300,000	93,490
	<u>\$ 2,395,000</u>	<u>\$ 472,681</u>	<u>\$ 2,630,000</u>	<u>\$ 877,420</u>	<u>\$ 190,645</u>	<u>\$ 6,204</u>	<u>\$ 5,215,645</u>	<u>\$ 1,356,305</u>

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Description of Long-Term Debt

- **General Obligation Bonds and General Obligation Improvement Bonds** – The City issues general obligation (G.O.) bonds to provide financing for street, utility, park, and cemetery project improvements. The City issues G.O. equipment certificates to provide financing for capital equipment. Debt service is covered respectively by special assessments, state aids, general property taxes, and tax increments. G.O. bonds and equipment certificates are direct obligations and pledge the full faith and credit of the City. Bonds generally are issued as 15-year serial bonds with fluctuating debt service payments each year. Equipment certificates are issued as five-year notes with fluctuating debt service payments each year.

In April 2013, the City issued \$9,000,000 of G.O. Crossover Refunding Bonds, Series 2013A. The proceeds of this issue and interest earned thereon will be used to refund the 2023 through 2032 maturities of the City's G.O. Park Bonds, Series 2007A, totaling \$4,150,000, on their December 15, 2017 call date and the 2023 through 2032 maturities of the City's G.O. Park Bonds, Series 2008D, totaling \$4,225,000, on their December 15, 2017 call date. Until the call date, the City will make all debt service payments on the 2007A and 2008D issues, and all debt service on the 2013A issue will be paid from the refunding escrow account. This "crossover refunding" will reduce the City's total future debt service payments by \$1,031,660 and result in a present value savings of \$1,047,760.

- **General Obligation Revenue Bonds and Revenue Bonds** – The City issues revenue bonds to provide financing for its enterprise funds. The City issued revenue bonds for the liquor store and G.O. revenue bonds for the arena, water and sewer, and storm drainage activity. Debt service is covered through the revenue producing activities of these funds.
- **Capital Lease** – The City entered into lease agreements for financing the acquisition of equipment for the municipal golf course. These lease agreements mature in November 2016 and carry interest rates ranging from 0.24–6.69 percent. As of December 31, 2013, these assets had a capitalized value of \$273,438 with accumulated depreciation of \$57,786. Revenues from the Municipal Golf Course Fund financed these leases.
- **Net OPEB Obligation** – This liability represents the City's OPEB obligation as further described later in these notes. The General Fund, Municipal Liquor, Municipal Golf Course, Sports Arena, Water and Sewer, and Storm Drainage Funds will be used to liquidate this liability.
- **Compensated Absences** – This liability represents vested benefits earned by employees through the end of the year, which will be paid or used in future periods. The Risk Management Internal Service Fund, Municipal Liquor, Municipal Golf Course, Sports Arena, and Water and Sewer Funds will be used to liquidate this liability.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

E. Revenue Pledged

Bond Issue	Use of Proceeds	Type	Revenue Pledged		Remaining Principal and Interest	Current Year	
			Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Liquor Store Revenue Bonds 2008C	Site improvements	Liquor sales	100%	2008–2025	\$ 3,507,420	\$ 261,436	\$ 9,380,818
G.O. Refunding Bonds 2010A	Utility improvements	Utility charges	100%	2010–2014	\$ 96,425	\$ 92,775	\$ 1,505,136
G.O. Storm Water Bonds 2011A	Utility improvements	Utility charges	100%	2011–2026	\$ 2,650,735	\$ 199,522	\$ 1,505,136
Recreational Revenue Refunding Bonds 2004	Site improvements	Sports arena revenues	100%	2004–2014	\$ 120,521	\$ 120,151	\$ 643,855

F. Arbitrage Rebate

The Tax Reform Act of 1986 requires governmental entities to pay to the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. This rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986. In the opinion of management, any obligation would be immaterial.

G. Conduit Debt Obligations

At times, the City has issued various types of revenue bonds to provide financial assistance to private sector, nonprofit, or governmental entities to finance the acquisition or construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the City’s financial statements. As of December 31, 2013, the following conduit debt issues were outstanding:

Independent School District No. 196 Public Project Revenue Bond (Independent School District No. 196 Lease Obligations), Series 2006C	\$ 450,000
Augustana Care Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2011A	1,355,000
Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2011B	1,570,000
Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2012	1,000,000
Ecumen Housing and Health Care Revenue Bonds (The Seasons at Apple Valley Project), Series 2010	5,335,000
Lifeworks services Educational Facilities Revenue Note, Series 2011	<u>2,208,076</u>
Total conduit debt obligations	<u><u>\$ 11,918,076</u></u>

NOTE 6 – JOINT POWERS COMMITMENT

On August 25, 2005, the City entered into a joint powers agreement (the Agreement) with the cities of Burnsville, Eagan, Farmington, Hastings, Inver Grove Heights, Lakeville, Mendota Heights, Rosemount, South St. Paul, West St. Paul, 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.

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 percent to 5 percent. 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 is \$156,000, payable in fiscal year 2014.

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 bondholders 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 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

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 (PERA) of Minnesota. 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 Plan or the 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 by statute 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 statutes, and vest after five 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF 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.

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 receiving them yet 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 at mnpera.org; by writing to PERA at 60 Empire Drive, Suite 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 percent and 6.25 percent, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6 percent of their annual covered salary in 2013. In 2013, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.25 percent for Coordinated Plan members, and 14.4 percent for PEPFF members. The City’s contributions for the past three years ending December 31, which were equal to the contractually required contributions for each year as set by state statutes, were as follows:

	<u>GERF</u>	<u>PEPFF</u>
2011	\$ 642,037	\$ 611,641
2012	\$ 645,052	\$ 610,304
2013	\$ 680,030	\$ 652,792

NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN – STATE-WIDE

The Mayor and three councilmembers of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by 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.

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 percent of salary, which is matched by the elected official’s employer. For salaried employees, employer contributions must be a fixed percentage of salary. 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 percent of employer contributions and twenty-five hundredths of 1 percent of the assets in each member’s account annually. Total contributions made by the City during the year were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 1,765	\$ 1,765	5.00%	5.00%	5.00%

NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

Paid on call firefighters of the City are members of the Apple Valley Firefighters’ Relief Association (the Association). The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. It is governed by a board of six members elected by the members of the Association for three-year terms. The City’s Mayor, City Clerk, and Fire Department Chief are statutory voting members of the Board of Trustees. The plan is funded by contributions from the City and 2 percent fire aid from the state of Minnesota. The Association issues a publicly available financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to the Apple Valley Firefighters’ Relief Association, 7100 147th Street West, Apple Valley, Minnesota 55124.

For financial reporting purposes, the Association’s financial statements are not included in the City’s financial statements because the Association is not a component unit of the City.

B. Pension Benefits

Each member who is at least 50 years of age, has separated from service from the fire department, has served at least 5 years of active service for members commencing active duty prior to January 1, 2010 and 10 years of active service for members commencing active duty after January 1, 2010 with such department before separation and has been a member of the Association in good standing at least 5 years prior to such separation shall be entitled to a lump sum service pension in the amount of \$6,400 for each year of service (including each year over 20) or a monthly service pension of \$43 for each year of service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION
(CONTINUED)**

According to the bylaws of the Association and pursuant to Minnesota Statute, members who separate from service with less than 20 years of service and have reached the age of at least 50 years and have completed at least 5 years of active membership for members commencing active duty prior to January 1, 2010 and 10 years of active membership for members commencing active duty after January 1, 2010 are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable no forfeitable percentage of pension for the completed years of service time the applicable no forfeitable percentage of pension.

C. Funding Policy

The Association's funding policy provides for periodic city contributions at actuarially determined rates that are sufficient to accumulate sufficient assets to pay benefits when due. City contributions are determined using normal actuarial funding method and the Association also uses this method to amortize the unfunded liability.

The state of Minnesota contributes amortization aid, or a 2 percent fire aid, in accordance with state statute requirements. The State Legislature may amend contribution requirements of the City and state.

Contributions totaling \$303,591 were made by the City and \$259,396 by the state of Minnesota for the year ended December 31, 2013.

The City's annual pension cost and related information for the plan is as follows:

Annual pension cost	\$	562,987
Contributions made		
State aid	\$	259,396
City	\$	303,591
Actuarial valuation date		1/1/2014
Actuarial cost method		Entry age normal cost
Actuarial funding method		Projected benefit cost
Actuarial assumptions		
Investment rate of return		5%
Projected salary increases		Not applicable
Inflation rate		Not applicable
Cost of living adjustments		Not applicable

**NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION
(CONTINUED)**

D. Three-Year Trend Information

<u>Fiscal Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 480,250	100%	\$ –
2012	\$ 464,010	100%	\$ –
2013	\$ 562,987	100%	\$ –

E. Schedule of Funding Progress

Following is the Schedule of Funding Progress of the most recent calculation available:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Assets in Excess of (Unfunded) Accrued Liability</u>	<u>Funded Rate</u>
01/01/2014	\$ 5,953,101	\$ 6,607,794	\$ (654,693)	90.1%

The Schedule of Funding Progress immediately following the notes to basic 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.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

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

B. Funding Policy

Retirees and their spouses contribute to the healthcare 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.

C. Annual OPEB Cost and Net OPEB Obligation

The City’s annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the City, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost is accrued in the accrual based statements. The liability is funded through payments from the City’s General Fund and enterprise funds.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City’s net OPEB obligation to the plan:

ARC	\$ 233,867
Interest on net OPEB obligation	42,928
Adjustment to ARC	<u>(36,816)</u>
Annual OPEB cost (expense)	239,979
Contributions made	<u>68,542</u>
Increase in net OPEB obligation	171,437
Net OPEB obligation – beginning of year	<u>953,947</u>
Net OPEB obligation – end of year	<u><u>\$ 1,125,384</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding year are as follows:

Fiscal Year Ended December 31,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 254,156	\$ 86,097	34%	\$ 771,169
2012	\$ 231,418	\$ 48,640	21%	\$ 953,947
2013	\$ 239,979	\$ 68,542	29%	\$ 1,125,384

D. Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits and unfunded actuarial accrued liability (UAAL) were both \$2,131,117, as the plan was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$11,616,482 and the ratio of the UAAL to the covered payroll was 18.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and 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. The Schedule of Funding Progress immediately following the notes to basic 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.

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 and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the City’s own investments; an annual payroll growth rate of 3.75 percent; an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 12 years; and a general inflation rate of 3.0 percent. The UAAL is amortized on a level dollar basis over an open 30-year period.

NOTE 11 – STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balances

The following funds have a deficit fund balance at December 31, 2013:

	<u>Amount</u>
Governmental	
Improvement Bonds of 2006	\$ 667,921
Improvement Bonds of 2007	984,813
2001/2008B Refunding Improvement Bonds	2,500,601
Road Improvements	3,507,744
Nonmajor funds	
1998/2008 Improvement Bonds	231,753
Park Dedication	246,392
Dakota County Construction Projects	130,040
1999 Improvement Construction	48,807
2000 Improvement Construction	18,621
2008 Construction Projects	77,548
Engineer Developer Review Nonreimbursable	39,051
Construction Projects	152,682
2003 Improvement Construction	955,151

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.

B. Expenditures Exceeding Appropriations

	<u>Expenditures</u>	<u>Appropriations</u>
Cable TV Special Revenue Fund	\$ 202,722	\$ 190,209
EDA Operations Special Revenue Fund	17,640	17,500
Equipment Certificate Capital Projects Fund	603,066	447,000

NOTE 12 – FUND BALANCES

A. Classifications

At December 31, 2013, the City had the following governmental fund balances:

	Debt Service				Capital Projects				Total
	General Fund	Closed Bond Issues	Improvement Bonds of 2006	Improvement Bonds of 2007	2001/2008 Refunding Improvement Bonds	Road Improvements	Future Capital Projects	Nonmajor Governmental Funds	
Nonspendable									
Inventory	\$ 41,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,721
Prepaid items	49,024	-	-	-	-	-	-	-	49,024
Total nonspendable	90,745	-	-	-	-	-	-	-	90,745
Restricted for									
Debt service	-	-	-	-	-	-	-	11,277,636	11,277,636
Economic development	-	-	-	-	-	-	-	1,019,171	1,019,171
Tax increment financing	-	-	-	-	-	-	-	5,675,956	5,675,956
Police forfeiture	-	-	-	-	-	-	-	108,869	108,869
Capital acquisition									
911 system	-	-	-	-	-	-	-	229,618	229,618
Cable capital equipment	-	-	-	-	-	-	-	341,226	341,226
Park improvements	-	-	-	-	-	-	-	437,106	437,106
Electric projects	-	-	-	-	-	-	-	1,596,109	1,596,109
Cable TV	-	-	-	-	-	-	-	121,712	121,712
Other purposes									
Energy grant	-	-	-	-	-	-	-	10,438	10,438
Solid waste grant	-	-	-	-	-	-	-	61,867	61,867
Lodging tax	-	-	-	-	-	-	-	86,439	86,439
Total restricted	-	-	-	-	-	-	-	20,966,147	20,966,147
Committed to									
Technology improvements	19,000	-	-	-	-	-	-	-	19,000
HR consultant	10,000	-	-	-	-	-	-	-	10,000
IT software licensing	24,000	-	-	-	-	-	-	-	24,000
A/P automation project	40,000	-	-	-	-	-	-	-	40,000
Fire equipment	61,100	-	-	-	-	-	-	-	61,100
Total committed	154,100	-	-	-	-	-	-	-	154,100
Assigned to									
Park shelter donation	50,000	-	-	-	-	-	-	-	50,000
Code enforcement – technology improvements	44,702	-	-	-	-	-	-	-	44,702
Fire station no. 1 exterior and bay painting	56,800	-	-	-	-	-	-	-	56,800
Debt service	-	7,161,368	-	-	-	-	-	2,452,644	9,614,012
Other capital projects	-	-	-	-	-	-	13,151,914	395,724	13,547,638
Equipment	-	-	-	-	-	-	-	688,793	688,793
Police special projects	-	-	-	-	-	-	-	187,150	187,150
Tree preservation	-	-	-	-	-	-	-	352,103	352,103
Ponds	-	-	-	-	-	-	-	232,309	232,309
Pathways and sidewalks	-	-	-	-	-	-	-	204,929	204,929
Dodd Road	-	-	-	-	-	-	-	225,726	225,726
Dakota Technical building	-	-	-	-	-	-	-	631,247	631,247
Capital building	-	-	-	-	-	-	-	331,684	331,684
Park improvement development	-	-	-	-	-	-	-	1,595	1,595
Physical improvement	-	-	-	-	-	-	-	166,822	166,822
Fire capital purchases	-	-	-	-	-	-	-	31,079	31,079
Total assigned	151,502	7,161,368	-	-	-	-	13,151,914	5,901,805	26,366,589
Unassigned	13,830,037	-	(667,921)	(984,813)	(2,500,601)	(3,507,744)	-	(1,900,045)	4,268,913
Total	\$14,226,384	\$ 7,161,368	\$ (667,921)	\$ (984,813)	\$ (2,500,601)	\$ (3,507,744)	\$13,151,914	\$24,967,907	\$51,846,494

B. Minimum Fund Balance Policy

The City Council has formally adopted a fund balance policy. The policy establishes the City will strive to maintain a minimum unassigned General Fund balance of 50 percent of the subsequent years budgeted amount for property taxes for working capital in addition to an amount equal to 6 months of operating expenditures. At December 31, 2013, the unassigned fund balance of the General Fund was 48.7 percent of the subsequent year's amended budgeted expenditures.

NOTE 13 – 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 14 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

The City has the usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes that the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

B. Federal and State Funding

Amounts recorded or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of claims which may be disallowed by the grantor agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

C. Tax Increment Districts

The City's tax increment districts are subject to review by the state of Minnesota Office of the State Auditor. Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

D. Construction Commitments

At December 31, 2013, the City is committed to various construction contracts for the improvement of city property. The City's remaining commitment under these contracts is approximately \$7.8 million.

E. Operating Lease

On January 28, 2010, the City entered into an agreement to extend the existing liquor store building lease at Apple Valley Shopping Center with Time Square Shopping Center II, LLP for three years commencing February 1, 2010 and ending January 31, 2013 at a base rent of \$10,000 per month.

On December 13, 2012 the City entered into an agreement to extend the lease for an additional term of three years commencing February 1, 2013, and ending January 31, 2016 at a base rent of \$10,500 per month. Lease expenditures for the year ending December 31, 2013 were \$125,500. The following is a schedule by years of future minimum payments required under the leases as of December 31, 2013.

Year Ending December 31,	Amount
2014	\$ 126,000
2015	126,000
2016	10,500
Total	<u>\$ 262,500</u>

NOTE 15 – SUBSEQUENT EVENTS

On April 24, 2014, the City Council approved the issuance and sale of \$9,510,000 General Obligation Bonds, Series 2014A with interest rates ranging from 2.0 to 3.0 percent with a final maturity date of December 15, 2033.

NOTE 16 – FUTURE CHANGE IN ACCOUNTING STANDARDS

GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for fiscal years beginning after June 15, 2014. The City has not yet determined the financial statement impact of adopting this new standard.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF APPLE VALLEY

Required Supplementary Information

Schedule of Funding Progress
Other Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
January 1, 2012	\$ 2,131,117	\$ -	\$ 2,131,117	- %	\$ 11,616,482	18.3%
January 1, 2010	\$ 2,236,253	\$ -	\$ 2,236,253	- %	\$ 11,655,388	19.2%
January 1, 2008	\$ 2,859,748	\$ -	\$ 2,859,748	- %	\$ 10,909,139	26.2%

Schedule of Funding Progress
Apple Valley Firefighters' Relief Association

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ Assets in Excess of AAL (UAAL)	Funded Ratio
December 31, 2013	\$ 5,953,101	\$ 6,607,794	\$ (654,693)	90.1 %
December 31, 2012	\$ 4,805,913	\$ 6,452,254	\$ (1,646,341)	74.0 %
December 31, 2011	\$ 4,400,881	\$ 6,317,096	\$ (1,916,215)	70.0 %

SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF APPLE VALLEY

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of December 31, 2013

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and investments	\$ 1,291,733	\$ 9,088,137	\$ 7,983,822	\$ 18,363,692
Restricted cash with fiscal agent	-	8,662,068	-	8,662,068
Receivables				
Accounts	22,009	-	124,961	146,970
Taxes – delinquent	-	-	7,959	7,959
Special assessments				
Current	-	261,611	27,127	288,738
Delinquent	-	69,295	-	69,295
Deferred	-	1,200,127	352,650	1,552,777
Interest	-	11,840	-	11,840
Due from other governmental units	-	-	4,177	4,177
Advances to other funds	-	-	62,203	62,203
	<u>\$ 1,313,742</u>	<u>\$ 19,293,078</u>	<u>\$ 8,562,899</u>	<u>\$ 29,169,719</u>
Liabilities				
Accrued salaries payable	\$ 8,098	\$ -	\$ -	\$ 8,098
Accounts payable	6,463	1,234	264,861	272,558
Contracts payable	-	-	293,810	293,810
Due to other governmental units	-	-	198	198
Due to other funds	-	231,753	1,476,626	1,708,379
Total liabilities	<u>14,561</u>	<u>232,987</u>	<u>2,035,495</u>	<u>2,283,043</u>
Deferred inflows of resources				
Unavailable revenue – property taxes	-	-	7,959	7,959
Unavailable revenue – special assessments	-	1,531,033	379,777	1,910,810
Total deferred inflows of resources	<u>-</u>	<u>1,531,033</u>	<u>387,736</u>	<u>1,918,769</u>
Fund balances (deficits)				
Restricted	1,299,181	15,308,167	4,358,799	20,966,147
Assigned	-	2,452,644	3,449,161	5,901,805
Unassigned	-	(231,753)	(1,668,292)	(1,900,045)
Total fund balances	<u>1,299,181</u>	<u>17,529,058</u>	<u>6,139,668</u>	<u>24,967,907</u>
	<u>\$ 1,313,742</u>	<u>\$ 19,293,078</u>	<u>\$ 8,562,899</u>	<u>\$ 29,169,719</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,313,742</u>	<u>\$ 19,293,078</u>	<u>\$ 8,562,899</u>	<u>\$ 29,169,719</u>

CITY OF APPLE VALLEY

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2013

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues				
Taxes	\$ -	\$ 1,158,000	\$ 544,283	\$ 1,702,283
Other taxes	73,504	-	-	73,504
Franchise fees	84,120	-	689,190	773,310
Special assessments	-	536,577	78,110	614,687
Intergovernmental	-	624,000	2,500	626,500
Investment earnings (net of market value adjustment)	(24,313)	(332,242)	(136,828)	(493,383)
Other	79,426	-	466,915	546,341
Total revenues	<u>212,737</u>	<u>1,986,335</u>	<u>1,644,170</u>	<u>3,843,242</u>
Expenditures				
Current				
General government	17,640	56,140	975	74,755
Public safety	24,780	-	68,521	93,301
Public works	607	-	6,001	6,608
Parks and recreation	274,374	-	15,983	290,357
Capital outlay	19,744	58,786	3,290,267	3,368,797
Debt service				
Principal	-	2,645,000	-	2,645,000
Interest and fiscal charges	-	1,093,509	-	1,093,509
Total expenditures	<u>337,145</u>	<u>3,853,435</u>	<u>3,381,747</u>	<u>7,572,327</u>
Excess (deficiency) of revenues over expenditures	(124,408)	(1,867,100)	(1,737,577)	(3,729,085)
Other financing sources (uses)				
Sale of capital assets	41,690	-	130,476	172,166
Refunding bonds issued	-	9,000,000	-	9,000,000
Premium on refunding bonds issued	-	81,545	-	81,545
Transfers in	21,417	3,716,415	1,466,838	5,204,670
Transfers (out)	-	(1,525,564)	-	(1,525,564)
Total other financing sources (uses)	<u>63,107</u>	<u>11,272,396</u>	<u>1,597,314</u>	<u>12,932,817</u>
Net change in fund balances	(61,301)	9,405,296	(140,263)	9,203,732
Fund balances				
Beginning of year	<u>1,360,482</u>	<u>8,123,762</u>	<u>6,279,931</u>	<u>15,764,175</u>
End of year	<u>\$ 1,299,181</u>	<u>\$ 17,529,058</u>	<u>\$ 6,139,668</u>	<u>\$ 24,967,907</u>

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NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

CITY OF APPLE VALLEY

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2013

	Cable TV (2010)	Solid Waste Grant (2040)	Police Forfeiture (2060)
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 114,488	\$ 61,867	\$ 108,918
Receivables			
Accounts	<u>16,515</u>	<u> -</u>	<u> -</u>
Total assets	<u>\$ 131,003</u>	<u>\$ 61,867</u>	<u>\$ 108,918</u>
Liabilities			
Accrued salaries payable	\$ 8,098	\$ -	\$ -
Accounts payable	<u>1,193</u>	<u> -</u>	<u> 49</u>
Total liabilities	9,291	-	49
Fund balances			
Restricted	<u>121,712</u>	<u>61,867</u>	<u>108,869</u>
Total liabilities and fund balances	<u>\$ 131,003</u>	<u>\$ 61,867</u>	<u>\$ 108,918</u>

EDA Operations (3210)	Lodging Tax (7000)	Totals
\$ 920,294	\$ 86,166	\$ 1,291,733
<u> -</u>	<u> 5,494</u>	<u> 22,009</u>
<u><u>\$ 920,294</u></u>	<u><u>\$ 91,660</u></u>	<u><u>\$ 1,313,742</u></u>
\$ -	\$ -	\$ 8,098
<u> -</u>	<u> 5,221</u>	<u> 6,463</u>
<u> -</u>	<u> 5,221</u>	<u> 14,561</u>
<u> 920,294</u>	<u> 86,439</u>	<u> 1,299,181</u>
<u><u>\$ 920,294</u></u>	<u><u>\$ 91,660</u></u>	<u><u>\$ 1,313,742</u></u>

CITY OF APPLE VALLEY

Nonmajor Special Revenue Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2013

	Cable TV (2010)	Solid Waste Grant (2040)	Police Forfeiture (2060)
	<u> </u>	<u> </u>	<u> </u>
Revenue			
Other taxes	\$ -	\$ -	\$ -
Franchise fees	84,120	-	-
Investment earnings (net of market value adjustment)	(2,230)	(1,082)	(2,106)
Other revenue			
Miscellaneous	71,896	6,127	1,403
Total revenue	<u>153,786</u>	<u>5,045</u>	<u>(703)</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	24,780
Public works	-	607	-
Parks and recreation	202,722	-	-
Capital outlay	-	-	19,744
Total expenditures	<u>202,722</u>	<u>607</u>	<u>44,524</u>
Excess (deficiency) of revenue over expenditures	(48,936)	4,438	(45,227)
Other financing sources			
Sale of capital assets	-	-	41,690
Transfers in	21,417	-	-
Total other financing sources	<u>21,417</u>	<u>-</u>	<u>41,690</u>
Net change in fund balances	(27,519)	4,438	(3,537)
Fund balances			
Beginning of year	<u>149,231</u>	<u>57,429</u>	<u>112,406</u>
End of year	<u>\$ 121,712</u>	<u>\$ 61,867</u>	<u>\$ 108,869</u>

EDA Operations (3210)	Lodging Tax (7000)	Totals
\$ -	\$ 73,504	\$ 73,504
-	-	84,120
(17,328)	(1,567)	(24,313)
-	-	79,426
<u>(17,328)</u>	<u>71,937</u>	<u>212,737</u>
17,640	-	17,640
-	-	24,780
-	-	607
-	71,652	274,374
-	-	19,744
<u>17,640</u>	<u>71,652</u>	<u>337,145</u>
(34,968)	285	(124,408)
-	-	41,690
-	-	21,417
<u>-</u>	<u>-</u>	<u>63,107</u>
(34,968)	285	(61,301)
<u>955,262</u>	<u>86,154</u>	<u>1,360,482</u>
<u>\$ 920,294</u>	<u>\$ 86,439</u>	<u>\$ 1,299,181</u>

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NONMAJOR DEBT SERVICE FUNDS

Nonmajor debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on long-term debt of governmental funds. The individual nonmajor debt service funds presented are to distinguish between the various bond issues.

CITY OF APPLE VALLEY

Nonmajor Debt Service Funds
 Combining Balance Sheet
 as of December 31, 2013

	1997 Park Bonds (3060)	Cemetery Bonds of 2004 (3065)	G.O. Closed Bond Issues (3075)	Refunding Bonds of 2003 (3155)	Improvement Bonds of 2003 (3165)
Assets					
Cash and investments	\$ -	\$ -	\$ 2,452,644	\$ -	\$ -
Restricted cash with fiscal agent	-	-	-	-	-
Receivables					
Special assessments					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Interest	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,452,644</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Interest payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources					
Unavailable revenue – special assessments	-	-	-	-	-
Fund balances (deficit)					
Restricted	-	-	-	-	-
Assigned	-	-	2,452,644	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>-</u>	<u>2,452,644</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,452,644</u>	<u>\$ -</u>	<u>\$ -</u>

Improvement Bonds of 2004 (3185)	State Aid Street Bonds of 2004 (3190)	1998/2008 Improvement Bonds (3195)	G.O. Refunding Bonds of 2002 (3300)	2003/2009A Refunding Improvement Bonds (3305)	Improvement Bonds of 2010 (3320)	G.O. Equipment Certificates of 2006 (3335)
\$ -	\$ -	\$ -	\$ -	\$ 692,634	\$ 1,150,995	\$ 54,470
-	-	-	-	-	-	-
-	-	123,394	-	-	30,217	-
-	-	-	-	-	69,295	-
-	-	77,046	-	-	151,081	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,440</u>	<u>\$ -</u>	<u>\$ 692,634</u>	<u>\$ 1,401,588</u>	<u>\$ 54,470</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	231,753	-	-	-	-
-	-	231,753	-	-	-	-
-	-	200,440	-	-	250,593	-
-	-	-	-	692,634	1,150,995	54,470
-	-	-	-	-	-	-
-	-	(231,753)	-	-	-	-
-	-	(231,753)	-	692,634	1,150,995	54,470
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,440</u>	<u>\$ -</u>	<u>\$ 692,634</u>	<u>\$ 1,401,588</u>	<u>\$ 54,470</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Debt Service Funds
 Combining Balance Sheet (continued)
 as of December 31, 2013

	Economic Development (3215)	Tax Increment Downtown Redevelopment (3260)	Taxable Tax Increment Bonds of 2003 (3270)	Taxable Tax Increment Refunding Bonds of 1985-1992A (3220)	Tax Increment Fischer Marketplace (3275)
Assets					
Cash and investments	\$ 98,877	\$ 202,409	\$ 1,044,245	\$ 2,300,771	\$ 385,463
Restricted cash with fiscal agent	-	-	-	-	-
Receivables					
Special assessments					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Interest	-	-	-	-	-
Total assets	<u>\$ 98,877</u>	<u>\$ 202,409</u>	<u>\$ 1,044,245</u>	<u>\$ 2,300,771</u>	<u>\$ 385,463</u>
Liabilities					
Accounts payable	\$ -	\$ 755	\$ -	\$ -	\$ 479
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>755</u>	<u>-</u>	<u>-</u>	<u>479</u>
Deferred inflows of resources					
Unavailable revenue – special assessments	-	-	-	-	-
Fund balances (deficit)					
Restricted	98,877	201,654	1,044,245	2,300,771	384,984
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>98,877</u>	<u>201,654</u>	<u>1,044,245</u>	<u>2,300,771</u>	<u>384,984</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 98,877</u>	<u>\$ 202,409</u>	<u>\$ 1,044,245</u>	<u>\$ 2,300,771</u>	<u>\$ 385,463</u>

G.O. Park Bonds of 2007 (3345)	G.O. Park Bonds of 2008 (3355)	G.O. Park Bonds of 2011 (3360)	G.O. Equipment Certificates of 2012 (3370)	G.O. Refunding Bonds of 2012 (3375)	Improvement Bonds of 2012 (3380)	G.O. Refunding Bonds of 2013 (3385)	Total
\$ 102,962	\$ 265,827	\$ 32,613	\$ 5,591	\$ 255,817	\$ 26,274	\$ 16,545	\$ 9,088,137
-	-	-	-	-	-	8,662,068	8,662,068
-	-	-	-	-	108,000	-	261,611
-	-	-	-	-	-	-	69,295
-	-	-	-	-	972,000	-	1,200,127
-	-	-	-	-	-	11,840	11,840
<u>\$ 102,962</u>	<u>\$ 265,827</u>	<u>\$ 32,613</u>	<u>\$ 5,591</u>	<u>\$ 255,817</u>	<u>\$ 1,106,274</u>	<u>\$ 8,690,453</u>	<u>\$ 19,293,078</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,234
-	-	-	-	-	-	-	231,753
-	-	-	-	-	-	-	232,987
-	-	-	-	-	1,080,000	-	1,531,033
102,962	265,827	32,613	5,591	255,817	26,274	8,690,453	15,308,167
-	-	-	-	-	-	-	2,452,644
-	-	-	-	-	-	-	(231,753)
<u>102,962</u>	<u>265,827</u>	<u>32,613</u>	<u>5,591</u>	<u>255,817</u>	<u>26,274</u>	<u>8,690,453</u>	<u>17,529,058</u>
<u>\$ 102,962</u>	<u>\$ 265,827</u>	<u>\$ 32,613</u>	<u>\$ 5,591</u>	<u>\$ 255,817</u>	<u>\$ 1,106,274</u>	<u>\$ 8,690,453</u>	<u>\$ 19,293,078</u>

CITY OF APPLE VALLEY

Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2013

	1997 Park Bonds (3060)	Cemetery Bonds of 2004 (3065)	G.O. Closed Bond Issues (3075)	Refunding Bonds of 2003 (3155)	Improvement Bonds of 2003 (3165)
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	18,572	-
Intergovernmental	-	-	-	-	-
Investment earnings (net of market value adjustment)	(2,995)	(818)	(45,790)	(18,496)	-
Total revenues	<u>(2,995)</u>	<u>(818)</u>	<u>(45,790)</u>	<u>76</u>	<u>-</u>
Expenditures					
Current					
General government	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	(2,995)	(818)	(45,790)	76	-
Other financing sources (uses)					
Refunding bonds issued	-	-	-	-	-
Premium on refunding bonds issued	-	-	-	-	-
Transfers in	-	-	-	-	130,781
Transfers (out)	(173,897)	(47,618)	-	(1,006,774)	-
Total other financing sources (uses)	<u>(173,897)</u>	<u>(47,618)</u>	<u>-</u>	<u>(1,006,774)</u>	<u>130,781</u>
Net change in fund balances	(176,892)	(48,436)	(45,790)	(1,006,698)	130,781
Fund balances (deficit)					
Beginning of year	<u>176,892</u>	<u>48,436</u>	<u>2,498,434</u>	<u>1,006,698</u>	<u>(130,781)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,452,644</u>	<u>\$ -</u>	<u>\$ -</u>

Improvement Bonds of 2004 (3185)	State Aid Street Bonds of 2004 (3190)	1998/2008 Improvement Bonds (3195)	G.O. Refunding Bonds of 2002 (3300)	2003/2009A Refunding Improvement Bonds (3305)	Improvement Bonds of 2010 (3320)	G.O. Equipment Certificates of 2006 (3335)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,000
5,135	-	195,281	-	-	317,589	-
-	-	-	-	624,000	-	-
-	(5,550)	(1,970)	-	(12,934)	(22,105)	(2,037)
<u>5,135</u>	<u>(5,550)</u>	<u>193,311</u>	<u>-</u>	<u>611,066</u>	<u>295,484</u>	<u>114,963</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	550,000	-	560,000	280,000	105,000
-	-	25,025	-	64,425	34,700	5,525
<u>-</u>	<u>-</u>	<u>575,025</u>	<u>-</u>	<u>624,425</u>	<u>314,700</u>	<u>110,525</u>
5,135	(5,550)	(381,714)	-	(13,359)	(19,216)	4,438
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,353,186	-	-	50,932	-	-	-
-	(297,275)	-	-	-	-	-
<u>2,353,186</u>	<u>(297,275)</u>	<u>-</u>	<u>50,932</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,358,321	(302,825)	(381,714)	50,932	(13,359)	(19,216)	4,438
<u>(2,358,321)</u>	<u>302,825</u>	<u>149,961</u>	<u>(50,932)</u>	<u>705,993</u>	<u>1,170,211</u>	<u>50,032</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (231,753)</u>	<u>\$ -</u>	<u>\$ 692,634</u>	<u>\$ 1,150,995</u>	<u>\$ 54,470</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Year Ended December 31, 2013

	Economic Development (3215)	Tax Increment Downtown Redevelopment (3260)	Taxable Tax Increment Bonds of 2003 (3270)	Taxable Tax Increment Refunding Bonds of 1985-1992A (3220)	Tax Increment Fischer Marketplace (3275)
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment earnings (net of market value adjustment)	(1,846)	(4,670)	(19,496)	(43,950)	(7,170)
Total revenues	<u>(1,846)</u>	<u>(4,670)</u>	<u>(19,496)</u>	<u>(43,950)</u>	<u>(7,170)</u>
Expenditures					
Current					
General government	-	-	-	53,100	3,040
Capital outlay	-	58,786	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>58,786</u>	<u>-</u>	<u>53,100</u>	<u>3,040</u>
Excess (deficiency) of revenue over expenditures	(1,846)	(63,456)	(19,496)	(97,050)	(10,210)
Other financing sources (uses)					
Refunding bonds issued	-	-	-	-	-
Premium on refunding bonds issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,846)	(63,456)	(19,496)	(97,050)	(10,210)
Fund balances (deficit)					
Beginning of year	<u>100,723</u>	<u>265,110</u>	<u>1,063,741</u>	<u>2,397,821</u>	<u>395,194</u>
End of year	<u>\$ 98,877</u>	<u>\$ 201,654</u>	<u>\$ 1,044,245</u>	<u>\$ 2,300,771</u>	<u>\$ 384,984</u>

<u>G.O. Park Bonds of 2007 (3345)</u>	<u>G.O. Park Bonds of 2008 (3355)</u>	<u>G.O. Park Bonds of 2011 (3360)</u>	<u>G.O. Equipment Certificates of 2012 (3370)</u>	<u>G.O. Refunding Bonds of 2012 (3375)</u>	<u>Improvement Bonds of 2012 (3380)</u>	<u>G.O. Refunding Bonds of 2013 (3385)</u>	<u>Total</u>
\$ 395,000	\$ 380,000	\$ 88,000	178,000	\$ -	\$ -	\$ -	\$ 1,158,000
-	-	-	-	-	-	-	536,577
-	-	-	-	-	-	-	624,000
(1,950)	(2,997)	(640)	(548)	-	(767)	(135,513)	(332,242)
<u>393,050</u>	<u>377,003</u>	<u>87,360</u>	<u>177,452</u>	<u>-</u>	<u>(767)</u>	<u>(135,513)</u>	<u>1,986,335</u>
-	-	-	-	-	-	-	56,140
-	-	-	-	-	-	-	58,786
125,000	-	40,000	170,000	815,000	-	-	2,645,000
<u>252,425</u>	<u>249,008</u>	<u>41,963</u>	<u>31,755</u>	<u>110,717</u>	<u>22,387</u>	<u>255,579</u>	<u>1,093,509</u>
<u>377,425</u>	<u>249,008</u>	<u>81,963</u>	<u>201,755</u>	<u>925,717</u>	<u>22,387</u>	<u>255,579</u>	<u>3,853,435</u>
15,625	127,995	5,397	(24,303)	(925,717)	(23,154)	(391,092)	(1,867,100)
-	-	-	-	-	-	9,000,000	9,000,000
-	-	-	-	-	-	81,545	81,545
-	-	-	-	1,181,516	-	-	3,716,415
-	-	-	-	-	-	-	(1,525,564)
-	-	-	-	<u>1,181,516</u>	-	<u>9,081,545</u>	<u>11,272,396</u>
15,625	127,995	5,397	(24,303)	255,799	(23,154)	8,690,453	9,405,296
<u>87,337</u>	<u>137,832</u>	<u>27,216</u>	<u>29,894</u>	<u>18</u>	<u>49,428</u>	<u>-</u>	<u>8,123,762</u>
<u>\$ 102,962</u>	<u>\$ 265,827</u>	<u>\$ 32,613</u>	<u>\$ 5,591</u>	<u>\$ 255,817</u>	<u>\$ 26,274</u>	<u>\$ 8,690,453</u>	<u>\$ 17,529,058</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

Nonmajor capital projects funds used are to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition and construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds.

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Balance Sheet
 as of December 31, 2013

	Equipment Certificates (2005)	Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)
Assets				
Cash and investments	\$ 626,590	\$ -	\$ 10,438	\$ 187,150
Receivables				
Accounts	-	-	-	-
Taxes – delinquent	-	-	-	-
Special assessments				
Current	-	-	-	-
Deferred	-	-	-	-
Due from other governmental units	-	-	-	-
Advances to other funds	62,203	-	-	-
Total assets	<u>\$ 688,793</u>	<u>\$ -</u>	<u>\$ 10,438</u>	<u>\$ 187,150</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other governmental units	-	-	-	-
Due to other funds	-	246,392	-	-
Total liabilities	<u>-</u>	<u>246,392</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue – property taxes	-	-	-	-
Unavailable revenue – special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)				
Restricted	-	-	10,438	-
Assigned	688,793	-	-	187,150
Unassigned	-	(246,392)	-	-
Total fund balances (deficit)	<u>688,793</u>	<u>(246,392)</u>	<u>10,438</u>	<u>187,150</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 688,793</u>	<u>\$ -</u>	<u>\$ 10,438</u>	<u>\$ 187,150</u>

Police 911 (2065)	Tree Preservation (2070)	Pond (2075)	Pathways and Sidewalks (2080)	Dodd Road (2085)	Dakota Technical Building (2090)	Capital Building (4000)	Park Improvement Development (4010)
\$ 229,618	\$ 352,432	\$ 232,309	\$ 204,929	\$ 225,726	\$ 631,247	\$ 625,494	\$ 1,595
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 229,618</u>	<u>\$ 352,432</u>	<u>\$ 232,309</u>	<u>\$ 204,929</u>	<u>\$ 225,726</u>	<u>\$ 631,247</u>	<u>\$ 625,494</u>	<u>\$ 1,595</u>
\$ -	\$ 329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	293,810	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	329	-	-	-	-	293,810	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
229,618	-	-	-	-	-	-	-
-	352,103	232,309	204,929	225,726	631,247	331,684	1,595
-	-	-	-	-	-	-	-
<u>229,618</u>	<u>352,103</u>	<u>232,309</u>	<u>204,929</u>	<u>225,726</u>	<u>631,247</u>	<u>331,684</u>	<u>1,595</u>
<u>\$ 229,618</u>	<u>\$ 352,432</u>	<u>\$ 232,309</u>	<u>\$ 204,929</u>	<u>\$ 225,726</u>	<u>\$ 631,247</u>	<u>\$ 625,494</u>	<u>\$ 1,595</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Balance Sheet (continued)
 as of December 31, 2013

	Dakota County Construction Projects (4030)	C.I.P. Development (4045)	1999 Improvement Construction (4225)	2000 Improvement Construction (4245)
Assets				
Cash and investments	\$ -	\$ 250,037	\$ -	\$ -
Receivables				
Accounts	-	-	-	-
Taxes – delinquent	-	-	-	-
Special assessments				
Current	-	-	-	-
Deferred	-	-	-	-
Due from other governmental units	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ -	\$ 250,037	\$ -	\$ -
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 10,750
Contracts payable	-	-	-	-
Due to other governmental units	-	-	-	-
Due to other funds	130,040	-	48,807	7,871
Total liabilities	130,040	-	48,807	18,621
Deferred inflows of resources				
Unavailable revenue – property taxes	-	-	-	-
Unavailable revenue – special assessments	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances (deficit)				
Restricted	-	-	-	-
Assigned	-	250,037	-	-
Unassigned	(130,040)	-	(48,807)	(18,621)
Total fund balances (deficit)	(130,040)	250,037	(48,807)	(18,621)
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 250,037	\$ -	\$ -

2008 Construction Projects (4400)	Engineer Developer Review Nonreimbursable (4600)	2012 Improvement Construction (4715)	Cable Capital Equipment (4800)	Physical Improvement (4900)	Private Development (4920)	Construction Projects (4500)	2003 Improvement Construction (4300)
\$ -	\$ -	\$ 25,542	\$ 341,226	\$ 211,853	\$ 122,550	\$ 19,116	\$ -
-	-	-	-	-	-	-	3,439
-	-	-	-	-	-	-	-
-	-	-	-	-	-	27,127	-
-	-	-	-	-	-	352,650	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,542</u>	<u>\$ 341,226</u>	<u>\$ 211,853</u>	<u>\$ 122,550</u>	<u>\$ 398,893</u>	<u>\$ 3,439</u>
\$ -	\$ 6,730	\$ 2,405	\$ -	\$ 45,031	\$ -	\$ 171,798	\$ 24,943
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
77,548	32,321	-	-	-	-	-	933,647
<u>77,548</u>	<u>39,051</u>	<u>2,405</u>	<u>-</u>	<u>45,031</u>	<u>-</u>	<u>171,798</u>	<u>958,590</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	379,777	-
-	-	-	-	-	-	<u>379,777</u>	-
-	-	-	341,226	-	-	-	-
-	-	23,137	-	166,822	122,550	-	-
<u>(77,548)</u>	<u>(39,051)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(152,682)</u>	<u>(955,151)</u>
<u>(77,548)</u>	<u>(39,051)</u>	<u>23,137</u>	<u>341,226</u>	<u>166,822</u>	<u>122,550</u>	<u>(152,682)</u>	<u>(955,151)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,542</u>	<u>\$ 341,226</u>	<u>\$ 211,853</u>	<u>\$ 122,550</u>	<u>\$ 398,893</u>	<u>\$ 3,439</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Balance Sheet (continued)
 as of December 31, 2013

	TIF District No. 13 (4700)	TIF District No. 7 (4710)	Electric Franchise Fee (4750)	2007 Park Bond (4935)
Assets				
Cash and investments	\$ 1,033,604	\$ 706,521	\$ 1,474,587	\$ 440,179
Receivables				
Accounts	-	-	121,522	-
Taxes – delinquent	7,959	-	-	-
Special assessments				
Current	-	-	-	-
Deferred	-	-	-	-
Due from other governmental units	4,177	-	-	-
Advances to other funds	-	-	-	-
	<u>\$ 1,045,740</u>	<u>\$ 706,521</u>	<u>\$ 1,596,109</u>	<u>\$ 440,179</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,875
Contracts payable	-	-	-	-
Due to other governmental units	-	-	-	198
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,073</u>
Deferred inflows of resources				
Unavailable revenue – property taxes	7,959	-	-	-
Unavailable revenue – special assessments	-	-	-	-
Total deferred inflows of resources	<u>7,959</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)				
Restricted	1,037,781	706,521	1,596,109	437,106
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficit)	<u>1,037,781</u>	<u>706,521</u>	<u>1,596,109</u>	<u>437,106</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,045,740</u>	<u>\$ 706,521</u>	<u>\$ 1,596,109</u>	<u>\$ 440,179</u>

Fire Grants Project (7600)	Total
\$ 31,079	\$ 7,983,822
-	124,961
-	7,959
-	27,127
-	352,650
-	4,177
-	62,203
<u>\$ 31,079</u>	<u>\$ 8,562,899</u>
\$ -	\$ 264,861
-	293,810
-	198
-	1,476,626
-	2,035,495
-	7,959
-	379,777
-	387,736
-	4,358,799
31,079	3,449,161
-	(1,668,292)
<u>31,079</u>	<u>6,139,668</u>
<u>\$ 31,079</u>	<u>\$ 8,562,899</u>

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2013

	Equipment Certificates (2005)	Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Investment earnings (net of market value adjustment)	(16,707)	-	(338)	(3,163)
Other revenue				
Contributions	-	-	-	300
Rentals	-	-	-	-
Refunds and reimbursements	-	-	-	29,327
Miscellaneous	-	169,171	-	1,597
Total revenues	<u>(16,707)</u>	<u>169,171</u>	<u>(338)</u>	<u>28,061</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	2,121
Public works	-	-	-	-
Parks and recreation	-	12,458	-	-
Capital outlay	603,066	870,410	33,303	-
Total expenditures	<u>603,066</u>	<u>882,868</u>	<u>33,303</u>	<u>2,121</u>
Excess (deficiency) of revenue over expenditures	(619,773)	(713,697)	(33,641)	25,940
Other financing sources				
Sale of capital assets	130,476	-	-	-
Transfers in	-	-	-	-
Total other financing sources	<u>130,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(489,297)	(713,697)	(33,641)	25,940
Fund balances (deficit)				
Beginning of year	<u>1,178,090</u>	<u>467,305</u>	<u>44,079</u>	<u>161,210</u>
End of year	<u>\$ 688,793</u>	<u>\$ (246,392)</u>	<u>\$ 10,438</u>	<u>\$ 187,150</u>

Police 911 (2065)	Tree Preservation (2070)	Pond (2075)	Pathways and Sidewalks (2080)	Dodd Road (2085)	Dakota Technical Building (2090)	Capital Building (4000)	Park Improvement Development (4010)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(4,859)	(6,635)	(4,338)	(4,247)	(4,215)	(11,047)	(8,274)	(30)
-	-	-	-	-	-	-	-
-	-	-	-	-	80,000	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(4,859)	(6,635)	(4,338)	(4,247)	(4,215)	68,953	(8,274)	(30)
-	-	-	-	-	975	-	-
66,400	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,525	-	-	-	-	-	-
-	-	-	29,375	-	-	1,532,407	-
66,400	3,525	-	29,375	-	975	1,532,407	-
(71,259)	(10,160)	(4,338)	(33,622)	(4,215)	67,978	(1,540,681)	(30)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,466,838	-
-	-	-	-	-	-	1,466,838	-
(71,259)	(10,160)	(4,338)	(33,622)	(4,215)	67,978	(73,843)	(30)
300,877	362,263	236,647	238,551	229,941	563,269	405,527	1,625
\$ 229,618	\$ 352,103	\$ 232,309	\$ 204,929	\$ 225,726	\$ 631,247	\$ 331,684	\$ 1,595

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Year Ended December 31, 2013

	Dakota County Construction Projects (4030)	C.I.P. Development (4045)	1999 Improvement Construction (4225)	2000 Improvement Construction (4245)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Investment earnings (net of market value adjustment)	-	(4,668)	-	-
Other revenue				
Contributions	-	-	-	-
Rentals	-	-	-	-
Refunds and reimbursements	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>(4,668)</u>	<u>-</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	514	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>514</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	(514)	(4,668)	-	-
Other financing sources				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(514)	(4,668)	-	-
Fund balances (deficit)				
Beginning of year	<u>(129,526)</u>	<u>254,705</u>	<u>(48,807)</u>	<u>(18,621)</u>
End of year	<u>\$ (130,040)</u>	<u>\$ 250,037</u>	<u>\$ (48,807)</u>	<u>\$ (18,621)</u>

2008 Construction Projects (4400)	Engineer Developer Review Nonreimbursable (4600)	2012 Improvement Construction (4715)	Cable Capital Equipment (4800)	Physical Improvement (4900)	Private Development (4920)	Construction Projects (4500)	2003 Improvement Construction (4300)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	140,749	-	-	-	-
-	-	-	-	-	-	78,110	-
-	-	-	(3,743)	(4,181)	(2,288)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,034	2,030	-	28,238	-	154,841	377
-	1,034	2,030	137,006	24,057	(2,288)	232,951	377
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
585	844	2,663	-	1,310	-	-	85
-	-	-	-	-	-	-	-
-	-	-	-	-	-	104,981	-
585	844	2,663	-	1,310	-	104,981	85
(585)	190	(633)	137,006	22,747	(2,288)	127,970	292
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(585)	190	(633)	137,006	22,747	(2,288)	127,970	292
(76,963)	(39,241)	23,770	204,220	144,075	124,838	(280,652)	(955,443)
\$ (77,548)	\$ (39,051)	\$ 23,137	\$ 341,226	\$ 166,822	\$ 122,550	\$ (152,682)	\$ (955,151)

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Year Ended December 31, 2013

	TIF District No. 13 (4700)	TIF District No. 7 (4710)	Electric Franchise Fee (4750)	2007 Park Bond (4935)
Revenues				
Taxes	\$ -	\$ 544,283	\$ -	\$ -
Franchise fees	-	-	548,441	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Investment earnings (net of market value adjustment)	(20,181)	(5,827)	(22,489)	(9,014)
Other revenue				
Contributions	-	-	-	-
Rentals	-	-	-	-
Refunds and reimbursements	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>(20,181)</u>	<u>538,456</u>	<u>525,952</u>	<u>(9,014)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	34,783	1,280	-	78,162
Total expenditures	<u>34,783</u>	<u>1,280</u>	<u>-</u>	<u>78,162</u>
Excess (deficiency) of revenue over expenditures	(54,964)	537,176	525,952	(87,176)
Other financing sources				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(54,964)	537,176	525,952	(87,176)
Fund balances (deficit)				
Beginning of year	<u>1,092,745</u>	<u>169,345</u>	<u>1,070,157</u>	<u>524,282</u>
End of year	<u>\$ 1,037,781</u>	<u>\$ 706,521</u>	<u>\$ 1,596,109</u>	<u>\$ 437,106</u>

Fire Grants		
Project		Total
(7600)		
\$ -	\$	544,283
-		689,190
-		78,110
2,500		2,500
(584)		(136,828)
-		300
-		80,000
-		29,327
-		357,288
<u>1,916</u>		<u>1,644,170</u>
-		975
-		68,521
-		6,001
-		15,983
<u>2,500</u>		<u>3,290,267</u>
<u>2,500</u>		<u>3,381,747</u>
(584)		(1,737,577)
-		130,476
-		1,466,838
-		1,597,314
(584)		(140,263)
<u>31,663</u>		<u>6,279,931</u>
<u>\$ 31,079</u>	<u>\$</u>	<u>6,139,668</u>

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual
 Year Ended December 31, 2013

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Budget
Revenue				
Taxes				
Current	\$ 18,177,570	\$ 20,932,570	\$ 20,989,247	\$ 56,677
Delinquent	200,000	200,000	92,539	(107,461)
Total taxes	<u>18,377,570</u>	<u>21,132,570</u>	<u>21,081,786</u>	<u>(50,784)</u>
Other taxes	88,019	88,019	95,909	7,890
Franchise fees	450,000	450,000	489,083	39,083
Special assessments	14,000	14,000	11,996	(2,004)
Licenses and permits				
General government	149,900	149,900	168,663	18,763
Public safety	5,000	5,000	5,017	17
Public works	616,800	648,600	966,923	318,323
Total licenses and permits	<u>771,700</u>	<u>803,500</u>	<u>1,140,603</u>	<u>337,103</u>
Intergovernmental				
Federal grants				
General government	-	200,000	200,000	-
Public safety	-	55,000	57,203	2,203
State grants				
PERA aid	43,000	43,000	36,095	(6,905)
Fire relief aid – public safety	179,997	179,997	261,396	81,399
Police relief aid – public safety	330,000	330,000	333,571	3,571
Other – public safety	30,000	30,000	49,825	19,825
Total intergovernmental	<u>582,997</u>	<u>837,997</u>	<u>938,090</u>	<u>100,093</u>
Charges for services				
Administration charges – general government				
Construction funds	50,000	50,000	15,927	(34,073)
Enterprise funds	670,000	670,000	670,000	-
Investment charges – general government	100,000	100,000	100,000	-
Engineering charges – public works – construction	551,757	584,097	572,506	(11,591)
General government	17,800	17,800	16,386	(1,414)
Public safety	208,670	208,670	224,239	15,569
Public works	-	-	17,047	17,047
Parks and recreation	954,000	954,000	882,482	(71,518)
Total charges for services	<u>2,552,227</u>	<u>2,584,567</u>	<u>2,498,587</u>	<u>(85,980)</u>
Fines and forfeitures	282,000	282,000	257,345	(24,655)
Investment earnings (net of market value adjustment)	160,000	160,000	(122,708)	(282,708)
Other				
Rentals	467,600	467,600	562,422	94,822
Refunds and reimbursements	60,000	60,000	69,697	9,697
Donations	-	-	51,125	51,125
Miscellaneous	20,000	20,000	25,919	5,919
Total other	<u>547,600</u>	<u>547,600</u>	<u>709,163</u>	<u>161,563</u>
Total revenue	23,826,113	26,900,253	27,099,854	199,601

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2013

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures				
General government				
Mayor and City Council				
Personal services	\$ 109,780	\$ 109,780	\$ 103,259	\$ (6,521)
Supplies	300	300	390	90
Other current expenditures	22,870	22,870	21,991	(879)
Total Mayor and City Council	<u>132,950</u>	<u>132,950</u>	<u>125,640</u>	<u>(7,310)</u>
Administration				
Personal services	386,389	386,389	380,150	(6,239)
Supplies	225	225	108	(117)
Other current expenditures	15,241	15,241	14,443	(798)
Total administration	<u>401,855</u>	<u>401,855</u>	<u>394,701</u>	<u>(7,154)</u>
Finance and data processing				
Personal services	518,557	518,557	438,337	(80,220)
Supplies	10,000	10,000	9,723	(277)
Other current expenditures	265,000	265,000	246,611	(18,389)
Total finance and data processing	<u>793,557</u>	<u>793,557</u>	<u>694,671</u>	<u>(98,886)</u>
Information technology				
Personal services	309,715	309,715	308,799	(916)
Supplies	8,000	8,000	14,041	6,041
Other current expenditures	180,480	192,780	174,851	(17,929)
Capital outlay	144,000	205,956	173,307	(32,649)
Total information technology	<u>642,195</u>	<u>716,451</u>	<u>670,998</u>	<u>(45,453)</u>
Human resources				
Personal services	426,087	426,087	358,344	(67,743)
Supplies	1,000	1,000	593	(407)
Other current expenditures	70,600	70,600	41,566	(29,034)
Total human resources	<u>497,687</u>	<u>497,687</u>	<u>400,503</u>	<u>(97,184)</u>
City clerk/elections				
Personal services	180,497	180,497	147,341	(33,156)
Supplies	900	900	842	(58)
Other current expenditures	76,632	76,632	68,003	(8,629)
Capital outlay	1,900	1,900	1,337	(563)
Total city clerk/elections	<u>259,929</u>	<u>259,929</u>	<u>217,523</u>	<u>(42,406)</u>
Legal				
Other current expenditures	470,732	470,732	473,862	3,130
General government buildings				
Personal services	158,278	158,278	162,893	4,615
Supplies	21,750	21,750	22,041	291
Other current expenditures	132,207	132,207	165,223	33,016
Capital outlay	–	35,500	35,500	–
Total general government buildings	<u>312,235</u>	<u>347,735</u>	<u>385,657</u>	<u>37,922</u>

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2013

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures (continued)				
General government (continued)				
Community development				
Personal services	551,720	551,720	550,425	(1,295)
Supplies	900	900	3,310	2,410
Other current expenditures	83,405	283,405	275,154	(8,251)
Total community development	<u>636,025</u>	<u>836,025</u>	<u>828,889</u>	<u>(7,136)</u>
Code enforcement				
Personal services	187,522	187,522	155,402	(32,120)
Supplies	4,400	4,400	2,936	(1,464)
Other current expenditures	8,800	45,427	21,066	(24,361)
Capital outlay	–	19,000	10,925	(8,075)
Total code enforcement	<u>200,722</u>	<u>256,349</u>	<u>190,329</u>	<u>(66,020)</u>
Unallocated				
Personal services	6,000	6,000	14,909	8,909
Other current expenditures	430,000	345,765	267,234	(78,531)
Total unallocated	<u>436,000</u>	<u>351,765</u>	<u>282,143</u>	<u>(69,622)</u>
Total general government	4,783,887	5,065,035	4,664,916	(400,119)
Public safety				
Police protection				
Personal services	6,533,411	6,533,411	6,454,417	(78,994)
Supplies	287,341	297,928	264,161	(33,767)
Other current expenditures	1,208,783	1,213,428	1,189,558	(23,870)
Capital outlay	200,000	200,000	231,185	31,185
Total police protection	<u>8,229,535</u>	<u>8,244,767</u>	<u>8,139,321</u>	<u>(105,446)</u>
Fire protection				
Personal services	951,313	1,006,313	912,157	(94,156)
Supplies	121,108	126,695	135,257	8,562
Other current expenditures	269,195	338,365	261,924	(76,441)
Capital outlay	135,300	181,850	183,393	1,543
Total fire protection	<u>1,476,916</u>	<u>1,653,223</u>	<u>1,492,731</u>	<u>(160,492)</u>
Fire relief				
Other current expenditures	483,584	483,584	566,436	82,852
Civil defense				
Supplies	3,000	3,000	1,088	(1,912)
Other current expenditures	17,096	17,096	16,207	(889)
Total civil defense	<u>20,096</u>	<u>20,096</u>	<u>17,295</u>	<u>(2,801)</u>
Animal control				
Personal services	113,590	113,590	70,978	(42,612)
Supplies	12,550	12,550	11,276	(1,274)
Other current expenditures	11,000	11,000	9,734	(1,266)
Total animal control	<u>137,140</u>	<u>137,140</u>	<u>91,988</u>	<u>(45,152)</u>

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2013

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures (continued)				
Public safety (continued)				
Building inspection				
Personal services	447,292	457,592	451,554	(6,038)
Supplies	9,285	9,285	8,206	(1,079)
Other current expenditures	59,385	80,885	91,789	10,904
Capital outlay	25,400	25,400	23,241	(2,159)
Total building inspection	<u>541,362</u>	<u>573,162</u>	<u>574,790</u>	<u>1,628</u>
Total public safety	10,888,633	11,111,972	10,882,561	(229,411)
Public works				
Public works administration				
Personal services	546,264	546,264	540,444	(5,820)
Supplies	11,290	11,290	8,751	(2,539)
Other current expenditures	63,870	63,870	42,934	(20,936)
Total public works administration	<u>621,424</u>	<u>621,424</u>	<u>592,129</u>	<u>(29,295)</u>
Central maintenance facility				
Personal services	440,048	440,048	417,472	(22,576)
Supplies	30,025	30,025	26,732	(3,293)
Other current expenditures	125,005	125,005	125,176	171
Capital outlay	64,750	64,750	46,321	(18,429)
Total central maintenance facility	<u>659,828</u>	<u>659,828</u>	<u>615,701</u>	<u>(44,127)</u>
Streets				
Personal services	1,478,285	1,489,285	1,439,718	(49,567)
Supplies	479,645	560,520	557,995	(2,525)
Other current expenditures	415,715	418,595	322,244	(96,351)
Capital outlay	86,200	86,200	85,414	(786)
Total streets	<u>2,459,845</u>	<u>2,554,600</u>	<u>2,405,371</u>	<u>(149,229)</u>
Engineering				
Personal services	452,106	484,446	493,298	8,852
Supplies	13,825	13,825	17,842	4,017
Other current expenditures	54,970	54,970	32,278	(22,692)
Capital outlay	23,875	23,875	24,678	803
Total engineering	<u>544,776</u>	<u>577,116</u>	<u>568,096</u>	<u>(9,020)</u>
Total public works	4,285,873	4,412,968	4,181,297	(231,671)
Parks and recreation				
Parks and recreation administration				
Personal services	723,217	723,217	696,263	(26,954)
Supplies	4,700	4,700	3,953	(747)
Other current expenditures	141,450	141,450	121,814	(19,636)
Total parks and recreation administration	<u>869,367</u>	<u>869,367</u>	<u>822,030</u>	<u>(47,337)</u>

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2013

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures (continued)				
Parks and recreation (continued)				
Recreation programs				
Personal services	235,171	235,171	231,507	(3,664)
Supplies	58,900	58,900	41,534	(17,366)
Other current expenditures	142,205	142,205	105,968	(36,237)
Total recreation programs	<u>436,276</u>	<u>436,276</u>	<u>379,009</u>	<u>(57,267)</u>
Parks maintenance				
Personal services	1,485,025	1,485,025	1,461,355	(23,670)
Supplies	312,110	312,110	282,738	(29,372)
Other current expenditures	504,000	504,000	461,979	(42,021)
Capital outlay	142,500	142,500	139,875	(2,625)
Total parks maintenance	<u>2,443,635</u>	<u>2,443,635</u>	<u>2,345,947</u>	<u>(97,688)</u>
Redwood pool				
Personal services	65,437	65,437	63,872	(1,565)
Supplies	6,700	6,700	5,570	(1,130)
Other current expenditures	33,400	33,400	35,973	2,573
Capital outlay	15,000	15,000	8,317	(6,683)
Total Redwood pool	<u>120,537</u>	<u>120,537</u>	<u>113,732</u>	<u>(6,805)</u>
Aquatic swim center				
Personal services	301,636	301,636	313,605	11,969
Supplies	29,400	29,400	30,695	1,295
Other current expenditures	268,300	268,300	235,843	(32,457)
Capital outlay	20,000	20,000	22,521	2,521
Total aquatic swim center	<u>619,336</u>	<u>619,336</u>	<u>602,664</u>	<u>(16,672)</u>
Apple Valley Community Center				
Personal services	196,577	196,577	185,690	(10,887)
Supplies	22,000	22,000	17,972	(4,028)
Other current expenditures	106,875	106,875	78,960	(27,915)
Capital outlay	30,000	39,990	30,480	(9,510)
Total Apple Valley Community Center	<u>355,452</u>	<u>365,442</u>	<u>313,102</u>	<u>(52,340)</u>
Apple Valley Senior Center				
Personal services	229,413	229,413	251,897	22,484
Supplies	14,300	14,300	10,675	(3,625)
Other current expenditures	50,800	50,800	49,993	(807)
Capital outlay	6,500	6,500	6,607	107
Total Apple Valley Senior Center	<u>301,013</u>	<u>301,013</u>	<u>319,172</u>	<u>18,159</u>

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2013

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures (continued)				
Parks and recreation (continued)				
Cable TV				
Supplies	900	900	250	(650)
Other current expenditures	20,950	20,950	433	(20,517)
Total Cable TV	<u>21,850</u>	<u>21,850</u>	<u>683</u>	<u>(21,167)</u>
Total parks and recreation	<u>5,167,466</u>	<u>5,177,456</u>	<u>4,896,339</u>	<u>(281,117)</u>
Total expenditures	<u>25,125,859</u>	<u>25,767,431</u>	<u>24,625,113</u>	<u>(1,142,318)</u>
Excess (deficiency) of revenues over expenditures	(1,299,746)	1,132,822	2,474,741	1,341,919
Other financing sources (uses)				
Sale of capital assets	20,000	20,000	27,544	7,544
Transfers in	1,125,000	1,125,000	1,125,000	-
Transfers (out)	<u>(12,800)</u>	<u>(2,767,800)</u>	<u>(2,776,417)</u>	<u>(8,617)</u>
Total other financing sources (uses)	<u>1,132,200</u>	<u>(1,622,800)</u>	<u>(1,623,873)</u>	<u>(1,073)</u>
Net change in fund balances	<u>\$ (167,546)</u>	<u>\$ (489,978)</u>	850,868	<u>\$ 1,340,846</u>
Fund balances				
Beginning of year			<u>13,375,516</u>	
End of year			<u>\$ 14,226,384</u>	

CITY OF APPLE VALLEY

Road Improvements Capital Projects Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Special assessments	\$ –	\$ 97,812	\$ 97,812
Intergovernmental	<u>1,190,000</u>	<u>824,303</u>	<u>(365,697)</u>
Total revenue	<u>1,190,000</u>	<u>922,115</u>	<u>(267,885)</u>
Expenditures			
Capital outlay			
Public works	<u>5,360,200</u>	<u>4,317,281</u>	<u>(1,042,919)</u>
Excess (deficiency) of revenue over expenditures	(4,170,200)	(3,395,166)	775,034
Other financing sources			
Transfers in	<u>4,170,000</u>	<u>3,846,164</u>	<u>(323,836)</u>
Net change in fund balances	<u>\$ (200)</u>	450,998	<u>\$ 451,198</u>
Fund balances (deficit)			
Beginning of year		<u>(3,958,742)</u>	
End of year		<u>\$ (3,507,744)</u>	

CITY OF APPLE VALLEY

Future Capital Projects Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Intergovernmental	\$ –	\$ 29	\$ 29
Investment earnings (net of market value adjustment)	174,200	(237,114)	(411,314)
Other	<u>50,000</u>	<u>83,361</u>	<u>33,361</u>
Total revenue	224,200	(153,724)	(377,924)
Expenditures			
Capital outlay			
Public works	<u>1,353,000</u>	<u>7,361</u>	<u>(1,345,639)</u>
Excess (deficiency) of revenue over expenditures	(1,128,800)	(161,085)	967,715
Other financing (uses)			
Transfers out	<u>(960,000)</u>	<u>(2,551,838)</u>	<u>(1,591,838)</u>
Net change in fund balances	<u>\$ (2,088,800)</u>	(2,712,923)	<u>\$ (624,123)</u>
Fund balances			
Beginning of year		<u>15,864,837</u>	
End of year		<u>\$ 13,151,914</u>	

CITY OF APPLE VALLEY

Cable TV Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2013

	Budget	Actual	Over (Under) Budget
Revenue			
Franchise fees	\$ 71,000	\$ 84,120	\$ 13,120
Intergovernmental	88,530	–	(88,530)
Investment earnings (net of market value adjustment)	2,000	(2,230)	(4,230)
Other			
Miscellaneous	15,879	71,896	56,017
Total revenue	<u>177,409</u>	<u>153,786</u>	<u>(23,623)</u>
Expenditures			
Current			
Parks and recreation	<u>190,209</u>	<u>202,722</u>	<u>12,513</u>
Excess (deficiency) of revenue over expenditures	(12,800)	(48,936)	(36,136)
Other financing sources			
Transfers in	<u>12,800</u>	<u>21,417</u>	<u>8,617</u>
Net change in fund balances	<u>\$ –</u>	<u>(27,519)</u>	<u>\$ (27,519)</u>
Fund balances			
Beginning of year		<u>149,231</u>	
End of year		<u>\$ 121,712</u>	

CITY OF APPLE VALLEY

EDA Operations Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Investment earnings (net of market value adjustment)	\$ 14,000	\$ (17,328)	\$ (31,328)
Expenditures			
Current			
General government	<u>17,500</u>	<u>17,640</u>	<u>140</u>
Net change in fund balances	<u>\$ (3,500)</u>	(34,968)	<u>\$ (31,468)</u>
Fund balances			
Beginning of year		<u>955,262</u>	
End of year		<u>\$ 920,294</u>	

CITY OF APPLE VALLEY

Equipment Certificate Capital Projects Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Investment earnings (net of market value adjustment)	\$ 6,000	\$ (16,707)	\$ (22,707)
Expenditures			
Capital outlay	<u>447,000</u>	<u>603,066</u>	<u>156,066</u>
Excess (deficiency) of revenue over expenditures	(441,000)	(619,773)	(178,773)
Other financing sources			
Sale of capital assets	–	130,476	130,476
Debt issued	<u>441,000</u>	<u>–</u>	<u>(441,000)</u>
Total other financing sources	<u>441,000</u>	<u>130,476</u>	<u>(310,524)</u>
Net change in fund balances	<u>\$ –</u>	<u>(489,297)</u>	<u>\$ (489,297)</u>
Fund balances			
Beginning of year		<u>1,178,090</u>	
End of year		<u>\$ 688,793</u>	

INTERNAL SERVICE FUNDS

Internal service funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City utilizes an Insurance Internal Service Fund, a Risk Management Internal Service Fund, and a Vehicle Equipment Replacement Internal Service Fund in managing city operations.

CITY OF APPLE VALLEY

Internal Service Funds
 Combining Statement of Net Position
 as of December 31, 2013

	Insurance (7100)	Risk Management (7200)	Vehicle, Equipment Replacement (7400, 7415)	Totals
Assets				
Current assets				
Cash and investments	\$ 37,067	\$ 3,473,515	\$ 12,945	\$ 3,523,527
Receivables				
Accounts	-	1,388	-	1,388
Prepays	-	110,850	-	110,850
	<u>37,067</u>	<u>3,585,753</u>	<u>12,945</u>	<u>3,635,765</u>
Total assets	<u>\$ 37,067</u>	<u>\$ 3,585,753</u>	<u>\$ 12,945</u>	<u>\$ 3,635,765</u>
Liabilities and Net Position				
Current liabilities				
Accounts payable	\$ 2,440	\$ 80,625	\$ -	\$ 83,065
Due to other governmental units	-	141	-	141
Claims incurred, but not reported	1,543	-	-	1,543
Accrued compensated absences	-	1,433,184	-	1,433,184
Total current liabilities	<u>3,983</u>	<u>1,513,950</u>	<u>-</u>	<u>1,517,933</u>
Noncurrent liabilities				
Accrued compensated absences	-	1,151,549	-	1,151,549
	<u>-</u>	<u>1,151,549</u>	<u>-</u>	<u>1,151,549</u>
Total liabilities	3,983	2,665,499	-	2,669,482
Net position				
Unrestricted	<u>33,084</u>	<u>920,254</u>	<u>12,945</u>	<u>966,283</u>
Total liabilities and net position	<u>\$ 37,067</u>	<u>\$ 3,585,753</u>	<u>\$ 12,945</u>	<u>\$ 3,635,765</u>

CITY OF APPLE VALLEY

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended December 31, 2013

	Insurance (7100)	Risk Management (7200)	Vehicle, Equipment Replacement (7400, 7415)	Totals
Operating revenue				
Charges to other funds	\$ 181,166	\$ 1,102,501	\$ -	\$ 1,283,667
Operating expenses				
Personal services	204,755	462,071	-	666,826
Contractual services	-	35,527	-	35,527
Other charges	-	923,123	-	923,123
Total operating expenses	<u>204,755</u>	<u>1,420,721</u>	<u>-</u>	<u>1,625,476</u>
Operating income (loss)	(23,589)	(318,220)	-	(341,809)
Nonoperating revenue				
Investment earnings (net of market value adjustment)	(843)	(64,297)	(39)	(65,179)
Other	-	165,123	12,984	178,107
Total nonoperating revenue	<u>(843)</u>	<u>100,826</u>	<u>12,945</u>	<u>112,928</u>
Change in net position	(24,432)	(217,394)	12,945	(228,881)
Net position				
Beginning of year	<u>57,516</u>	<u>1,137,648</u>	<u>-</u>	<u>1,195,164</u>
End of year	<u>\$ 33,084</u>	<u>\$ 920,254</u>	<u>\$ 12,945</u>	<u>\$ 966,283</u>

CITY OF APPLE VALLEY

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended December 31, 2013

	Insurance (7100)	Risk Management (7200)	Vehicle, Equipment Replacement (7400, 7415)	Totals
Cash flows from operating activities				
Cash receipts on interfund services provided	\$ 181,399	\$ 1,104,002	\$ -	\$ 1,285,401
Cash payments to suppliers	(200,772)	(1,128,734)	-	(1,329,506)
Cash payments to employees for services	-	(14,080)	-	(14,080)
Net cash flows from operating activities	<u>(19,373)</u>	<u>(38,812)</u>	<u>-</u>	<u>(58,185)</u>
Cash flows from investing activities				
Interest received (market value adjustment) on investments	(843)	(64,297)	(39)	(65,179)
Cash flows from noncapital financing activities				
Other income	<u>-</u>	<u>165,123</u>	<u>12,984</u>	<u>178,107</u>
Net increase (decrease) in cash and cash equivalents	(20,216)	62,014	12,945	54,743
Cash and investments				
Beginning of year	<u>57,283</u>	<u>3,411,501</u>	<u>-</u>	<u>3,468,784</u>
End of year	<u>\$ 37,067</u>	<u>\$ 3,473,515</u>	<u>\$ 12,945</u>	<u>\$ 3,523,527</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (23,589)	\$ (318,220)	\$ -	\$ (341,809)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Change in assets and liabilities				
Receivables				
Accounts	233	1,501	-	1,734
Prepays	-	61,547	-	61,547
Accounts payable	2,440	75,881	-	78,321
Claims incurred, but not reported	1,543	-	-	1,543
Accrued compensated absences	-	140,338	-	140,338
Due to other governmental units	-	141	-	141
Net cash flows from operating activities	<u>\$ (19,373)</u>	<u>\$ (38,812)</u>	<u>\$ -</u>	<u>\$ (58,185)</u>

STATISTICAL SECTION

(UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

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

Page

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 109

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant revenue source, including the property tax and utility revenue. 119

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 125

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 133

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides, and the activities it performs. 135

Sources: Unless otherwise noted, the information in these schedules is derived from the CAFR for the relevant year.

CITY OF APPLE VALLEY, MINNESOTA

Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 22,982,033	\$ 28,694,282	\$ 37,570,960	\$ 34,412,008
Restricted	34,165,446	44,147,505	37,773,983	44,173,435
Unrestricted	23,959,174	11,253,973	10,819,067	12,745,088
Total governmental activities net position	\$ 81,106,653	\$ 84,095,760	\$ 86,164,010	\$ 91,330,531
Business-type activities				
Net investment in capital assets	\$ 86,311,795	\$ 90,562,608	\$ 93,728,440	\$ 97,927,988
Restricted	-	-	-	-
Unrestricted	15,424,386	16,490,064	18,078,297	19,088,334
Total business-type activities net position	\$ 101,736,181	\$ 107,052,672	\$ 111,806,737	\$ 117,016,322
Primary government				
Net investment in capital assets	\$ 109,293,828	\$ 119,256,890	\$ 131,299,400	\$ 132,339,996
Restricted	34,165,446	44,147,505	37,773,983	44,173,435
Unrestricted	39,383,560	27,744,037	28,897,364	31,833,422
Total primary government net position	\$ 182,842,834	\$ 191,148,432	\$ 197,970,747	\$ 208,346,853

Source: Audited financial statements for fiscal years ending December 31, 2004–2013

Table 1

2008	2009	2010	2011	2012	2013
\$ 41,867,201	\$ 43,981,788	\$ 45,477,393	\$ 54,928,735	\$ 64,226,520	\$ 70,526,658
30,525,737	24,664,257	24,656,491	21,580,777	17,001,111	18,619,396
30,010,778	36,290,872	38,798,761	42,115,459	43,609,670	38,654,601
<u>\$ 102,403,716</u>	<u>\$ 104,936,917</u>	<u>\$ 108,932,645</u>	<u>\$ 118,624,971</u>	<u>\$ 124,837,301</u>	<u>\$ 127,800,655</u>
\$ 100,280,579	\$ 101,447,457	\$ 102,320,160	\$ 104,198,009	\$ 110,376,210	\$ 118,410,631
275,000	289,049	291,591	309,518	319,582	303,823
17,998,903	19,100,650	20,094,976	19,431,679	19,030,882	13,228,257
<u>\$ 118,554,482</u>	<u>\$ 120,837,156</u>	<u>\$ 122,706,727</u>	<u>\$ 123,939,206</u>	<u>\$ 129,726,674</u>	<u>\$ 131,942,711</u>
\$ 142,147,780	\$ 145,429,245	\$ 147,797,553	\$ 159,126,744	\$ 174,602,730	\$ 188,937,289
30,800,737	24,953,306	24,948,082	21,890,295	17,320,693	18,923,219
48,009,681	55,391,522	58,893,737	61,547,138	62,640,552	51,882,858
<u>\$ 220,958,198</u>	<u>\$ 225,774,073</u>	<u>\$ 231,639,372</u>	<u>\$ 242,564,177</u>	<u>\$ 254,563,975</u>	<u>\$ 259,743,366</u>

CITY OF APPLE VALLEY, MINNESOTA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	Fiscal Year 2007
Expenses				
Governmental activities				
General government	\$ 5,525,615	\$ 6,829,322	\$ 6,632,165	\$ 7,856,220
Public safety	8,340,982	8,735,679	8,731,171	9,543,225
Public works	6,127,372	8,811,532	6,128,560	6,212,755
Park and recreation	3,944,179	4,182,048	4,417,497	5,235,779
Interest on long-term debt	2,638,220	1,884,397	1,881,814	1,540,980
Total governmental activities expense:	\$ 26,576,368	\$ 30,442,978	\$ 27,791,207	\$ 30,388,959
Business-type activities				
Municipal Liquor	\$ 5,808,146	\$ 5,895,443	\$ 6,144,064	\$ 6,247,330
Municipal Golf Course	1,004,999	1,034,341	961,616	886,143
Sports Arena	724,748	654,391	727,323	714,437
Water and Sewer	6,978,395	6,909,465	7,093,682	7,265,384
Storm Drainage	432,442	851,910	937,185	1,228,726
Cemetery	-	-	33,361	46,284
Street Light Utility	-	-	-	-
Total business-type activities	14,948,730	15,345,550	15,897,231	16,388,304
Total primary government expenses:	\$ 41,525,098	\$ 45,788,528	\$ 43,688,438	\$ 46,777,263
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 4,017,139	\$ 4,001,566	\$ 3,300,137	\$ 3,520,909
Public safety	218,688	232,373	507,185	565,351
Public works	359,025	809,598	259,375	211,770
Park and recreation	1,191,534	1,118,859	1,185,441	1,027,078
Operating grants and contributions	624,299	654,077	680,177	1,028,408
Capital grants and contributions	6,285,068	4,309,470	3,272,979	5,926,863
Total governmental activities program revenue:	\$ 12,695,753	\$ 11,125,943	\$ 9,205,294	\$ 12,280,379

Table 2

2008	2009	2010	2011	2012	2013
\$ 8,147,712	\$ 8,685,487	\$ 10,081,345	\$ 7,086,321	\$ 7,398,895	\$ 5,012,638
10,223,407	10,306,540	10,092,977	10,548,223	11,101,520	11,336,972
7,349,899	8,393,981	7,008,886	5,744,780	6,382,138	6,905,011
5,011,287	5,754,969	6,261,801	6,169,552	6,166,397	6,345,937
2,102,579	1,773,863	1,556,130	1,459,728	1,235,352	1,194,974
<u>\$ 32,834,884</u>	<u>\$ 34,914,840</u>	<u>\$ 35,001,139</u>	<u>\$ 31,008,604</u>	<u>\$ 32,284,302</u>	<u>\$ 30,795,532</u>
\$ 6,985,584	\$ 8,062,876	\$ 8,285,841	\$ 8,177,679	\$ 8,377,991	\$ 8,419,472
1,047,254	1,011,443	1,057,715	1,051,605	1,292,371	1,507,451
755,102	771,198	748,541	799,993	778,931	759,930
7,983,126	7,226,393	7,302,254	7,309,277	7,194,007	7,794,274
926,799	869,376	846,743	917,054	1,001,140	1,052,087
45,882	56,518	68,868	69,004	69,376	51,472
-	-	410,787	398,114	447,954	444,106
<u>17,743,747</u>	<u>17,997,804</u>	<u>18,720,749</u>	<u>18,722,726</u>	<u>19,161,770</u>	<u>20,028,792</u>
<u>\$ 50,578,631</u>	<u>\$ 52,912,644</u>	<u>\$ 53,721,888</u>	<u>\$ 49,731,330</u>	<u>\$ 51,446,072</u>	<u>\$ 50,824,324</u>
\$ 3,470,858	\$ 2,363,002	\$ 2,423,051	\$ 2,435,834	\$ 2,413,190	\$ 2,315,613
647,651	603,425	755,339	587,486	554,820	549,371
112,651	457,516	1,046,007	1,055,995	1,543,446	892,267
1,027,675	1,259,959	1,721,486	1,314,377	1,504,546	1,271,031
1,153,964	1,577,419	1,872,316	534,041	579,675	900,223
10,345,742	2,451,327	3,271,761	4,398,403	4,445,816	3,250,152
<u>\$ 16,758,541</u>	<u>\$ 8,712,648</u>	<u>\$ 11,089,960</u>	<u>\$ 10,326,136</u>	<u>\$ 11,041,493</u>	<u>\$ 9,178,657</u>

(continued)

CITY OF APPLE VALLEY, MINNESOTA

Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	Fiscal Year 2007
Program revenues (continued)				
Business-type activities				
Charges for services				
Municipal Liquor	\$ 6,242,480	\$ 6,405,618	\$ 6,622,752	\$ 6,974,113
Municipal Golf Course	877,950	812,820	834,872	922,648
Sports Arena	539,892	554,609	607,559	555,262
Water and Sewer	8,169,840	8,060,081	8,145,197	8,635,246
Storm Drainage	1,112,142	1,112,827	1,225,052	1,141,260
Cemetery	-	-	94,690	93,780
Street Light Utility	-	-	-	-
Operating grants and contributions	-	-	4,207	142,686
Capital grants and contributions	2,170,659	4,095,167	-	-
Total business-type activities program revenues:	<u>19,112,963</u>	<u>21,041,122</u>	<u>17,534,329</u>	<u>18,464,995</u>
Total primary government program revenues:	<u>\$ 31,808,716</u>	<u>\$ 32,167,065</u>	<u>\$ 26,739,623</u>	<u>\$ 30,745,374</u>
Net (expense)/revenue				
Governmental activities	\$ (13,880,615)	\$ (19,317,035)	\$ (18,585,913)	\$ (18,108,580)
Business-type activities	<u>4,164,233</u>	<u>5,695,572</u>	<u>1,637,098</u>	<u>2,076,691</u>
Total primary government net expense	<u>\$ (9,716,382)</u>	<u>\$ (13,621,463)</u>	<u>\$ (16,948,815)</u>	<u>\$ (16,031,889)</u>
General revenues and other changes in net position				
Governmental activities				
Property taxes	\$ 15,728,058	\$ 16,867,319	\$ 18,051,659	\$ 19,027,159
Tax increments	1,562,082	1,583,537	1,861,288	1,981,344
Franchise taxes	782,871	894,723	941,035	972,270
Lodging tax	36,754	36,073	38,955	42,038
Gravel tax	39,720	34,301	64,155	26,378
Unallocated state and county aids	163,868	47,854	67,040	959,190
Other general revenue	(56,694)	-	54,087	119,010
Unrestricted investment earnings	970,255	1,081,951	1,897,055	2,166,594
Transfers	447,369	1,001,911	(1,317,741)	(2,018,882)
Total governmental activities	<u>\$ 19,674,283</u>	<u>\$ 21,547,669</u>	<u>\$ 21,657,533</u>	<u>\$ 23,275,101</u>
Business-type activities				
Unrestricted investment earnings	\$ 354,606	\$ 520,324	\$ 720,940	\$ 992,512
Property taxes	100,000	100,000	123,500	121,500
Other	-	2,506	-	-
Transfers	(447,369)	(1,001,911)	1,317,741	2,018,882
Total business-type activities	<u>7,237</u>	<u>(379,081)</u>	<u>2,162,181</u>	<u>3,132,894</u>
Total primary government	<u>\$ 19,681,520</u>	<u>\$ 21,168,588</u>	<u>\$ 23,819,714</u>	<u>\$ 26,407,995</u>
Change in net position				
Governmental activities	\$ 5,793,668	\$ 2,230,634	\$ 3,071,620	\$ 5,166,521
Business-type activities	<u>4,171,470</u>	<u>5,316,491</u>	<u>3,799,279</u>	<u>5,209,585</u>
Total primary government	<u>\$ 9,965,138</u>	<u>\$ 7,547,125</u>	<u>\$ 6,870,899</u>	<u>\$ 10,376,106</u>

Note 1: The Street Light Utility was established in fiscal year 2010, the street light activity prior to 2010 was included in the Water and Sewer Fund.

Note 2: Fiscal 2012 and prior data have not been restated for the reclassifications made in fiscal 2013.

Source: Audited financial statements for fiscal years ending December 31, 2004-2013

Table 2 (continued)

2008	2009	2010	2011	2012	2013
\$ 7,390,696	\$ 8,772,571	\$ 9,032,194	\$ 9,005,660	\$ 9,231,890	\$ 9,380,818
1,049,707	1,085,429	1,114,395	1,023,866	1,122,791	1,168,154
538,694	627,595	606,262	650,350	647,134	643,855
8,670,265	9,250,812	8,439,232	8,361,750	9,256,709	8,951,798
1,227,331	1,233,346	1,360,483	1,370,348	1,517,090	1,525,136
110,175	95,320	89,695	114,365	127,735	123,197
–	–	465,552	433,464	454,477	449,885
47,285	25,190	–	10,170	13,890	80,707
324,323	316,200	645,427	643,164	3,201,690	1,497,501
<u>19,358,476</u>	<u>21,406,463</u>	<u>21,753,240</u>	<u>21,613,137</u>	<u>25,573,406</u>	<u>23,821,051</u>
<u>\$ 36,117,017</u>	<u>\$ 30,119,111</u>	<u>\$ 32,843,200</u>	<u>\$ 31,939,273</u>	<u>\$ 36,614,899</u>	<u>\$ 32,999,708</u>
\$ (16,076,343)	\$ (26,202,192)	\$ (23,911,179)	\$ (20,682,468)	\$ (21,242,809)	\$ (21,616,875)
<u>1,614,729</u>	<u>3,408,659</u>	<u>3,032,491</u>	<u>2,890,411</u>	<u>6,411,636</u>	<u>3,792,259</u>
<u>\$ (14,461,614)</u>	<u>\$ (22,793,533)</u>	<u>\$ (20,878,688)</u>	<u>\$ (17,792,057)</u>	<u>\$ (14,831,173)</u>	<u>\$ (17,824,616)</u>
\$ 19,942,701	\$ 21,892,939	\$ 21,697,421	\$ 21,460,141	\$ 21,769,647	\$ 22,144,883
2,040,480	2,185,762	2,311,405	2,240,269	2,012,281	544,283
1,023,368	1,096,578	1,160,771	1,177,715	1,197,288	1,262,393
65,073	56,300	67,311	74,105	75,472	73,504
37,209	40,692	36,314	38,666	36,439	45,890
584,294	292,225	95,019	117,000	145,755	40,397
143,403	433,956	271,622	176,575	116,558	186,872
1,352,749	912,413	643,741	2,372,693	1,026,594	(1,056,882)
<u>955,251</u>	<u>1,824,528</u>	<u>1,623,303</u>	<u>2,717,630</u>	<u>1,075,105</u>	<u>1,338,889</u>
<u>\$ 26,144,528</u>	<u>\$ 28,735,393</u>	<u>\$ 27,906,907</u>	<u>\$ 30,374,794</u>	<u>\$ 27,455,139</u>	<u>\$ 24,580,229</u>
\$ 672,485	\$ 426,300	\$ 320,166	\$ 888,863	\$ 388,923	\$ (358,333)
125,000	120,000	125,000	120,000	120,000	121,000
81,197	152,243	15,217	50,835	43,845	–
(955,251)	(1,824,528)	(1,623,303)	(2,717,630)	(1,075,105)	(1,338,889)
<u>(76,569)</u>	<u>(1,125,985)</u>	<u>(1,162,920)</u>	<u>(1,657,932)</u>	<u>(522,337)</u>	<u>(1,576,222)</u>
<u>\$ 26,067,959</u>	<u>\$ 27,609,408</u>	<u>\$ 26,743,987</u>	<u>\$ 28,716,862</u>	<u>\$ 26,932,802</u>	<u>\$ 23,004,007</u>
\$ 10,068,185	\$ 2,533,201	\$ 3,995,728	\$ 9,692,326	\$ 6,212,330	\$ 2,963,354
<u>1,538,160</u>	<u>2,282,674</u>	<u>1,869,571</u>	<u>1,232,479</u>	<u>5,889,299</u>	<u>2,216,037</u>
<u>\$ 11,606,345</u>	<u>\$ 4,815,875</u>	<u>\$ 5,865,299</u>	<u>\$ 10,924,805</u>	<u>\$ 12,101,629</u>	<u>\$ 5,179,391</u>

CITY OF APPLE VALLEY, MINNESOTA

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Reserved	\$ 88,705	\$ 89,863	\$ 112,094	\$ 161,283
Unreserved	11,177,609	11,008,601	13,354,939	11,005,460
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 11,266,314</u>	<u>\$ 11,098,464</u>	<u>\$ 13,467,033</u>	<u>\$ 11,166,743</u>
All other governmental funds				
Reserved reported in				
Special revenue funds	\$ -	\$ -	\$ -	\$ -
Debt service funds	34,504,765	34,213,218	24,664,247	-
Capital projects funds	-	1,809,860	3,475,896	-
Unreserved reported in				
Special revenue funds	540,412	586,907	295,462	286,647
Debt service funds	(1,429,437)	(2,486,434)	(4,618,885)	19,405,845
Capital projects funds	3,777,337	662,127	2,361,571	12,051,437
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 37,393,077</u>	<u>\$ 34,785,678</u>	<u>\$ 26,178,291</u>	<u>\$ 31,743,929</u>
Total all funds	<u>\$ 48,659,391</u>	<u>\$ 45,884,142</u>	<u>\$ 39,645,324</u>	<u>\$ 42,910,672</u>

Note: Fund balance descriptions changed due to GASB Statement No. 54 implementation effective January 1, 2011.

Source: Audited financial statements for fiscal years ending December 31, 2004–2013

Table 3

2008	2009	2010	2011	2012	2013
\$ 122,232	\$ 40,515	\$ 53,113	\$ -	\$ -	\$ -
11,103,476	12,181,208	12,594,013	-	-	-
-	-	-	118,661	239,462	90,745
-	-	-	-	-	-
-	-	-	165,872	210,005	154,100
-	-	-	278,724	279,973	151,502
-	-	-	12,142,496	12,646,076	13,830,037
<u>\$ 11,225,708</u>	<u>\$ 12,221,723</u>	<u>\$ 12,647,126</u>	<u>\$ 12,705,753</u>	<u>\$ 13,375,516</u>	<u>\$ 14,226,384</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
361,472	342,464	324,251	-	-	-
20,923,916	16,996,037	15,892,926	-	-	-
12,447,954	10,965,444	14,011,232	-	-	-
-	-	-	-	1,750	-
-	-	-	15,537,787	11,435,144	20,966,147
-	-	-	-	-	-
-	-	-	28,795,063	31,538,043	26,215,087
-	-	-	(13,395,872)	(12,381,234)	(9,561,124)
<u>\$ 33,733,342</u>	<u>\$ 28,303,945</u>	<u>\$ 30,228,409</u>	<u>\$ 30,936,978</u>	<u>\$ 30,593,703</u>	<u>\$ 37,620,110</u>
<u>\$ 44,959,050</u>	<u>\$ 40,525,668</u>	<u>\$ 42,875,535</u>	<u>\$ 43,642,731</u>	<u>\$ 43,969,219</u>	<u>\$ 51,846,494</u>

CITY OF APPLE VALLEY, MINNESOTA

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

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
General property taxes	\$ 15,728,058	\$ 16,866,020	\$ 18,004,451	\$ 18,994,579
Tax increments	1,562,082	1,583,537	1,861,288	1,981,344
Other taxes	76,474	70,374	103,110	68,416
Special assessments	2,409,888	2,193,486	1,241,912	2,384,730
Licenses and permits	1,136,543	1,026,657	877,166	1,094,222
Intergovernmental	3,441,561	4,264,771	1,056,957	2,344,740
Charges for services	836,851	1,294,562	1,319,731	1,358,148
Franchise fees	782,871	894,723	941,034	972,270
Fines and forfeits	270,659	201,365	327,584	339,819
Investment earnings (net of market value adjustment)	785,694	1,056,304	1,852,136	2,102,608
Rentals	232,909	227,641	263,907	311,731
Contributions and donations	13,682	16,088	13,444	3,561
Administrative fees	845,399	830,060	931,777	915,543
Other	1,537,460	1,379,689	583,582	218,690
Refunds and reimbursements	245,578	200,238	270,826	235,531
Total revenues	<u>29,905,709</u>	<u>32,105,515</u>	<u>29,648,905</u>	<u>33,325,932</u>
Expenditures				
Current				
General government	5,843,724	5,613,101	5,381,510	5,961,983
Public safety	8,040,341	7,980,865	8,545,705	8,757,650
Public works	3,187,003	2,688,646	2,517,120	2,812,372
Park and recreation	3,711,429	3,907,903	3,957,320	4,106,632
Miscellaneous	-	-	-	-
Capital outlay	8,152,531	9,758,709	7,128,776	10,615,297
Debt service				
Principal	7,697,633	4,265,000	3,885,000	5,125,000
Interest and fiscal charges	-	2,061,451	1,891,707	1,468,677
Total expenditures	<u>36,632,661</u>	<u>36,275,675</u>	<u>33,307,138</u>	<u>38,847,611</u>
Excess (deficiency) of revenues over expenditures	<u>(6,726,952)</u>	<u>(4,170,160)</u>	<u>(3,658,233)</u>	<u>(5,521,679)</u>
Other financing sources (uses)				
Transfers in	12,750,187	3,739,019	9,963,636	20,100,223
Transfers out	(12,302,818)	(2,737,108)	(9,052,561)	(21,303,155)
Bonds issued	15,495,000	400,000	6,645,000	10,000,000
Payment of refunded debt	-	-	(11,340,000)	-
Capital lease issued	-	-	-	-
Premium on debt issued	-	-	6,760	-
Discount on debt issued	(176,192)	(7,000)	(4,953)	(116,483)
Proceeds from sale of capital assets	-	-	-	106,442
Total other financing sources (uses)	<u>15,766,177</u>	<u>1,394,911</u>	<u>(3,782,118)</u>	<u>8,787,027</u>
Net change in fund balances	<u>\$ 9,039,225</u>	<u>\$ (2,775,249)</u>	<u>\$ (7,440,351)</u>	<u>\$ 3,265,348</u>
Debt service as a percentage of noncapital expenditure:	<u>27.0%</u>	<u>23.9%</u>	<u>22.1%</u>	<u>23.4%</u>

Source: Audited financial statements for fiscal years ending December 31, 2004–2013

Table 4

	2008	2009	2010	2011	2012	2013
\$	19,916,783	\$ 21,544,567	\$ 21,709,126	\$ 21,408,873	\$ 21,773,048	\$ 22,252,162
	2,040,480	2,185,762	2,311,405	2,240,269	2,012,281	544,283
	102,282	96,992	103,625	152,020	154,126	169,413
	1,419,869	2,471,962	2,055,783	2,125,776	4,015,591	4,073,061
	561,594	755,444	1,018,847	796,316	1,033,797	1,140,603
	1,934,886	2,429,800	2,996,658	2,407,596	2,642,018	2,388,922
	1,454,353	1,145,890	1,349,123	1,436,256	1,783,390	1,712,660
	1,023,368	1,096,578	1,160,771	1,177,715	1,197,288	1,262,393
	324,461	316,324	258,165	288,946	278,913	257,345
	1,256,353	840,898	593,336	2,232,966	965,333	(991,703)
	271,758	444,877	592,831	511,453	559,702	642,422
	11,045	7,150	11,484	2,750	1,801	51,425
	1,311,479	651,052	778,400	828,999	788,171	785,927
	772,437	509,778	697,054	321,565	338,142	545,994
	341,756	165,345	450,972	139,581	127,166	99,024
	<u>32,742,904</u>	<u>34,662,419</u>	<u>36,087,580</u>	<u>36,071,081</u>	<u>37,670,767</u>	<u>34,933,931</u>
	6,310,842	6,159,832	7,418,012	4,679,394	4,355,811	4,518,602
	9,470,152	9,635,166	9,728,340	9,890,086	9,987,493	10,538,043
	3,355,405	3,501,792	3,593,951	3,675,687	3,674,876	4,031,492
	4,373,278	4,692,052	4,768,656	4,855,184	4,847,194	4,978,896
	-	-	-	-	-	-
	11,666,201	11,727,599	5,879,024	6,370,109	13,266,487	8,716,540
	5,070,000	5,060,000	4,160,000	4,665,000	8,280,000	3,625,000
	2,001,578	1,880,399	1,615,929	1,487,399	1,224,409	1,268,227
	<u>42,247,456</u>	<u>42,656,840</u>	<u>37,163,912</u>	<u>35,622,859</u>	<u>45,636,270</u>	<u>37,676,800</u>
	<u>(9,504,552)</u>	<u>(7,994,421)</u>	<u>(1,076,332)</u>	<u>448,222</u>	<u>(7,965,503)</u>	<u>(2,742,869)</u>
	4,290,930	17,777,689	5,734,691	5,874,339	5,634,873	11,182,608
	(2,967,903)	(14,701,754)	(3,680,241)	(3,156,709)	(4,559,768)	(9,843,719)
	11,520,000	2,775,000	3,965,000	1,345,000	6,775,000	9,000,000
	(2,360,000)	(2,400,000)	(2,750,000)	(3,920,000)	-	-
	-	-	-	-	-	-
	54,759	61,795	47,191	6,568	330,981	81,545
	(110,621)	-	-	-	-	-
	120,765	48,309	109,558	169,776	110,905	199,710
	<u>10,547,930</u>	<u>3,561,039</u>	<u>3,426,199</u>	<u>318,974</u>	<u>8,291,991</u>	<u>10,620,144</u>
\$	<u>1,043,378</u>	<u>\$ (4,433,382)</u>	<u>\$ 2,349,867</u>	<u>\$ 767,196</u>	<u>\$ 326,488</u>	<u>\$ 7,877,275</u>
	<u>23.1%</u>	<u>22.4%</u>	<u>18.5%</u>	<u>21.0%</u>	<u>29.4%</u>	<u>16.9%</u>

CITY OF APPLE VALLEY, MINNESOTA

Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Payable Year	Residential Property	Commercial Property	Industrial and Utility Property	Agricultural Property	Apartments
2004	\$ 31,865,114	\$ 6,315,639	\$ 794,575	\$ 81,727	\$ 1,837,253
2005	36,407,099	6,790,699	964,239	85,607	2,188,421
2006	40,330,787	7,647,156	1,044,718	101,422	2,437,262
2007	43,306,059	8,773,678	1,222,863	98,543	2,666,783
2008	44,078,807	9,483,581	1,331,742	113,556	2,639,548
2009	43,107,127	10,171,716	1,225,657	127,972	2,564,523
2010	39,692,580	10,053,775	1,238,900	130,237	2,498,076
2011	36,918,099	9,363,833	1,038,862	130,124	2,319,888
2012	32,937,899	9,210,935	1,004,132	116,719	2,445,781
2013	30,220,442	9,015,644	829,980	92,210	2,704,250

Note: The tax capacity (assessed taxable value) of the property is calculated by applying a statutory formula to the estimated market value of the property.

Source: Dakota County

Table 5

Other	Personal Property	Total Taxable Assessed Value	Total Direct Tax Capacity Rate	Estimated Actual Taxable Market Value	Taxable Assessed Value as a Percentage of Actual Value
\$ 3,783	\$ 624,966	\$ 41,523,057	39.610	\$ 3,732,010,300	1.11%
4,204	644,557	47,084,826	36.753	4,245,331,100	1.11%
4,505	643,081	52,208,931	35.690	4,704,286,700	1.11%
4,613	656,378	56,728,917	34.891	5,082,798,800	1.12%
4,829	684,166	58,336,229	35.537	5,202,130,200	1.12%
4,760	701,073	57,902,828	37.086	5,135,644,200	1.13%
4,283	688,202	54,306,053	39.867	4,787,691,200	1.13%
3,959	764,694	50,539,459	42.388	4,457,368,700	1.13%
2,316	773,692	46,491,474	44.110	4,061,762,557	1.14%
2,159	755,422	43,620,107	49.210	3,791,294,766	1.15%

CITY OF APPLE VALLEY, MINNESOTA

Table 6

Property Tax Capacity Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City Direct Tax Capacity Rate			Overlapping Tax Capacity Rates			Total Direct and Overlapping Tax Rate	
	General	Debt Service	Total City	Dakota County	School District (1)	Other (2)		Total Overlapping
2004	39.592	0.018	39.610	30.300	26.074	5.128	61.502	101.112
2005	36.743	0.010	36.753	28.267	26.251	5.217	59.735	96.488
2006	35.679	0.011	35.690	26.318	27.554	5.244	59.116	94.806
2007	34.881	0.010	34.891	25.127	23.607	5.024	53.758	88.649
2008	35.528	0.009	35.537	25.184	21.136	4.996	51.316	86.853
2009	37.078	0.008	37.086	25.821	21.109	4.916	51.846	88.932
2010	39.861	0.006	39.867	27.269	25.391	4.987	57.647	97.514
2011	42.382	0.006	42.388	29.149	26.959	5.199	61.307	103.695
2012	44.104	0.006	44.110	31.426	28.440	5.562	65.428	109.538
2013	49.199	0.011	49.210	33.421	27.956	5.884	67.261	116.471

Fiscal Year	City Direct Market Value Tax Rate		Overlapping Market Value Tax Rates			Total Direct and Overlapping Tax Rate
	Debt Service	Total City	Dakota County	School District (1)	Total Overlapping	
2004	0.000142	0.000142	0.000075	0.001398	0.001473	0.001615
2005	0.000193	0.000193	0.000067	0.001086	0.001153	0.001346
2006	0.000180	0.000180	0.000059	0.002244	0.002303	0.002483
2007	0.000171	0.000171	0.000052	0.002082	0.002134	0.002305
2008	0.000174	0.000174	0.000047	0.002127	0.002175	0.002348
2009	0.000311	0.000311	0.000047	0.002103	0.002150	0.002461
2010	0.000337	0.000337	0.000050	0.002227	0.002277	0.002614
2011	0.000375	0.000375	0.000054	0.002260	0.002314	0.002689
2012	0.000417	0.000417	0.000055	0.002213	0.002268	0.002685
2013	0.000212	0.000212	0.000000	0.002354	0.002354	0.002566

Note 1: Overlapping rates are those of local and county governments that apply to property owners within the City of Apple Valley.

Note 2: Not all overlapping rates apply to all City of Apple Valley property owners.

- (1) Independent School District No. 196
- (2) Includes Metropolitan Council, Mosquito Control Abatement, Metro Transit, Dakota County CDA, Light Rail, and Vermillion River Watershed

Source: Dakota County

CITY OF APPLE VALLEY, MINNESOTA

Table 7

Principal Property Taxpayers
Current Fiscal Year and Nine Years Prior

Taxpayer	2013			2004		
	Net Tax Capacity Value	Rank	Percentage of Total City Tax Capacity Value	Net Tax Capacity Value	Rank	Percentage of Total City Tax Capacity Value
Target Corporation	\$ 529,574	1	1.21%	\$ 228,380	6	0.55%
Principal Life Insurance Co.	521,802	2	1.20%	446,162	1	1.07%
Individual	412,147	3	0.94%	350,000	3	0.84%
CAR Apple Valley Square, LLC	372,974	4	0.86%	–		–
Dakota Electric Association	341,814	5	0.78%	365,468	2	0.88%
Centro Bradley Southport Centre, LLC	333,376	6	0.76%	–		–
Apple Valley Leased Housing Assoc. III	285,860	7	0.66%	–		–
Regent at Apple Valley LLC	274,679	8	0.63%	–		–
Wal-Mart	264,752	9	0.61%	168,842	10	0.41%
Wings Financial Federal Credit Union	258,358	10	0.59%	–		–
Bradley Operating Ltd. Partnership	–		–	248,344	4	0.60%
NWA Federal Credit Union	–		–	246,298	5	0.59%
Apple Valley Square Corp.	–		–	203,108	7	0.49%
Sam’s Real Estate Business Trust	–		–	179,030	8	0.43%
Fischer Sand & Aggregate Co.	–		–	169,370	9	0.41%
Total	\$ 3,595,336		8.24%	\$ 2,605,002		6.27%

Source: Dakota County

CITY OF APPLE VALLEY, MINNESOTA

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year			Collected Within the Fiscal Year of Levy	
	Gross Operating Tax Levy	MVHC/ Ag Credit and Fiscal Disparities Received (1)	Total Net Tax Levy	Amount	Percentage of Levy
2004	\$ 16,971,252	\$ (3,791,235)	\$ 13,175,541	\$ 13,055,185	99.09%
2005	17,929,158	(4,046,086)	13,914,367	13,751,640	98.83%
2006	19,030,124	(2,653,509)	16,374,234	16,159,262	98.69%
2007	20,094,045	(2,717,715)	17,334,233	17,047,283	98.34%
2008	20,998,612	(2,955,499)	18,037,810	17,724,935	98.27%
2009	22,627,731	(3,436,931)	19,190,369	18,828,050	98.11%
2010	22,839,554	(3,815,622)	19,000,860	18,723,194	98.54%
2011	22,700,000	(3,612,353)	19,087,647	18,846,881	98.74%
2012	22,025,249	(2,821,637)	19,203,612	18,996,562	98.92%
2013	22,410,946	(2,751,166)	19,659,780	19,411,582	98.74%

(1) Property Tax Credits are aids provided by the State of Minnesota in the form of Market Value Homestead Credit (MVHC) and the Metropolitan Fiscal Disparities Program, which a portion of the commercial property values are shared among communities in the form of a reduction to the local property tax levy and receipts from the Fiscal Disparity Pool.

Table 8

Delinquencies Collected as of Most Recent Report	Total Collections to Date	
	Amount	Percentage of Levy
\$ 120,356	\$ 13,175,541	100.00%
145,493	13,897,133	99.88%
211,529	16,370,791	99.98%
263,219	17,310,502	99.86%
245,575	17,970,510	99.63%
272,953	19,101,003	99.53%
120,983	18,844,177	99.18%
202,183	19,049,064	99.80%
114,470	19,111,032	99.52%
–	19,411,582	98.74%

CITY OF APPLE VALLEY, MINNESOTA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			
	General Obligation Tax Increment Bonds	General Obligation Bonds	Special Assessments Bonds	MSA Road Bonds
2004	\$ 1,905,000	\$ 26,930,000	\$ 21,200,000	\$ -
2005	1,740,000	26,485,000	17,945,000	-
2006	1,575,000	17,370,000	18,645,000	-
2007	1,405,000	21,940,000	19,120,000	-
2008	1,230,000	25,795,000	19,530,000	-
2009	1,050,000	24,295,000	13,750,000	2,775,000
2010	865,000	20,535,000	14,750,000	2,775,000
2011	-	19,925,000	9,000,000	2,760,000
2012	-	19,845,000	8,015,000	2,320,000
2013	-	27,590,000	6,205,000	1,760,000

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

- (1) See the Demographic and Economic Statistics schedule for personal income and population data.
- (2) Personal income at the level of the City of Apple Valley not available for years prior to 2007.
- (3) City of Apple Valley personal income not available for 2013.

Table 9

<u>Business-Type Activities</u>					
<u>Revenue</u>	<u>Capital</u>	<u>Total Debt</u>	<u>Total</u>	<u>Percentage</u>	<u>Per</u>
<u>Bonds</u>	<u>Lease</u>	<u>Issuance</u>	<u>Primary</u>	<u>of Personal</u>	<u>Capita (1)</u>
		<u>Premiums/Discounts</u>	<u>Government</u>	<u>Income (1)</u>	
\$ 3,915,000	\$ —	\$ (31,140)	\$ 53,918,860	N/A (note 2)	1,103
4,185,000	—	(40,348)	50,314,652	N/A (note 2)	1,027
3,050,000	—	(35,836)	40,604,164	N/A (note 2)	831
2,580,000	—	(32,696)	45,012,304	2.68%	910
5,405,000	50,505	(83,963)	51,926,542	2.81%	1,039
4,725,000	40,918	(75,771)	46,560,147	2.61%	943
4,075,000	109,211	(60,584)	43,048,627	2.47%	877
6,100,000	77,975	(44,759)	37,818,216	2.10%	759
5,510,000	44,884	352,443	36,087,327	2.00%	723
5,025,000	190,645	395,280	41,165,925	N/A (note 3)	818

CITY OF APPLE VALLEY, MINNESOTA

Ratios of General Bonded Debt
Last Ten Fiscal Years

Fiscal Year	General Obligation Tax Increment Bonds	General Obligation Bonds	Special Assessments Bonds	MSA Road Bonds
2004	\$ 1,905,000	\$ 26,930,000	\$ 21,200,000	\$ -
2005	1,740,000	26,485,000	17,945,000	-
2006	1,575,000	17,370,000	18,645,000	-
2007	1,405,000	21,940,000	19,120,000	-
2008	1,230,000	25,795,000	19,530,000	-
2009	1,050,000	24,295,000	13,750,000	2,775,000
2010	865,000	20,535,000	14,750,000	2,775,000
2011	-	19,925,000	9,000,000	2,760,000
2012	-	19,845,000	8,015,000	2,320,000
2013	-	27,590,000	6,205,000	1,760,000

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

- (1) See the Demographic and Economic Statistics schedule for personal income and population data.
- (2) Personal income at the level of the City of Apple Valley not available for years prior to 2007.
- (3) City of Apple Valley personal income is not available for 2013.

Table 10

<u>Less Amounts Available in Debt Service Funds</u>	<u>Total</u>	<u>Percentage of Taxable Market Value of Property</u>	<u>Percentage of Personal Income</u>	<u>Per Capita (1)</u>
\$ 11,287,830	\$ 38,747,170	1.04%	N/A (2)	793
10,400,480	35,769,520	0.84%	N/A (2)	730
9,157,385	28,432,615	0.60%	N/A (2)	582
6,792,199	35,672,801	0.70%	2.12%	721
5,355,600	41,199,400	0.79%	2.23%	824
7,239,227	34,630,773	0.67%	1.94%	701
10,393,064	28,531,936	0.60%	1.64%	581
9,455,268	22,229,732	0.50%	1.23%	446
8,176,337	22,003,663	0.54%	1.22%	441
6,635,492	28,919,508	0.76%	N/A (3)	575

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CITY OF APPLE VALLEY, MINNESOTA

Table 11

Direct and Overlapping Governmental Activities Debt
December 31, 2013

	Net Debt Outstanding (1)	Percentage of Debt Applicable to City	City of Apple Valley's Share of Overlapping Debt
Overlapping			
Dakota County	\$ 46,400,000	11.21%	\$ 5,201,440
School Districts			
ISD No. 191, Burnsville – Eagan – Savage	108,795,000	0.72%	783,324
ISD No. 196 Rosemount – Apple Valley – Eagan	91,299,247	30.43%	27,782,361
Metropolitan Council (2)	2,133,674	1.48%	31,578
Metro Transit (3)	306,885,092	1.61%	4,940,850
Total overlapping	<u>555,513,013</u>		<u>38,739,553</u>
City of Apple Valley Direct Debt	<u>35,555,000</u>	100.00%	<u>35,555,000</u>
Total Direct and Overlapping Debt	<u>\$ 591,068,013</u>		<u>\$ 74,294,553</u>

Note 1: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

- (1) As of December 31, 2013, unless noted otherwise:
- (2) Deductions – \$1,168,899,601 Metropolitan Waste Control Commission Debt.
 - (a) Debt Service above is 100 percent self-supported from revenues of the Metro Sanitary Sewer System, although the bonds are full faith and credit bonds.
 - (b) The only tax supported bond indebtedness is \$12,470,000 as of March 20, 2014, less non-escrowed funds for debt of \$10,356,326 as of December 31, 2013.
- (3) Metro Transit has bond indebtedness of \$370,135,000, less non-escrow funds for debt service of \$63,249,908. This debt is issued by the Metropolitan Council for all public transit operations in the transit district, of which Metro Transit is the largest public transit provider, and is payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District.

Source: Dakota County. Percentage of debt applicable is calculated by dividing a portion of tax capacity of the authority that lies in City of Apple Valley divided by the total tax capacity that lies in Dakota County.

CITY OF APPLE VALLEY, MINNESOTA

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2004	2005	2006	2007
Debt limit	\$ 74,640,206	\$ 84,906,622	\$ 94,085,734	\$ 101,655,976
Total net debt applicable to limit	<u>26,930,000</u>	<u>26,485,000</u>	<u>17,370,000</u>	<u>21,940,000</u>
Legal debt margin	<u>\$ 47,710,206</u>	<u>\$ 58,421,622</u>	<u>\$ 76,715,734</u>	<u>\$ 79,715,976</u>
Total net debt applicable to the limit as a percentage of debt limit	36.08%	31.19%	18.46%	21.58%

Note: The debt limit was raised from 2 percent to 3 percent of taxable market value, effective June 30, 2008.

Table 12

2008	2009	2010	2011	2012	2013
\$ 156,063,906	\$ 154,069,326	\$ 143,630,736	\$ 133,721,061	\$ 121,852,877	\$ 123,111,918
25,795,000	24,295,000	20,535,000	19,830,000	19,845,000	19,790,000
<u>\$ 130,268,906</u>	<u>\$ 129,774,326</u>	<u>\$ 123,095,736</u>	<u>\$ 113,891,061</u>	<u>\$ 102,007,877</u>	<u>\$ 103,321,918</u>
16.53%	15.77%	14.30%	14.83%	16.29%	16.07%

Legal Debt Margin Calculation for Fiscal Year 2013

Market value	\$ 4,103,730,600
Debt limit (3% of assessed value)	123,111,918
Debt applicable to limit	<u>19,790,000</u>
Legal debt margin	<u>\$ 103,321,918</u>

CITY OF APPLE VALLEY, MINNESOTA

Table 13

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Liquor Store – Revenue Bonds					Coverage
	Operating Revenues/ Gross Profit	Less Operating Expense	Net Available Revenue	Debt Service		
				Principal	Interest	
2004	\$ 1,506,001	\$ 1,072,153	\$ 433,848	\$ –	\$ –	N/A
2005	1,649,094	1,138,919	510,175	–	–	N/A
2006	1,645,290	1,166,602	478,688	–	–	N/A
2007	1,939,508	1,212,725	726,783	–	–	N/A
2008	1,883,996	1,383,688	500,308	–	66,105	7.568
2009	2,501,430	1,656,559	844,871	115,000	132,210	3.418
2010	2,486,461	1,607,986	878,475	130,000	129,220	3.389
2011	2,557,573	1,601,269	956,304	135,000	125,450	3.672
2012	2,528,423	1,557,994	970,429	140,000	121,333	3.713
2013	2,685,372	1,595,221	1,090,151	145,000	116,436	4.170

N/A – Not Applicable

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

CITY OF APPLE VALLEY, MINNESOTA

Table 14

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (2)</u>
2004	48,875	N/A	N/A	11,976	3.60%
2005	48,988	N/A	N/A	11,839	3.40%
2006	48,862	N/A	N/A	11,655	3.30%
2007	49,456	\$ 1,679,525,760	\$ 33,960	11,445	3.70%
2008	49,983	1,850,720,541	37,027	11,348	4.50%
2009	49,376	1,782,325,472	36,097	11,216	7.00%
2010	49,084	1,740,027,800	35,450	11,291	6.80%
2011	49,801	1,801,750,379	36,179	11,264	5.60%
2012	49,895	1,801,658,555	36,109	11,219	5.30%
2013	50,326	N/A	N/A	11,189	4.70%

N/A – 2013 data not available

Sources:

- (1) U.S. Census Bureau, Population Division
- (2) Dakota County – Data from Bureau of Economic Analysis
- (3) City of Apple Valley – Data from Bureau of Economic Analysis (Data for Apple Valley is not available prior to 2007)
- (4) Schools located in the city boundaries of Independent School District No. 196, including Dakota Ridge School. School Enrollment defined as adjusted ADMs (Average Daily Membership)

ADM is weighted as follows in computing pupil units:

	<u>Early Childhood and Kindergarten-Handicapped</u>	<u>Kindergarten</u>	<u>Grade 4-6</u>	<u>Secondary</u>
Fiscal 2004 to 2007	Various	0.557	1.060	1.300
Fiscal 2008 to 2013	Various	0.612	1.060	1.300

CITY OF APPLE VALLEY, MINNESOTA

Table 15

Principal Employers
Current Fiscal Year and Nine Years Prior

Taxpayer	2013			2004		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
ISD No. 196	1,418	1	10%	1,418	1	11%
Target	690	2	5%	690	2	5%
Wal-Mart	475	3	3%	475	4	4%
Dakota County	380	4	3%	380	3	3%
Uponor	336	5	2%	-	-	-
Minnesota Zoological Gardens	300	6	2%	300	7	2%
Apple Valley Health Care Center	290	7	2%	290	8	2%
Apple Valley Redi-Mix	270	8	2%	270	9	2%
Apple Valley Ford	216	9	2%	-	-	-
Wings Financial Federal Credit Union	210	10	1%	-	-	-
Apple Valley Medical Clinic	210	10	1%	-	-	-
Cub Foods	-		-	300	5	2%
Fischer Sand and Aggregate Co.	-		-	295	6	2%
Sam's Club	-		-	196	10	2%
Total	4,795		33%	4,614		37%

Source: City of Apple Valley Community Development Department

CITY OF APPLE VALLEY, MINNESOTA

Table 16

Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Administration	3.12	3.00	3.00	3.00	3.00	3.00	3.00	2.81	3.00	3.00
Finance and data processing	5.35	5.00	5.00	5.00	5.00	4.95	5.00	5.00	4.71	4.00
Information and technology	3.12	3.18	3.13	3.21	3.21	3.20	3.17	3.21	3.33	3.24
Human resources	3.86	4.79	6.02	5.98	5.67	5.92	6.00	5.38	3.97	4.00
City clerk/elections	2.93	2.48	1.20	1.42	1.68	1.50	1.65	1.73	2.05	1.81
General government buildings	2.08	2.21	3.00	3.00	3.00	3.00	3.00	2.46	2.00	2.00
Community development	5.19	5.02	4.65	4.87	5.00	5.00	5.01	5.02	5.16	5.00
Code enforcement	2.12	2.00	2.77	3.00	2.98	2.15	2.00	1.71	1.82	2.00
Total general government	27.77	27.68	28.77	29.48	29.54	28.72	28.83	27.32	26.04	25.05
Public safety										
Police	72.42	71.30	71.86	63.62	63.97	64.00	62.00	60.09	58.72	61.16
Fire	15.93	17.71	16.17	17.43	16.49	18.94	16.44	18.45	18.40	18.63
Building inspections	6.30	6.17	5.74	5.86	5.91	5.99	4.93	4.02	5.07	5.22
Total public safety	94.65	95.18	93.77	86.91	86.37	88.93	83.37	82.56	82.19	85.01
Public works										
Public works administration	4.42	4.08	4.15	4.76	5.90	6.00	7.13	8.48	6.25	5.99
Central maintenance facility	6.00	5.78	5.80	5.53	5.51	5.50	5.52	5.48	5.25	5.34
Streets	16.29	16.23	16.16	16.17	17.36	17.07	17.19	17.32	16.63	16.66
Engineering (1)	-	-	-	-	-	-	-	0.73	4.28	4.24
Total public works	26.71	26.09	26.11	26.46	28.77	28.57	29.84	32.01	32.41	32.23
Culture and recreation										
Park and recreation administration	8.78	8.32	8.32	7.78	8.26	7.29	7.81	7.82	7.28	7.87
Recreation programs	8.66	7.22	7.18	7.32	7.25	7.02	7.84	7.41	6.16	6.76
Park maintenance	24.86	24.53	25.09	25.00	25.93	25.96	25.27	25.06	25.02	23.09
Redwood Pool (2)	-	0.29	2.71	2.40	2.50	2.80	2.13	1.94	2.32	2.47
Aquatic swim center	11.16	12.24	9.71	9.81	9.27	13.92	12.85	11.28	13.25	12.80
Community center	3.10	3.42	4.38	4.65	4.15	4.56	3.76	4.03	5.07	5.67
Hayes Community and Senior Center	-	-	-	-	-	1.15	2.04	1.89	1.92	2.27
Cable TV	1.51	1.61	1.69	2.32	2.65	2.58	2.61	2.43	2.27	2.44
Total culture and recreation	58.07	57.63	59.08	59.28	60.01	65.28	64.31	61.86	63.29	63.37
Total general government	207.20	206.58	207.73	202.13	204.69	211.50	206.35	203.75	203.93	205.66
Enterprise funds										
Municipal liquor (3)	15.52	15.33	15.20	14.98	16.85	19.91	19.49	18.99	18.98	18.86
Municipal golf (4)	16.41	16.12	13.83	12.33	13.25	13.83	13.76	14.44	15.96	20.41
Sports arena	7.31	6.49	6.53	6.28	6.04	6.29	6.05	6.72	6.47	6.88
Water and sewer	17.17	17.26	17.61	17.94	18.11	18.88	18.58	18.45	18.84	18.14
Total enterprise funds	56.41	55.20	53.17	51.53	54.25	58.91	57.88	58.60	60.25	64.29
Total	263.61	261.78	260.90	253.66	258.94	270.41	264.23	262.35	264.18	269.95

- (1) The City engineering function begun in 2011
- (2) Redwood Pool FTEs were combined with Aquatic Center prior to 2005
- (3) Liquor Store number three opened in 2008
- (4) New Expanded Golf Clubhouse opened September 2012

Source: City of Apple Valley Human Resources Office – FTEs based on hours worked during the fiscal year. Part-time employees converted to FTE based on 2080 hours per year.

CITY OF APPLE VALLEY, MINNESOTA

Operating Indicators by Function
Last Ten Years

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General government				
Elections	4	N/A	2	1
Registered voters	34,845	N/A	33,315	30,341
Number of votes cast	28,939	N/A	21,964	4,518
Voter participation (registered) (elections are held every other year)	83.05%	N/A	65.93%	14.89%
Public safety				
Police				
Crimes – Part I (2)	1,568	1,639	1,590	1,002
Crimes – Part II (2)	3,605	3,742	3,700	2,087
Total arrests	2,818	2,893	3,106	2,400
DWI arrests	267	228	302	294
Traffic citations issued	8,485	5,814	9,873	9,717
Total calls for service	37,732	36,153	40,606	39,860
Fire				
Calls for service	1,166	1,123	1,092	1,261
Medical	718	679	657	742
Fire	448	444	435	519
Fire call responses times under 5 minutes	N/A	N/A	N/A	N/A
Fire call responses times 6–10 minutes	N/A	N/A	N/A	N/A
Fire call responses times over 10 minutes	N/A	N/A	N/A	N/A
Public works				
Building permits issued	958	809	689	745
Permits issued for new dwelling units	342	206	67	92
Commercial building permits issued	94	116	93	118
Plumbing permits issued	1,172	1,063	1,019	1,024
Heating permits issued	644	613	582	622
Building inspections	5,160	3,937	3,813	4,510
Streets maintained (lane miles)	395	398	399	401
Cul-de-sacs maintained	306	309	312	313
Snow/ice events	23	38	22	34
Signs replaced	–	–	277	315
Boulevard trees trimmed	624	850	1,256	1,000
Fleet division vehicle work orders	1,582	1,604	1,584	1,561
Diseased elm and oak trees mitigated	1,317	956	637	738
Lakes and ponds monitored with water quality samples	13	14	15	17
Sump catch basins cleaned	1,464	1,209	1,498	1,338
Sewage pumped (million gallons)	1.4	1.3	1.2	1.2
Miles of sanitary sewer cleaned	83.0	52.8	57.7	57.0
Sanitary lift station inspections	1,716	1,716	1,716	1,716
Water produced (million gallons)	2.5	2.3	2.6	2.6
Water samples taken	1,128	1,098	1,098	1,128
Fire hydrants maintained	2,033	2,050	2,083	2,230
Pressure stations inspected	12	13	13	13
Air relief manholes inspected	13	15	15	15
Hydrant flushing	1,325	3,520	5,400	3,845
Hydrant flushing (minutes)	–	–	–	–
Water breaks repaired	18	10	9	9
Burial sites sold	59	58	52	43
Burials	29	29	31	37

N/A – Not Available

Note: Part I and Part II crimes from State of Minnesota Department of Public Safety Bureau of Criminal Apprehension Minnesota Justice Information Services Uniform Crime Report for 2002 to 2006 part I and Part II crime data from 2007 on is from the City's Police Department Annual Report.

Source: Various City of Apple Valley Departments

Table 17

2008	2009	2010	2011	2012	2013
2	N/A	2	N/A	2	N/A
36,003	N/A	32,094	N/A	35,354	N/A
29,262	N/A	21,271	N/A	29,715	N/A
81.28%	N/A	66.28%	N/A	84.05%	N/A
1,555	1,366	1,565	1,230	1,187	1,124
2,901	2,542	2,364	2,072	1,970	1,756
2,278	2,137	1,985	1,963	1,962	1,307
251	288	205	213	145	160
8,088	7,997	6,329	7,587	6,670	5,726
41,682	41,049	38,335	40,272	39,223	35,215
1,380	1,307	1,340	1,408	1,417	1,454
840	735	712	792	639	636
540	572	628	616	778	818
40%	41%	37%	40%	42%	44%
51%	48%	52%	51%	49%	46%
9%	11%	11%	9%	9%	10%
672	577	1,241	1,630	1,398	1,005
41	91	228	31	47	63
110	73	102	71	96	113
900	912	920	886	1,027	1,090
521	557	771	540	692	786
4,028	3,470	3,621	5,187	6,890	6,848
404	405	407	408	410	410
313	314	329	329	330	331
50	48	35	29	25	53
271	385	500	460	700	411
1,256	1,600	1,800	5,200	2,137	1,990
1,689	1,733	1,735	1,751	1,850	1,890
863	729	588	486	260	430
17	18	18	18	18	18
1,492	1,406	1,505	1,303	1,400	885
1.2	1.2	1.2	1.2	1.2	1.3
69.2	47.6	64.20	72.1	75.0	77.0
1,716	1,716	1,716	1,716	1,716	1,716
2.5	2.4	2.1	2.3	2.4	2.4
1,098	1,098	1,128	1,098	1,098	1,098
2,388	2,401	2,405	2,410	2,410	2,444
13	13	13	13	13	13
15	15	15	15	15	15
7,045	3,050	5,250	1,020	-	-
-	-	-	-	24,455	24,189
7	20	12	16	10	16
59	50	44	56	70	59
40	32	36	38	43	45

CITY OF APPLE VALLEY, MINNESOTA

Capital Assets Statistics by Function/Program
Last Ten Years

Function/Program	Fiscal Year			
	2004	2005	2006	2007
Public safety				
Police				
Stations	1	1	1	1
Marked squad units	16	18	18	18
Fire				
Stations	3	3	3	3
Fire engine trucks	5	5	5	5
Fire ladder trucks	2	2	2	2
Fire brush/rescue trucks	1	1	1	1
Public works				
Streets (centerline miles)	167	168	171	171
Cul-de-sacs	306	309	312	313
Trees maintained	7,000	7,000	7,000	7,000
Parks				
Parks	48	49	49	49
Total park acreage	841	844	847	847
Trails (miles)	62	65	65	65
Athletic complexes	4	4	4	4
Golf course	1	1	1	1
Community centers	2	2	2	2
Senior center	1	1	1	1
Pools/aquatic centers	2	2	2	2
Ice arenas	2	2	2	2
Water				
Number of connections	14,037	15,121	15,279	15,342
Miles of water mains and laterals	230	231	233	235
Wells	18	18	18	19
Water valves	3,460	3,507	3,565	3,600
Fire hydrants	2,033	2,050	2,083	2,230
Water reservoirs	4	4	4	5
Reservoir capacity (millions of gallons)	11	11	11	13
Sanitary sewer				
Number of connections	13,678	14,746	14,889	14,940
Miles of sanitary sewer mains and laterals	187	189	190	191
Sanitary lift stations	9	9	9	9
Sanitary manholes	5,221	5,272	5,315	5,315
Storm sewer				
Lift stations	10	10	10	11

N/A – Not Available

Source: Various City Departments

Table 18

2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
18	18	20	23	23	23
3	3	3	3	3	3
5	5	5	5	5	5
2	2	2	2	2	2
1	1	1	1	1	1
171	171	171	172	172	175
313	314	329	329	329	329
7,000	9,500	9,500	9,500	9,500	9,330
49	49	50	50	50	50
847	847	879	879	879	879
65	65	65	65	65	65
4	4	5	5	5	5
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	2	2
15,413	15,464	15,518	15,566	15,596	15,674
240	240	241	241	241	245
19	19	19	19	19	19
3,680	3,705	3,712	3,726	3,751	3,774
2,388	2,401	2,405	2,410	2,410	2,438
5	5	5	5	5	5
13	13	13	13	13	13
14,989	15,033	15,087	15,130	15,160	15,229
193	193	193	194	194	200
9	9	9	9	9	9
5,335	5,360	5,372	5,384	5,384	5,466
12	12	12	12	12	12

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