

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

*Audited Financial Statements
For the Fiscal Year Ended December 31, 2008*

CITY OF APPLE VALLEY
Dakota County, Minnesota

TABLE OF CONTENTS

ELECTED OFFICIALS AND ADMINISTRATION.....	1
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities.....	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	27
Statement of Net Assets – Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	30
Statement of Cash Flows – Proprietary Funds.....	32
Notes to the Financial Statements.....	35
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT’S DISCUSSION AND ANALYSIS:	
Schedule of Funding Progress – Post Employment Benefits Plan.....	64
SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	66
Combining Balance Sheet – Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	78
Combining Statement of Net Assets – Internal Service Funds	88
Combining Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Funds	89
Combining Statement of Cash Flows – Internal Service Funds	90

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

**ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2008**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Mary Hamann-Roland	Mayor	December 31, 2010
Thomas Goodwin	Council Member	December 31, 2008
Ruth Grendahl	Council Member	December 31, 2008
John Bergman	Council Member	December 31, 2010
Sharon LaComb	Council Member	December 31, 2010
<u>Administration</u>		
Thomas Lawell	City Administrator	
Pam Gackstetter	City Clerk	
George R. Ballenger	Finance Director/Treasurer	



Expert advice. When you need it.SM

INDEPENDENT AUDITOR'S REPORT

May 19, 2009

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Apple Valley, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Apple Valley, Minnesota, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.



As discussed in Note 12 to the financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*.

The Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress – Post Employment Benefits Plan on page 64, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota

(THIS PAGE LEFT BLANK INTENTIONALLY.)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

As management of the City of Apple Valley, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal years ended December 31, 2007 and 2008. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 220,958,198 (net assets). Of this amount, \$ 48,009,681 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$ 12,611,345.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 44,959,050, an increase of \$ 2,048,378 from the prior year.
- Approximately 99.7% of this total fund balance amount, \$ 44,836,818, is available for spending at the City's discretion (unreserved fund balance). The City has reviewed future capital needs, unfunded liabilities and designated funds for those purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

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

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

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

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

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

The City maintained 63 individual governmental funds during 2008. Of these funds, six are 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, 2003 Improvement Construction Capital Projects Fund, Future Capital Projects Capital Projects Fund and the 2007 Park Bond Capital Projects Fund, all of which are considered to be major funds. Data from the other 57 governmental funds are combined into a single, aggregated presentation on the combining statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

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 and cemetery operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses two internal service funds to account for the risk insurance activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Required Supplemental Information on the funding progress of the post employment benefit plan. The combining statements can be found on pages 68-87 of this report.

STATEMENT OF NET ASSETS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$ 220,958,198 at the close of the most recent fiscal year.

The largest portion of the City's net assets, \$142,147,780, or 64%, 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 invested in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF APPLE VALLEY
Dakota County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

City of Apple Valley's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other Assets	\$ 72,033,773	\$ 61,683,832	\$ 20,703,846	\$ 20,298,405	\$ 92,737,619	\$ 81,982,237
Capital Assets, Net	<u>82,622,953</u>	<u>76,877,008</u>	<u>105,323,087</u>	<u>100,507,988</u>	<u>187,946,040</u>	<u>177,384,996</u>
Total Assets	154,656,726	138,560,840	126,026,933	120,806,393	280,683,659	259,367,233
Long-Term Liabilities	40,207,166	38,589,488	4,986,638	2,312,917	45,193,804	40,902,405
Other Liabilities	<u>12,045,844</u>	<u>8,640,821</u>	<u>2,485,813</u>	<u>1,477,154</u>	<u>14,531,657</u>	<u>10,117,975</u>
Total Liabilities	52,253,010	47,230,309	7,472,451	3,790,071	59,725,461	51,020,380
Net Assets:						
Invested in Capital, Net of Related Debt	41,867,201	34,412,008	100,280,579	97,927,988	142,147,780	132,339,996
Restricted	30,525,737	27,253,929	275,000	-	30,800,737	27,253,929
Unrestricted	<u>30,010,778</u>	<u>29,664,594</u>	<u>17,998,903</u>	<u>19,088,334</u>	<u>48,009,681</u>	<u>48,752,928</u>
Total Net Assets	<u>\$ 102,403,716</u>	<u>\$ 91,330,531</u>	<u>\$ 118,554,482</u>	<u>\$ 117,016,322</u>	<u>\$ 220,958,198</u>	<u>\$ 208,346,853</u>

A portion of the City's net assets, \$ 30,800,737, or 14%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 48,009,681, or 22%, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net assets increased by approximately \$ 12.6 million, approximately 72% of this increase is attributed to the levying of special assessments for construction projects. In addition to this increase, there was an increase of approximately \$ 1 million, or 8%, attributed to the recording of a prior period adjustment recognizing the receipt of an MSA reimbursement in 2008 that was related to prior years.

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

STATEMENT OF ACTIVITIES

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

City of Apple Valley's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
REVENUE:						
Program Revenues:						
Charges for Services	\$ 5,041,400	\$ 5,085,968	\$ 18,986,868	\$ 18,322,309	\$ 24,028,268	\$ 23,408,277
Operating Grants	1,153,964	1,028,408	47,285	142,686	1,201,249	1,171,094
Capital Grants	10,345,742	5,926,863	324,323	-	10,670,065	5,926,863
General Revenues:						
Taxes	21,983,181	21,008,503	125,000	121,500	22,108,181	21,130,003
Unallocated Aids	584,294	959,190	-	-	584,294	959,190
Franchise Fees	1,343,085	1,279,826	-	-	1,343,085	1,279,826
Investment Earnings	1,352,749	2,166,594	672,485	992,512	2,025,234	3,159,106
Gain on Sale of Assets	120,765	106,442	-	-	120,765	106,442
Other General Revenues	22,638	12,568	81,197	-	103,835	12,568
Transfers	955,251	(2,018,882)	(955,251)	2,018,882	-	-
Total Revenue	<u>42,903,069</u>	<u>35,555,480</u>	<u>19,281,907</u>	<u>21,597,889</u>	<u>62,184,976</u>	<u>57,153,369</u>
EXPENSES:						
General Government	8,147,712	7,856,220	-	-	8,147,712	7,856,220
Public Safety	10,223,407	9,543,225	-	-	10,223,407	9,543,225
Public Works	7,349,899	6,212,755	-	-	7,349,899	6,212,755
Park and Recreation	5,011,287	5,235,779	-	-	5,011,287	5,235,779
Interest	2,102,579	1,540,980	-	-	2,102,579	1,540,980
Municipal Liquor	-	-	6,985,584	6,247,330	6,985,584	6,247,330
Municipal Golf	-	-	1,047,254	886,143	1,047,254	886,143
Sports Arena	-	-	755,102	714,437	755,102	714,437
Water and Sewer	-	-	7,983,126	7,265,384	7,983,126	7,265,384
Storm Drainage	-	-	926,799	1,228,726	926,799	1,228,726
Cemetery	-	-	45,882	46,284	45,882	46,284
Total Expenses	<u>32,834,884</u>	<u>30,388,959</u>	<u>17,743,747</u>	<u>16,388,304</u>	<u>50,578,631</u>	<u>46,777,263</u>
Change in Net Assets	10,068,185	5,166,521	1,538,160	5,209,585	11,606,345	10,376,106
Net Assets - Beginning	91,330,531	86,164,010	117,016,322	111,806,737	208,346,853	197,970,747
Prior Period Adjustment	1,005,000	-	-	-	1,005,000	-
Net Assets - Beginning, As Restated	<u>92,335,531</u>	<u>86,164,010</u>	<u>117,016,322</u>	<u>111,806,737</u>	<u>209,351,853</u>	<u>197,970,747</u>
Net Assets - Ending	<u>\$ 102,403,716</u>	<u>\$ 91,330,531</u>	<u>\$ 118,554,482</u>	<u>\$ 117,016,322</u>	<u>\$ 220,958,198</u>	<u>\$ 208,346,853</u>

- Investment earnings for both governmental and business activities declined for 2008 and reflect the decline in the overall investment market and the rates received.

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

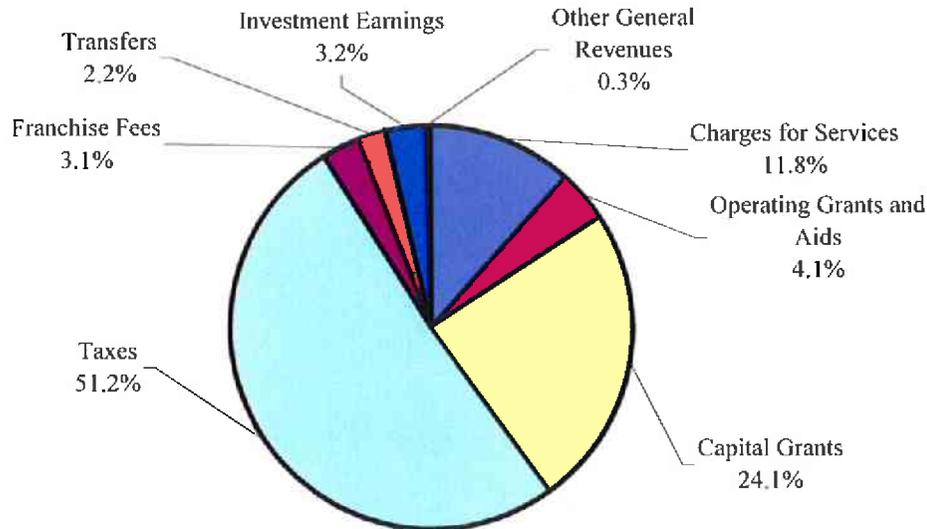
**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

Governmental Activities -- Governmental activities increased the City's net assets by \$ 11 million, accounting for 88% of the total growth in the net assets of the City.

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

Net transfers for 2008 were \$ 955,251 into the governmental funds, an increase from the net transfer out of \$ 2,018,882 for 2007.

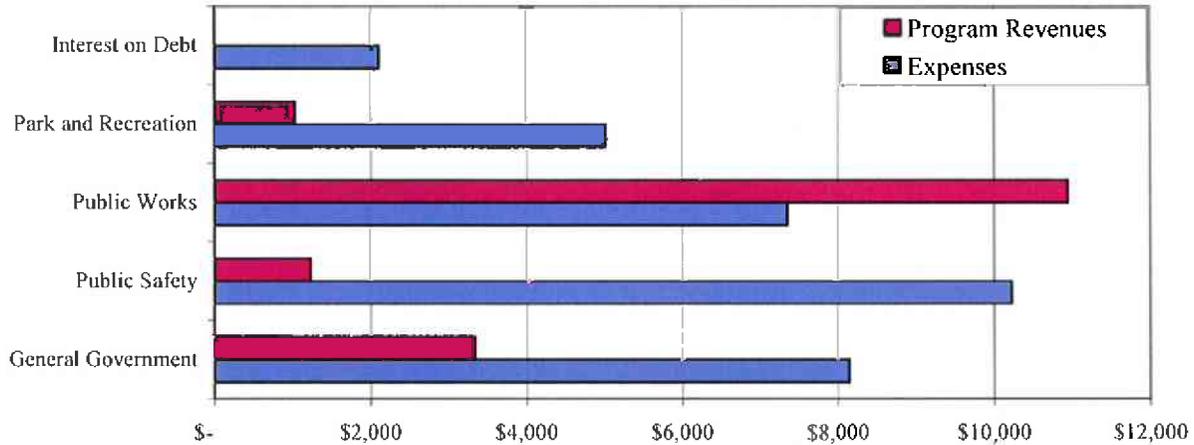
Revenue By Source - Governmental Activities



CITY OF APPLE VALLEY
Dakota County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

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



In each program area, program expenses exceeded program revenues with the exception of public works. This is to be expected with governmental operations where support mainly comes from general revenues sources such as property taxes. Program revenues exceeded program expenses in public works because of the levying of special assessments for construction activities in new developments.

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

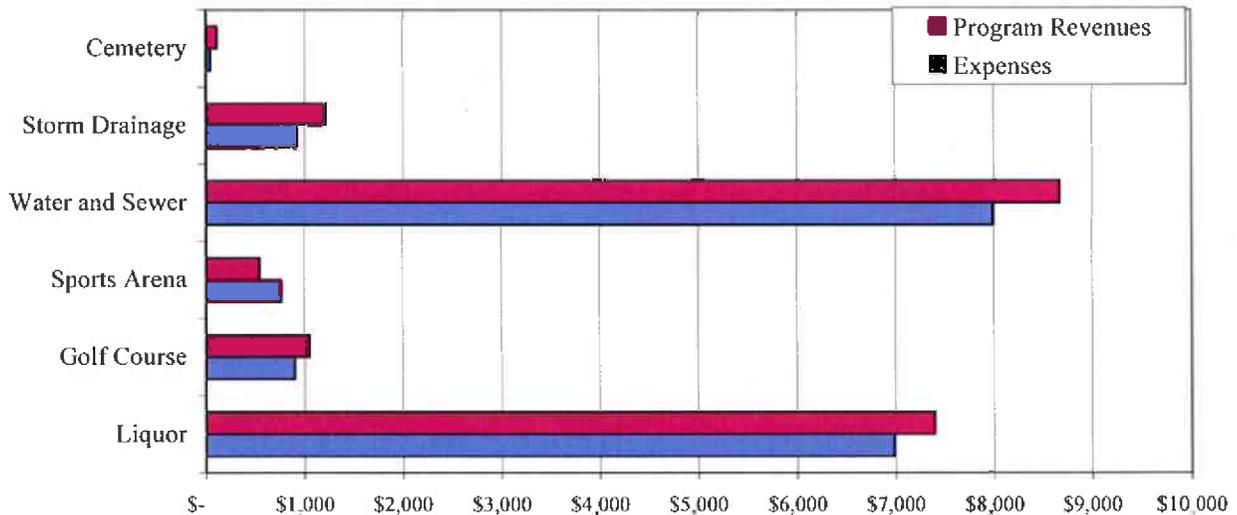
Business-Type Activities. Business-type activities increased the City's net assets by \$ 1.5 million, accounting for a 12% increase in the total change in the net assets of the City.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

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



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 44,959,050, an increase of \$ 2,048,378 over the prior year. Approximately 99.7% of the total amount (\$ 44,836,818) represents unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed for various prepaid expenditures in the General Fund (\$ 103,371) and to replenish inventory (\$ 18,861).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$ 11,103,476, while total fund balance reached \$ 11,225,708. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Both unreserved and total fund balance represent 51% of total General Fund expenditures.

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

Total unrestricted net assets for all proprietary funds for the year were \$ 17,998,903. Unrestricted net assets of the Water and Sewer Fund, the City's largest proprietary fund, at the end of the year amounted to \$ 15,882,884. Current year operations posted a \$ 753,645 increase in net assets for this Fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

Total ending net assets for all proprietary funds was \$ 118,554,482, \$ 100,280,579 of which is invested in capital assets (infrastructure), net of related debt.

The increase in net assets in the Municipal Liquor Fund of \$ 93,242 reflects the increased costs associated with the opening of the third store. The Sports Arena Fund posted a reduction in net assets of \$ 88,744, due to a downturn in business related to economic conditions. The other proprietary funds posted increases in net assets of \$ 2,453 in the Municipal Golf Course Fund, \$ 695,760 in the Storm Drainage Fund and \$ 81,804 in the Cemetery Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no budget amendments to the General Fund for 2008.

During the year, the total revenues exceeded budgetary estimates and the total actual expenditures were less than the budgetary estimates, eliminating the need to draw down existing fund balance.

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, 2008, amounts to \$ 187,946,040 (net of accumulated depreciation). 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 \$ 10.5 million, or approximately 6.0%.

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

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$ 51,960,000, a net increase of \$ 6,915,000, or 15%. Of the total bonded debt \$ 8,140,000, or 15.7%, is due within one year.

During the 2008, the City issued \$ 14.8 million of debt.

- The \$ 6,685,000 General Obligation (G.O.) Park Bonds, Series 2008D bonds were issued to finance improvements to the park system. Projects financed include improvements to the aquatic center, complete construction of the Cobblestone Lake Park and youth fields at Quarry Point Park, new playground equipment throughout the community and the Hayes Community and Senior Center. The repayment of these Bonds will come from future tax levies.
- The \$ 3,295,000 Liquor Store Revenue Bonds, Series 2008C bonds were issued to finance the construction of the City's third municipal store. The repayment of these Bonds will come solely from revenues of the liquor store operations and there is not a G.O. backing.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

- The \$ 2,415,000 G.O. Improvement Refunding Bonds, Series 2008B bonds were issued to fund the advance refunding of the 2010 through 2015 maturities of the G.O. Improvement Bonds, Series 2001. The 2001 bonds were used to construct street and utilities. The repayment of these Bonds will come from levying special assessments against the benefiting properties.
- The \$ 2,420,000 G.O. Taxable Refunding Bonds, Series 2008A bonds were issued to fund the advance refunding of the 2010 through 2013 maturities of the G.O. Taxable Bonds, Series 1998. The 1998 Bonds were issued to finance the costs associated with construction of utility improvements for the Fischer MarketPlace development. The repayment of the 2008A and the original 1998 taxable bonds, will come from a combination of special assessments levied against the benefiting properties as well as the use of certain tax Increment revenues.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Bonds Payable:				
G.O. Bonds	\$ 21,930,000	\$ 6,685,000	\$ (1,590,000)	\$ 27,025,000
G.O. Special Assessment Bonds	<u>20,535,000</u>	<u>4,835,000</u>	<u>(5,840,000)</u>	<u>19,530,000</u>
Total Bonds Payable	42,465,000	11,520,000	(7,430,000)	46,555,000
Business-Type Activities:				
Bonds Payable:				
G.O. Refunding Bonds	1,255,000	-	(295,000)	960,000
Revenue Bonds	<u>1,325,000</u>	<u>3,295,000</u>	<u>(175,000)</u>	<u>4,445,000</u>
Total Bonds Payable	<u>2,580,000</u>	<u>3,295,000</u>	<u>(470,000)</u>	<u>5,405,000</u>
Total Bonded Debt	<u>\$ 45,045,000</u>	<u>\$ 14,815,000</u>	<u>\$ (7,900,000)</u>	<u>\$ 51,960,000</u>

The City maintains an "Aa1" rating from Moody's on all of its general obligation debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property taxes provide the largest source, approximately 78%, of the resources needed to support the General Fund activities. The City levied property taxes near the levy limit imposed by the State of Minnesota for 2009.
- Property values in the City are declining as they are in other locations. The decline in residential property values expected for the 2010 budget year will be approximately 7%. The property value declines will not impact the property tax revenues because, in Minnesota, the tax extension rate is determined each year by dividing the total levied amount by the total tax capacity of all properties and then applying the resulting tax extension rate to each individual property.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

- A reduction in state aids to cities was enacted by the State Legislature during the 2004, 2005 and 2006 legislative sessions to help balance the State's budget. Future state budgets are still reducing state revenues; however, some state aid in the form of Market Value Homestead Credit (MVHC) was restored in 2007 and 2008, but is expected to be reduced or eliminated in 2009. Because of these reductions, the City no longer relies on the MVHC state aid payment in its operating budgets.
- As a result of the City's responsible stewardship the services provided to the public remain a good value. The City will continue to provide the quality public services our citizens have come to expect and at a reasonable price.

All of these factors were considered in preparing the City's budget for the 2009 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF APPLE VALLEY
Dakota County, Minnesota

STATEMENT OF NET ASSETS
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments (Including Cash Equivalents)	\$ 46,344,911	\$ 18,274,195	\$ 64,619,106
Cash with Fiscal Agent	2,460,815	-	2,460,815
Receivables:			
Accounts Receivable	448,814	1,180,417	1,629,231
Taxes Receivable	312,878	-	312,878
Special Assessments Receivable	20,397,753	264,810	20,662,563
Due from Other Governments	1,228,217	190,434	1,418,651
Interfund Balances	718,153	(718,153)	-
Inventory	18,861	1,172,243	1,191,104
Prepaid Items	103,371	255,937	359,308
Deferred Charges	-	83,963	83,963
Capital Assets not being Depreciated:			
Land	2,523,813	4,667,877	7,191,690
Construction in Progress	7,415,355	4,732,902	12,148,257
Capital Assets being Depreciated:			
Buildings	23,060,202	12,037,048	35,097,250
Improvements Other than Buildings	16,047,725	115,322,063	131,369,788
Furniture and Equipment	14,238,259	3,652,162	17,890,421
Infrastructure	60,558,537	-	60,558,537
Less Accumulated Depreciation	(41,220,938)	(35,088,965)	(76,309,903)
Total Assets	\$ 154,656,726	\$ 126,026,933	\$ 280,683,659
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accrued Wages Payable	\$ 716,010	\$ 91,821	\$ 807,831
Accounts Payable	978,950	894,459	1,873,409
Contracts Payable	1,256,948	481,673	1,738,621
Bond Interest Payable	148,138	14,724	162,862
Due to Other Governments	4,086	95,359	99,445
Bond Principal Payable:			
Due Within One Year	7,460,000	680,000	8,140,000
Due in More than One Year	39,095,000	4,725,000	43,820,000
Capital Lease Payable:			
Due Within One Year	-	10,516	10,516
Due in More than One Year	-	39,989	39,989
Compensated Absences Payable:			
Due Within One Year	1,295,566	186,799	1,482,365
Due in More than One Year	1,112,166	221,649	1,333,815
Net Other Post-Employment Benefits Obligation			
Due Within One Year	186,146	30,462	216,608
Total Liabilities	52,253,010	7,472,451	59,725,461
Net Assets:			
Invested in Capital Assets, Net of Related Debt	41,867,201	100,280,579	142,147,780
Restricted for:			
Debt Service	21,710,730	275,000	21,985,730
Capital Acquisition	8,815,007	-	8,815,007
Unrestricted	30,010,778	17,998,903	48,009,681
Total Net Assets	102,403,716	118,554,482	220,958,198
Total Liabilities and Net Assets	\$ 154,656,726	\$ 126,026,933	\$ 280,683,659

CITY OF APPLE VALLEY
Dakota County, Minnesota

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 8,147,712	\$ 3,253,423	\$ 8,013	\$ 76,563	\$ (4,809,713)	\$ -	\$ (4,809,713)
Public Safety	10,223,407	647,651	542,784	40,858	(8,992,114)	-	(8,992,114)
Public Works	7,349,899	112,651	603,167	10,228,321	3,594,240	-	3,594,240
Park and Recreation	5,011,287	1,027,675	-	-	(3,983,612)	-	(3,983,612)
Interest on Long-Term Debt	2,102,579	-	-	-	(2,102,579)	-	(2,102,579)
Total Governmental Activities	32,834,884	5,041,400	1,153,964	10,345,742	(16,293,778)	-	(16,293,778)
Business-Type Activities:							
Municipal Liquor	6,985,584	7,390,696	-	-	-	405,112	405,112
Municipal Golf Course	1,047,254	1,049,707	-	-	-	2,453	2,453
Sports Arena	755,102	538,694	-	-	-	(216,408)	(216,408)
Water and Sewer	7,983,126	8,670,265	-	222,980	-	910,119	910,119
Storm Drainage	926,799	1,227,331	47,270	101,343	-	449,145	449,145
Cemetery	45,882	110,175	15	-	-	64,308	64,308
Total Business-Type Activities	17,743,747	18,986,868	47,285	324,323	-	1,614,729	1,614,729
Total Governmental and Business-Type Activities	\$ 50,578,631	\$ 24,028,268	\$ 1,201,249	\$ 10,670,065	(16,293,778)	1,614,729	(14,679,049)
General Revenues:							
Property Taxes					21,983,181	125,000	22,108,181
Unallocated State and County Aids					584,294	-	584,294
Franchise Fees					1,343,085	-	1,343,085
Other General Revenue					22,638	81,197	103,835
Unrestricted Investment Earnings					1,352,749	672,485	2,025,234
Gain on Sale of Assets					120,765	-	120,765
Transfers					955,251	(955,251)	-
Total General Revenues and Transfers					26,361,963	(76,569)	26,285,394
Change in Net Assets					10,068,185	1,538,160	11,606,345
Net Assets - Beginning, As Previously Stated					91,330,531	117,016,322	208,346,853
Prior Period Adjustment					1,005,000	-	1,005,000
Net Assets - Beginning, As Restated					92,335,531	117,016,322	209,351,853
Net Assets - Ending					\$ 102,403,716	\$ 118,554,482	\$ 220,958,198

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2008

	General Fund (1000, 2035)	Debt Service	
		Closed Bond Issues (3205)	Improvement Bonds of 2006 (3330)
ASSETS:			
Cash and Investments	\$ 6,343,740	\$ 3,724,757	\$ -
Cash with Fiscal Agent	-	-	-
Taxes Receivable - Delinquent	312,878	-	-
Special Assessments Receivable:			
Current	29,714	691,304	533,035
Delinquent	5,495	527,260	978,474
Deferred	-	7,958,331	3,248,246
Accounts Receivable	186,104	-	-
Due from Other Funds	4,587,319	6,401,814	-
Due from Other Governments	1,217,054	327	4,004
Inventory	18,861	-	-
Prepaid Items	103,371	-	-
	<u>\$ 12,804,536</u>	<u>\$ 19,303,793</u>	<u>\$ 4,763,759</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accrued Wages Payable	\$ 711,637	\$ -	\$ -
Accounts Payable	547,678	-	-
Contracts Payable	-	-	-
Due to Other Funds	-	-	2,182,801
Due to Other Governments	3,647	-	-
Deferred Revenue	315,866	9,176,895	4,759,755
Total Liabilities	<u>1,578,828</u>	<u>9,176,895</u>	<u>6,942,556</u>
Fund Balances:			
Reserved for:			
Inventory	18,861	-	-
Prepaid Items	103,371	-	-
Unreserved, Reported in:			
General Fund - Undesignated	11,103,476	-	-
Special Revenue - Undesignated	-	-	-
Debt Service - Undesignated	-	10,126,898	(2,178,797)
Capital Projects - Undesignated	-	-	-
Total Fund Balances	<u>11,225,708</u>	<u>10,126,898</u>	<u>(2,178,797)</u>
	<u>\$ 12,804,536</u>	<u>\$ 19,303,793</u>	<u>\$ 4,763,759</u>

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

Capital Projects

2003 Improvement Construction (4300)	Future Capital Projects (4930)	2007 Park Bond (4935)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 3,190,737	\$ 6,941,929	\$ 22,671,052	\$ 42,872,215
-	-	-	2,460,815	2,460,815
-	-	-	-	312,878
-	-	-	544,493	1,798,546
-	-	-	247,838	1,759,067
-	-	-	5,633,563	16,840,140
24,661	-	-	233,734	444,499
-	8,192,205	-	670,000	19,851,338
-	-	-	6,832	1,228,217
-	-	-	-	18,861
-	-	-	-	103,371
<u>\$ 24,661</u>	<u>\$ 11,382,942</u>	<u>\$ 6,941,929</u>	<u>\$ 32,468,327</u>	<u>\$ 87,689,947</u>
\$ -	\$ -	\$ -	\$ 4,373	\$ 716,010
160,115	1,519	-	233,375	942,687
16,879	-	1,142,681	97,388	1,256,948
8,192,205	-	-	8,758,179	19,133,185
-	-	-	10	3,657
-	-	-	6,425,894	20,678,410
<u>8,369,199</u>	<u>1,519</u>	<u>1,142,681</u>	<u>15,519,219</u>	<u>42,730,897</u>
-	-	-	-	18,861
-	-	-	-	103,371
-	-	-	-	11,103,476
-	-	-	361,472	361,472
-	-	-	12,975,815	20,923,916
(8,344,538)	11,381,423	5,799,248	3,611,821	12,447,954
<u>(8,344,538)</u>	<u>11,381,423</u>	<u>5,799,248</u>	<u>16,949,108</u>	<u>44,959,050</u>
<u>\$ 24,661</u>	<u>\$ 11,382,942</u>	<u>\$ 6,941,929</u>	<u>\$ 32,468,327</u>	<u>\$ 87,689,947</u>

(THIS PAGE LEFT BLANK INTENTIONALLY.)

CITY OF APPLE VALLEY
Dakota County, Minnesota

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
December 31, 2008

Total Fund Balances - Governmental Funds \$ 44,959,050

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

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

Cost of Capital Assets	123,843,891
Less Accumulated Depreciation	(41,220,938)

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

Long-term liabilities at year-end consist of:

Bond Principal Payable	(46,555,000)
Net Other Post-Employment Benefits	(186,146)

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

Property Taxes	312,878
Special Assessments	1,759,067

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

Special Assessments	18,606,465
---------------------	------------

Governmental funds do not report a liability for accrued interest
due and payable.

(148,138)

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

1,032,587

Total Net Assets - Governmental Activities \$ 102,403,716

CITY OF APPLE VALLEY
Dakota County, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2008

	General Fund (1000, 2035)	Debt Service		Capital Projects	
		Closed Bond Issues (3205)	Improvement Bonds of 2006 (3330)	2003 Improvement Construction (4300)	Future Capital Projects (4930)
REVENUES:					
Taxes	\$ 18,708,435	\$ 27,146	\$ -	\$ -	\$ -
Special Assessments	6,340	675,954	83,396	-	-
Licenses and Permits	561,594	-	-	-	-
Intergovernmental	321,137	-	-	-	464,599
Charges for Services	1,639,444	-	-	-	-
Franchise Fees	515,022	-	-	-	-
Fines and Forfeitures	324,461	-	-	-	-
Miscellaneous:					
Investment Income	300,941	(103,100)	-	(157,063)	328,231
Contributions and Donations	1,195	-	-	-	-
Administrative Fees	1,311,479	-	-	-	-
Other	60,219	-	-	455,140	-
Refunds and Reimbursements	43,995	-	-	208,951	-
Total Revenues	<u>23,794,262</u>	<u>600,000</u>	<u>83,396</u>	<u>507,028</u>	<u>792,830</u>
EXPENDITURES:					
Current:					
General Government	4,671,286	-	-	-	-
Public Safety	9,413,697	-	-	-	1,519
Public Works	3,347,962	-	-	-	-
Park and Recreation	4,158,278	-	-	-	-
Debt Service:					
Principal	-	-	1,200,000	-	-
Interest and Other Charges	-	33,584	164,936	-	-
Capital Outlay:					
General Government	150,393	-	-	-	-
Public Safety	220,990	-	-	-	23,198
Public Works	50,734	-	-	1,076,043	-
Park and Recreation	111,349	-	-	-	-
Total Expenditures	<u>22,124,689</u>	<u>33,584</u>	<u>1,364,936</u>	<u>1,076,043</u>	<u>24,717</u>
Excess of Revenues Over (Under) Expenditures	1,669,573	566,416	(1,281,540)	(569,015)	768,113
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	89,085	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	730,242	-	-	3,215	815,712
Transfers Out	(2,429,935)	(117,640)	-	-	-
Total Other Financing Sources (Uses)	<u>(1,610,608)</u>	<u>(117,640)</u>	<u>-</u>	<u>3,215</u>	<u>815,712</u>
Net Change in Fund Balances	58,965	448,776	(1,281,540)	(565,800)	1,583,825
FUND BALANCES:					
Beginning of Year, As Previously Stated	11,166,743	9,678,122	(897,257)	(7,778,738)	9,797,598
Prior Period Adjustment (See Note 15)	-	-	-	-	-
Beginning of Year, As Restated	<u>11,166,743</u>	<u>9,678,122</u>	<u>(897,257)</u>	<u>(7,778,738)</u>	<u>9,797,598</u>
End of Year	<u>\$ 11,225,708</u>	<u>\$ 10,126,898</u>	<u>\$ (2,178,797)</u>	<u>\$ (8,344,538)</u>	<u>\$ 11,381,423</u>

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

Capital Projects

2007 Park Bond (4935)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 3,221,682	\$ 21,957,263
-	654,179	1,419,869
-	-	561,594
-	1,149,150	1,934,886
-	86,667	1,726,111
-	508,346	1,023,368
-	-	324,461
244,510	642,834	1,256,353
2,500	7,350	11,045
-	-	1,311,479
-	359,360	874,719
-	88,810	341,756
<u>247,010</u>	<u>6,718,378</u>	<u>32,742,904</u>
-	1,639,556	6,310,842
-	54,936	9,470,152
-	7,443	3,355,405
-	215,000	4,373,278
-	3,870,000	5,070,000
-	1,803,058	2,001,578
-	89,714	240,107
-	-	244,188
-	3,150,630	4,277,407
<u>6,787,914</u>	<u>5,236</u>	<u>6,904,499</u>
<u>6,787,914</u>	<u>10,835,573</u>	<u>42,247,456</u>
(6,540,904)	(4,117,195)	(9,504,552)
-	31,680	120,765
6,340,819	5,179,181	11,520,000
-	54,759	54,759
-	(110,621)	(110,621)
-	(2,360,000)	(2,360,000)
-	2,741,761	4,290,930
-	(420,328)	(2,967,903)
<u>6,340,819</u>	<u>5,116,432</u>	<u>10,547,930</u>
(200,085)	999,237	1,043,378
5,999,333	14,944,871	42,910,672
-	1,005,000	1,005,000
<u>5,999,333</u>	<u>15,949,871</u>	<u>43,915,672</u>
<u>\$ 5,799,248</u>	<u>\$ 16,949,108</u>	<u>\$ 44,959,050</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2008

Net Change in Fund Balances - Governmental Funds	\$ 1,043,378
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital Outlays	8,931,381
Depreciation Expense	(3,495,940)
Donated Assets	310,504
Net post-employment benefit obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	(186,146)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net assets in the Statement of Activities.	
	5,070,000
Bonds were refunded during the year. The amount paid off with the new funding is reported in the governmental funds as a use of financing. However, the payments are not expenditures in the Statement of Activities, but rather a reduction on long-term liabilities in the Statement of Net Assets.	
	2,360,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(45,139)
Proceeds from long-term debt are recognized as an other financing source in the governmental funds but as a decrease in net assets in the Statement of Activities.	
Issuance of Bonds Payable	(11,520,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
	7,549,424
The net revenue of certain activities of Internal Service Funds are reported with governmental activities.	
	<u>50,723</u>
Change in Net Assets - Governmental Activities	<u>\$ 10,068,185</u>

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2008**

	Budgeted Amounts - Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES:			
Taxes	\$ 18,735,266	\$ 18,708,435	\$ (26,831)
Special Assessments	-	6,340	6,340
Licenses and Permits	908,000	561,594	(346,406)
Intergovernmental	86,095	321,137	235,042
Charges for Services	1,427,800	1,639,444	211,644
Franchise Fees	450,000	515,022	65,022
Fines and Forfeitures	250,000	324,461	74,461
Miscellaneous Revenues:			
Investment Income	350,000	300,941	(49,059)
Contributions and Donations	-	1,195	1,195
Administrative Fees	1,070,000	1,311,479	241,479
Other	190,000	60,219	(129,781)
Refunds and Reimbursements	130,000	43,995	(86,005)
Total Revenues	23,597,161	23,794,262	197,101
EXPENDITURES:			
Current:			
General Government	5,103,159	4,671,286	(431,873)
Public Safety	9,278,745	9,413,697	134,952
Public Works	5,024,307	3,347,962	(1,676,345)
Park and Recreation	4,309,658	4,158,278	(151,380)
Capital Outlay:			
General Government	153,400	150,393	(3,007)
Public Safety	266,392	220,990	(45,402)
Public Works	58,000	50,734	(7,266)
Park and Recreation	143,500	111,349	(32,151)
Total Expenditures	24,337,161	22,124,689	(2,212,472)
Excess of Revenues Over (Under) Expenditures	(740,000)	1,669,573	2,409,573
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Capital Asset	-	89,085	89,085
Transfers In	740,000	730,242	(9,758)
Transfers Out	-	(2,429,935)	(2,429,935)
Total Other Financing Sources (Uses)	740,000	(1,610,608)	(2,350,608)
Net Change in Fund Balance	\$ -	58,965	\$ 58,965
FUND BALANCES:			
Beginning of Year		11,166,743	
End of Year		\$ 11,225,708	

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2008

	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
ASSETS:				
Current Assets:				
Cash and Investments (Including Cash Equivalents)	\$ 1,786,316	\$ 21,030	\$ -	\$ 14,719,313
Special Assessments Receivable	-	-	-	214,626
Accounts Receivable	2,059	13,650	141,194	777,215
Due from Other Governments	-	-	182,901	7,533
Inventory	1,064,632	45,198	-	62,413
Prepaid Items	25,990	8,025	3,716	218,206
Total Current Assets	2,878,997	87,903	327,811	15,999,306
Noncurrent Assets:				
Deferred Special Assessments Receivable	-	-	-	33,049
Deferred Charges	54,407	-	10,867	-
Due from Other Funds	-	-	-	493,637
Capital Assets:				
Land	1,134,385	500,019	2,000	1,667,581
Buildings	695,262	294,496	2,846,569	8,200,721
Other Improvements	-	878,662	371,650	72,618,199
Furniture and Equipment	70,807	741,419	103,410	2,736,526
Construction In Progress	2,882,003	-	-	1,408,259
Total Capital Assets	4,782,457	2,414,596	3,323,629	86,631,286
Less Accumulated Depreciation	(435,738)	(1,162,566)	(1,666,858)	(23,404,299)
Net Capital Assets	4,346,719	1,252,030	1,656,771	63,226,987
Total Noncurrent Assets	4,401,126	1,252,030	1,667,638	63,753,673
Total Assets	\$ 7,280,123	\$ 1,339,933	\$ 1,995,449	\$ 79,752,979
LIABILITIES AND NET ASSETS:				
Current Liabilities:				
Accounts Payable	\$ 587,930	\$ 31,640	\$ 42,520	\$ 198,946
Contracts Payable	232,550	-	-	239,123
Accrued Wages Payable	34,848	8,517	11,489	36,827
Interest Payable	11,018	-	1,459	-
Due to Other Governments	93,385	276	61	1,637
Long-Term Liabilities Due Within One Year	171,174	34,330	110,884	291,389
Total Current Liabilities	1,130,905	74,763	166,413	767,922
Noncurrent Liabilities:				
Compensated Absences Payable	114,252	55,365	88,545	150,286
Net Other Post-Employment Benefits Obligation	8,675	3,614	1,884	16,289
Due to Other Funds	-	-	541,790	-
Capital Lease Payable	-	50,505	-	-
Bonds Payable	3,295,000	-	625,000	515,000
Less Amounts Due Within One Year	(171,174)	(34,330)	(110,884)	(291,389)
Total Noncurrent Liabilities	3,246,753	75,154	1,146,335	390,186
Total Liabilities	4,377,658	149,917	1,312,748	1,158,108
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,464,716	1,201,525	1,031,771	62,711,987
Restricted for Debt Service	275,000	-	-	-
Unrestricted	1,162,749	(11,509)	(349,070)	15,882,884
Total Net Assets	2,902,465	1,190,016	682,701	78,594,871
Total Liabilities and Net Assets	\$ 7,280,123	\$ 1,339,933	\$ 1,995,449	\$ 79,752,979

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

<u>Storm Drainage (5500)</u>	<u>Cemetery (5600, 5700)</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 1,209,151	\$ 538,385	\$ 18,274,195	\$ 3,472,696
1,224	-	215,850	-
246,299	-	1,180,417	4,315
-	-	190,434	-
-	-	1,172,243	-
-	-	255,937	-
<u>1,456,674</u>	<u>538,385</u>	<u>21,289,076</u>	<u>3,477,011</u>
15,911	-	48,960	-
18,689	-	83,963	-
-	-	493,637	-
1,005,705	358,187	4,667,877	-
-	-	12,037,048	-
40,930,948	522,604	115,322,063	-
-	-	3,652,162	-
<u>442,640</u>	<u>-</u>	<u>4,732,902</u>	<u>-</u>
42,379,293	880,791	140,412,052	-
<u>(8,347,964)</u>	<u>(71,540)</u>	<u>(35,088,965)</u>	<u>-</u>
34,031,329	809,251	105,323,087	-
<u>34,065,929</u>	<u>809,251</u>	<u>105,949,647</u>	<u>-</u>
<u>\$ 35,522,603</u>	<u>\$ 1,347,636</u>	<u>\$ 127,238,723</u>	<u>\$ 3,477,011</u>
\$ 17,855	\$ 15,568	\$ 894,459	\$ 36,263
10,000	-	481,673	-
-	140	91,821	-
2,247	-	14,724	-
-	-	95,359	429
300,000	-	907,777	1,295,566
<u>330,102</u>	<u>15,708</u>	<u>2,485,813</u>	<u>1,332,258</u>
-	-	408,448	2,407,732
-	-	30,462	-
670,000	-	1,211,790	-
-	-	50,505	-
970,000	-	5,405,000	-
<u>(300,000)</u>	<u>-</u>	<u>(907,777)</u>	<u>(1,295,566)</u>
<u>1,340,000</u>	<u>-</u>	<u>6,198,428</u>	<u>1,112,166</u>
<u>1,670,102</u>	<u>15,708</u>	<u>8,684,241</u>	<u>2,444,424</u>
33,061,329	809,251	100,280,579	-
-	-	275,000	-
791,172	522,677	17,998,903	1,032,587
<u>33,852,501</u>	<u>1,331,928</u>	<u>118,554,482</u>	<u>1,032,587</u>
<u>\$ 35,522,603</u>	<u>\$ 1,347,636</u>	<u>\$ 127,238,723</u>	<u>\$ 3,477,011</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2008

	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
OPERATING REVENUES:				
Liquor Sales	\$ 7,390,696	\$ -	\$ -	\$ -
Golf Fees and Rentals	-	1,049,707	-	-
Sports Arena Revenues	-	-	538,694	-
Charges for Services	-	-	-	8,614,831
Connection Charges	-	-	-	55,434
Total Operating Revenues	7,390,696	1,049,707	538,694	8,670,265
 Cost of Goods Sold	 5,506,700	 146,736	 -	 -
Gross Profit	1,883,996	902,971	538,694	8,670,265
 OPERATING EXPENSES:				
Personal Services	840,916	525,236	337,415	1,228,965
Contractual Services	37,275	17,564	43,723	378,252
Other Charges	409,143	58,037	166,669	2,209,933
Supplies and Repairs	59,759	238,221	56,409	579,239
Depreciation	36,595	61,460	120,390	1,347,273
Sewer Charges	-	-	-	2,218,101
Total Operating Expenses	1,383,688	900,518	724,606	7,961,763
Operating Income (Loss)	500,308	2,453	(185,912)	708,502
 NONOPERATING REVENUES (EXPENSES):				
Investment Income	68,076	-	2,664	544,925
Taxes and Assessments	-	-	125,000	-
Intergovernmental Revenue	-	-	-	-
Other Revenue	62,143	-	-	19,054
Interest Expense and Agent Fees	(95,196)	-	(30,496)	(21,363)
Total Nonoperating Revenues (Expenses)	35,023	-	97,168	542,616
Income (Loss) before Capital Contributions and Transfers	535,331	2,453	(88,744)	1,251,118
Capital Contributions	-	-	-	327,527
Transfers In	51,318	-	-	-
Transfers Out	(493,407)	-	-	(825,000)
Change in Net Assets	93,242	2,453	(88,744)	753,645
 NET ASSETS:				
Beginning of Year	2,809,223	1,187,563	771,445	77,841,226
End of Year	\$ 2,902,465	\$ 1,190,016	\$ 682,701	\$ 78,594,871

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

Storm Drainage (5500)	Cemetery (5600, 5700)	Total	Governmental Activities - Internal Service Funds
\$ -	\$ -	\$ 7,390,696	\$ -
-	-	1,049,707	-
-	-	538,694	-
1,170,190	110,175	9,895,196	1,119,812
57,141	-	112,575	-
<u>1,227,331</u>	<u>110,175</u>	<u>18,986,868</u>	<u>1,119,812</u>
-	-	5,653,436	-
1,227,331	110,175	13,333,432	1,119,812
-	1,539	2,934,071	470,584
21,324	19,685	517,823	8,534
452,591	9,369	3,305,742	694,380
75	2,224	935,927	-
409,309	13,065	1,988,092	-
-	-	2,218,101	-
<u>883,299</u>	<u>45,882</u>	<u>11,899,756</u>	<u>1,173,498</u>
344,032	64,293	1,433,676	(53,686)
39,324	17,496	672,485	96,396
-	-	125,000	-
47,270	-	47,270	8,013
-	15	81,212	-
<u>(43,500)</u>	<u>-</u>	<u>(190,555)</u>	<u>-</u>
<u>43,094</u>	<u>17,511</u>	<u>735,412</u>	<u>104,409</u>
387,126	81,804	2,169,088	50,723
364,572	-	692,099	-
-	-	51,318	-
<u>(55,938)</u>	<u>-</u>	<u>(1,374,345)</u>	<u>-</u>
695,760	81,804	1,538,160	50,723
<u>33,156,741</u>	<u>1,250,124</u>	<u>117,016,322</u>	<u>981,864</u>
<u>\$ 33,852,501</u>	<u>\$ 1,331,928</u>	<u>\$ 118,554,482</u>	<u>\$ 1,032,587</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2008

	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
CASH FLOWS - OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 7,389,402	\$ 1,038,341	\$ 567,951	\$ 8,584,052
Payments to Suppliers	(6,259,740)	(437,110)	(259,732)	(5,399,420)
Payments to Employees	(805,313)	(536,416)	(340,075)	(1,204,406)
Internal Activity	-	-	-	-
Net Cash Flows - Operating Activities	324,349	64,815	(31,856)	1,980,226
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:				
Transfer from Other Funds	51,318	-	-	-
Transfer to Other Funds	(493,407)	-	-	(825,000)
Payment of Due from/to Other Funds	-	(32,314)	(11,044)	-
Proceeds from Due to Other Funds	-	-	48,153	43,358
Intergovernmental Revenue	-	-	-	-
Taxes, Assessments and Aids	62,143	-	125,000	19,054
Net Cash Flows - Noncapital Financing Activities	(379,946)	(32,314)	162,109	(762,588)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Revenue Bonds	-	-	(90,000)	(95,000)
Interest and Agent Fees Paid	(138,585)	-	(30,115)	(21,363)
Bond Proceeds	3,295,000	-	-	-
Acquisition of Capital Assets	(3,765,448)	(11,471)	(12,802)	(1,468,071)
Net Cash Flows - Capital and Related Financing Activities	(609,033)	(11,471)	(132,917)	(1,584,434)
CASH FLOWS - INVESTING ACTIVITIES:				
Interest and Dividends Received	68,076	-	2,664	544,925
Net Change in Cash and Cash Equivalents	(596,554)	21,030	-	178,129
CASH AND CASH EQUIVALENTS:				
January 1	2,382,870	-	-	14,541,184
December 31	\$ 1,786,316	\$ 21,030	\$ -	\$ 14,719,313
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 500,308	\$ 2,453	\$ (185,912)	\$ 708,502
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:				
Depreciation Expense	36,595	61,460	120,390	1,347,273
Accounts Receivable	(1,294)	(11,366)	11,927	(50,505)
Special Assessments Receivable	-	-	-	(33,706)
Due from Other Governments	-	-	17,330	(2,002)
Prepaid Items	(317)	(77)	56	(4,372)
Inventory	(605,816)	(1,073)	-	-
Accounts Payable	334,339	24,328	7,181	(9,387)
Due to Other Governments	24,931	270	(168)	(136)
Salaries Payable	12,637	1,813	1,605	5,870
Net Other Post-Employment Benefits Obligation	8,675	3,614	1,884	16,289
Compensated Absences Payable	14,291	(16,607)	(6,149)	2,400
Total Adjustments	(175,959)	62,362	154,056	1,271,724
Net Cash Flows - Operating Activities	\$ 324,349	\$ 64,815	\$ (31,856)	\$ 1,980,226
NONCASH CAPITAL ACTIVITIES:				
Acquisition of Capital Assets through Contracts Payable	\$ 232,550	\$ -	\$ -	\$ 128,105
Capital Contributions	-	-	-	327,527

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

Storm Drainage (5500)	Cemetery (5600, 5700)	Total	Governmental Activities - Internal Service Funds
\$ 1,212,775	\$ 110,175	\$ 18,902,696	\$ -
(491,090)	(15,751)	(12,862,843)	-
-	(1,399)	(2,887,609)	-
-	-	-	(48,657)
<u>721,685</u>	<u>93,025</u>	<u>3,152,244</u>	<u>(48,657)</u>
-	-	51,318	-
(55,938)	-	(1,374,345)	-
(175,000)	-	(218,358)	-
-	-	91,511	-
47,270	-	47,270	8,013
-	15	206,212	-
<u>(183,668)</u>	<u>15</u>	<u>(1,196,392)</u>	<u>8,013</u>
(285,000)	-	(470,000)	-
(41,787)	-	(231,850)	-
-	-	3,295,000	-
<u>(377,331)</u>	<u>(54,808)</u>	<u>(5,689,931)</u>	<u>-</u>
<u>(704,118)</u>	<u>(54,808)</u>	<u>(3,096,781)</u>	<u>-</u>
39,324	17,496	672,485	96,396
(126,777)	55,728	(468,444)	55,752
<u>1,335,928</u>	<u>482,657</u>	<u>18,742,639</u>	<u>3,416,944</u>
<u>\$ 1,209,151</u>	<u>\$ 538,385</u>	<u>\$ 18,274,195</u>	<u>\$ 3,472,696</u>
\$ 344,032	\$ 64,293	\$ 1,433,676	\$ (53,686)
409,309	13,065	1,988,092	-
2,579	-	(48,659)	(4,315)
(17,135)	-	(50,841)	-
-	-	15,328	198
-	-	(4,710)	-
-	-	(606,889)	-
(17,093)	15,527	354,895	20,415
(7)	-	24,890	429
-	140	22,065	-
-	-	30,462	-
-	-	(6,065)	(11,698)
<u>377,653</u>	<u>28,732</u>	<u>1,718,568</u>	<u>5,029</u>
<u>\$ 721,685</u>	<u>\$ 93,025</u>	<u>\$ 3,152,244</u>	<u>\$ (48,657)</u>
\$ 10,000	\$ -	\$ 370,655	\$ -
364,572	-	692,099	-

(THIS PAGE LEFT BLANK INTENTIONALLY.)

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

1. Blended Component Unit

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Description of Funds:

Major Governmental Funds:

General Fund (Funds 1000 and 2035) – These Funds are the City’s primary operating funds. They account for all financial resources of the general City, except those required to be accounted for in another fund.

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

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

2003 Improvement Construction Capital Projects Fund (Fund 4300) – This Fund accounts for the 2003 construction projects.

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

2007 Park Bond Capital Projects Fund (Fund 4935) – This Fund accounts for costs associated with park improvements.

Proprietary Funds:

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Funds: (Continued)

Proprietary Funds: (Continued)

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

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

Storm Drainage Fund (Fund 5500) – This Fund accounts for the activities of the City’s storm drainage operations.

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

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

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

The City had formal policies in place as of December 31, 2008 to address the risks as indicated below.

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

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

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

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Cash and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

3. Inventory and Prepaid Items

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. Inventory and Prepaid Items (Continued)

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

4. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5. 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 governmental funds when the obligations are expected to be liquidated with expendable financial resources. Vacation and sick benefits are recorded as expenses in proprietary funds when earned. In accordance with U.S. generally accepted accounting principles, compensated absences are reflected as a liability in the General Fund for employees that have retired but have yet to receive their entire leave balances. Compensated absences payable in the government-wide Statement of Net Assets and the Statement of Net Assets – Proprietary Funds include all leave balances accrued but not yet used by employees, whether or not the employees have terminated employment with the City.

6. Long-Term Obligations

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

7. Fund Equity

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

8. Net Assets

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

9. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets for the General Fund and Cable TV Special Revenue Fund are adopted on a basis consistent with U.S. generally accepted accounting principles.

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information (Continued)

5. Expenditures may not legally exceed budgeted appropriations at the fund level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General Fund and Cable TV Special Revenue Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. The Finance Director presents monthly reports to the City Council explaining any variance from the approved budget.
8. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

B. Deficit Fund Balances

The following Funds had deficit fund balances at December 31, 2008:

Debt Service:

Improvement Bonds of 2003 (Fund 3165)	\$ 65,737
Improvement Bonds of 1997 (Fund 3185)	1,273,005
G.O. Refunding Bonds of 2002 (Fund 3300)	25,082
Improvement Bonds of 2003 (Fund 3305)	897,438
Improvement Bonds of 2006 (Fund 3330)	2,178,797
Improvement Bonds of 2007 (Fund 3340)	119,365

Capital Projects:

Road Improvements (Fund 2025)	4,175,005
Dakota County Construction Projects (Fund 4030)	17,534
1996 Improvement Construction (Fund 4140)	407,411
1999 Improvement Construction (Fund 4225)	157,576
2003 Improvement Construction (Fund 4300)	8,344,538
Engineer Developer Review Nonreimbursable (Fund 4600)	4,474

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

B. Deficit Fund Balances (Continued)

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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

A. Deposits

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

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

Custodial Credit Risk – Deposits: As of December 31, 2008, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The City's deposits had a book balance as follows.

As of December 31, 2008, the City had deposits and petty cash as follows:

Checking	\$ 3,557,800
Petty Cash	<u>9,200</u>
Total Deposits and Petty Cash	<u><u>\$ 3,567,000</u></u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments

As of December 31, 2008, the City had the following investments:

Investment Type	Fair Value	Investment Maturities			
		Less Than One Year	1-5 Years	6-10 Years	Greater Than 10 Years
Commercial Paper	\$ 2,261,577	\$ 2,261,577	\$ -	\$ -	\$ -
U.S. Treasury Securities	1,006,000	1,006,000	-	-	-
Brokered Certificates of Deposit	1,224,341	1,224,341	-	-	-
U.S. Agency Securities	56,551,410	10,830,661	33,784,602	10,190,209	1,745,938
Money Markets	2,469,593	2,469,593	-	-	-
Total Investments	\$ 63,512,921	\$ 17,792,172	\$ 33,784,602	\$ 10,190,209	\$ 1,745,938

Credit Risk: As of December 31, 2008, the City's investments in commercial paper were rated A1+ by Standard & Poor's (S&P) and P1 by Moody's Investors Service. The City's investments in government securities were rated AAA by S&P and Aaa by Moody's Investors Service. The brokered certificates of deposit and money market funds are unrated.

Concentration of Credit Risk: As of December 31, 2008, the City had investments, as indicated in the following chart, that exceeded 5% of the City's total investments.

Investment	Market Value	Percent
Total FHLB	\$ 10,866,533	17.80%
Total FHLM	24,804,890	40.63%
Total FNMA	20,879,988	34.20%

In addition, the City's cash held with fiscal agent is also exposed to concentration of credit risk as 98.35% of this balance is invested in a FNMA bond.

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 3,567,000
Investments (Note 3.B.)	<u>63,512,921</u>
Total Deposits and Investments	<u>\$ 67,079,921</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 – DEPOSITS AND INVESTMENTS

C. Deposits and Investments (Continued)

Deposits and investments are presented in the December 31, 2008 basic financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 64,619,106
Cash with Fiscal Agent	<u>2,460,815</u>
Total Deposits and Investments	<u><u>\$ 67,079,921</u></u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 2,523,813	\$ -	\$ -	\$ 2,523,813
Construction in Progress	<u>-</u>	<u>7,415,355</u>	<u>-</u>	<u>7,415,355</u>
Total Capital Assets not being Depreciated	<u>2,523,813</u>	<u>7,415,355</u>	<u>-</u>	<u>9,939,168</u>
Capital Assets being Depreciated:				
Buildings	23,035,320	24,882	-	23,060,202
Improvements Other than Buildings	16,029,583	18,142	-	16,047,725
Furniture and Equipment	13,943,412	659,930	365,083	14,238,259
Infrastructure	<u>59,434,961</u>	<u>1,123,576</u>	<u>-</u>	<u>60,558,537</u>
Total Capital Assets being Depreciated	<u>112,443,276</u>	<u>1,826,530</u>	<u>365,083</u>	<u>113,904,723</u>
Less Accumulated Depreciation for:				
Buildings	6,354,056	574,632	-	6,928,688
Improvements Other than Buildings	3,294,685	395,722	-	3,690,407
Furniture and Equipment	7,910,378	1,011,622	365,083	8,556,917
Infrastructure	<u>20,530,962</u>	<u>1,513,964</u>	<u>-</u>	<u>22,044,926</u>
Total Accumulated Depreciation	<u>38,090,081</u>	<u>3,495,940</u>	<u>365,083</u>	<u>41,220,938</u>
Total Capital Assets being Depreciated, Net	<u>74,353,195</u>	<u>(1,669,410)</u>	<u>-</u>	<u>72,683,785</u>
Governmental Activities Capital Assets, Net	<u>\$ 76,877,008</u>	<u>\$ 5,745,945</u>	<u>\$ -</u>	<u>\$ 82,622,953</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 4 – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 2,510,999	\$ 2,156,878	\$ -	\$ 4,667,877
Construction in Progress	3,691,705	4,752,597	3,711,400	4,732,902
Total Capital Assets not being Depreciated	<u>6,202,704</u>	<u>6,909,475</u>	<u>3,711,400</u>	<u>9,400,779</u>
Capital Assets being Depreciated:				
Buildings	12,031,849	5,199	-	12,037,048
Improvements Other than Buildings	111,858,608	3,465,355	1,900	115,322,063
Furniture and Equipment	3,540,801	134,562	23,201	3,652,162
Total Capital Assets being Depreciated	<u>127,431,258</u>	<u>3,605,116</u>	<u>25,101</u>	<u>131,011,273</u>
Less Accumulated Depreciation for:				
Buildings	5,098,745	338,445	-	5,437,190
Improvements Other than Buildings	25,124,782	1,427,304	1,900	26,550,186
Furniture and Equipment	2,902,447	222,343	23,201	3,101,589
Total Accumulated Depreciation	<u>33,125,974</u>	<u>1,988,092</u>	<u>25,101</u>	<u>35,088,965</u>
Total Capital Assets being Depreciated, Net	<u>94,305,284</u>	<u>1,617,024</u>	<u>-</u>	<u>95,922,308</u>
Business-Type Activities Capital Assets, Net	<u>\$ 100,507,988</u>	<u>\$ 8,526,499</u>	<u>\$ 3,711,400</u>	<u>\$ 105,323,087</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities:		
General Government	\$	406,681
Public Safety		660,814
Public Works		1,771,091
Park and Recreation		<u>657,354</u>
Total Depreciation Expense - Governmental Activities		<u><u>\$ 3,495,940</u></u>
 Business-Type Activities:		
Municipal Liquor	\$	36,595
Municipal Golf Course		61,460
Sports Arena		120,390
Water and Sewer		1,347,273
Storm Drainage		409,309
Cemetery		<u>13,065</u>
Total Depreciation Expense - Business-Type Activities		<u><u>\$ 1,988,092</u></u>

NOTE 5 – INTERFUND ACTIVITY

A. Transfers

Transfers during the year ended December 31, 2008 were as follows:

	Transfers In					Total
	General Fund	2003 Improvement Construction	Future Capital Projects	Nonmajor Governmental Funds	Municipal Liquor	
Transfers Out:						
General Fund	\$ -	\$ -	\$ 815,712	\$ 1,614,223	\$ -	\$ 2,429,935
Closed Bond Issues	-	3,215	-	114,425	-	117,640
Nonmajor Governmental Funds	330,242	-	-	38,768	51,318	420,328
Municipal Liquor	400,000	-	-	93,407	-	493,407
Water and Sewer	-	-	-	825,000	-	825,000
Storm Drainage	-	-	-	55,938	-	55,938
Total Transfers	<u>\$ 730,242</u>	<u>\$ 3,215</u>	<u>\$ 815,712</u>	<u>\$ 2,741,761</u>	<u>\$ 51,318</u>	<u>\$ 4,342,248</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008**

NOTE 5 – INTERFUND ACTIVITY

B. Interfund Loans

Interfund loans as of December 31, 2008 were as follows:

	Amounts Due to					Total
	General Fund	Closed Bond Issues Fund	Future Capital Projects Fund	Nonmajor Governmental Funds	Water and Sewer	
Amounts Due from:						
Improvement Bonds of 2006	\$ -	\$ 2,182,801	\$ -	\$ -	\$ -	\$ 2,182,801
2003 Improvement Construction	-	-	8,192,205	-	-	8,192,205
Nonmajor Governmental Funds	4,539,166	4,219,013	-	-	-	8,758,179
Sports Arena	48,153	-	-	-	493,637	541,790
Storm Drainage	-	-	-	670,000	-	670,000
Total Interfund Loans	\$ 4,587,319	\$ 6,401,814	\$ 8,192,205	\$ 670,000	\$ 493,637	\$ 20,344,975

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

NOTE 6 – LONG-TERM DEBT

A. General Obligation Bonds

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

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

B. General Obligation Equipment Certificates

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

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 6 – LONG-TERM DEBT

C. Revenue Bonds

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

D. Components of Long-Term Liabilities

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-Term Liabilities:				
Governmental Activities:				
G.O. Bonds:				
G.O. Refunding Bonds 2002	1.50%-3.40%	\$ 3,335,000	\$ 25,000	\$ 25,000
G.O. Improvement Bonds 2003	1.30%-3.95%	5,380,000	3,975,000	400,000
G.O. Tax Increment Bonds 2003	2.00%-4.60%	1,905,000	1,230,000	180,000
G.O. Refunding Bonds 2004	2.00%-4.00%	9,220,000	7,885,000	740,000
G.O. Equipment Certificate Bonds 2005	2.40%-3.00%	400,000	105,000	105,000
G.O. Equipment Certificate Bonds 2006	4.00%	860,000	720,000	90,000
G.O. Park Bonds 2007A	3.40%-4.40%	6,400,000	6,400,000	65,000
G.O. Park Bonds 2008D	2.40%-4.20%	6,685,000	6,685,000	75,000
Total G.O. Bonds			27,025,000	1,680,000
Special Assessment Bonds:				
G.O. Taxable Bonds 1998	5.65%-6.35%	9,760,000	600,000	600,000
G.O. Improvement Bonds 2001	3.50%-4.80%	6,175,000	2,800,000	2,800,000
G.O. Refunding Bonds 2003	1.25%-3.50%	2,755,000	460,000	220,000
G.O. Improvement Bonds 2003	2.00%-4.60%	605,000	75,000	75,000
G.O. Improvement Bonds 2004	1.75%-4.15%	4,325,000	2,850,000	250,000
G.O. Refunding Bonds 2004	2.00%-3.00%	1,790,000	1,050,000	360,000
G.O. Improvement Bonds 2006	3.50%-3.75%	5,785,000	3,385,000	1,200,000
G.O. Improvement Bonds 2007B	3.35%-4.10%	3,600,000	3,475,000	250,000
G.O. Taxable Refunding Bonds 2008A	4.25%-4.55%	2,420,000	2,420,000	25,000
G.O. Improvement Refunding Bonds 2008B	3.25%-4.00%	2,415,000	2,415,000	-
Total Special Assessment Bonds			19,530,000	5,780,000
Total Governmental Activities Bonds			46,555,000	7,460,000
Compensated Absences			2,407,732	1,295,566
Total Governmental Activities			48,962,732	8,755,566

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 6 – LONG-TERM DEBT

D. Components of Long-Term Liabilities (Continued)

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-Term Liabilities: (Continued)				
Business-Type Activities:				
G.O. Revenue Bonds:				
Recreational Revenue Refunding				
Bonds 2004	1.25%-4.80%	\$ 1,015,000	\$ 625,000	\$ 95,000
Storm Sewer Refunding Bonds 2005	2.65%-3.70%	700,000	525,000	85,000
Liquor Store Revenue Bonds 2008C	2.60%-4.60%	3,295,000	<u>3,295,000</u>	<u>115,000</u>
Total G.O. Revenue Bonds			<u>4,445,000</u>	<u>295,000</u>
G.O. Bonds:				
G.O. Refunding Bonds 2002	1.50%-3.50%	1,525,000	445,000	215,000
G.O. Refunding Bonds 2002	1.50%-3.75%	1,095,000	<u>515,000</u>	<u>170,000</u>
Total G.O. Bonds			<u>960,000</u>	<u>385,000</u>
Total Business-Type Activities Bonds			5,405,000	680,000
Capital Lease Obligation			50,505	10,516
Compensated Absences			<u>408,448</u>	<u>186,799</u>
Total Business-Type Activities			<u>5,863,953</u>	<u>877,315</u>
Total all Long-Term Liabilities			<u>\$ 54,826,685</u>	<u>\$ 9,632,881</u>

E. Minimum Debt Payments

Annual debt service requirements to maturity are as follows:

Governmental Activities

Year Ending December 31,	G.O. Improvement Bonds		G.O. Special Assessment Bonds		Total Long-Term Bonded Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,680,000	\$ 1,025,160	\$ 5,780,000	\$ 753,341	\$ 7,460,000	\$ 1,778,501
2010	1,630,000	976,300	2,530,000	512,704	4,160,000	1,489,004
2011	1,710,000	924,855	2,265,000	424,016	3,975,000	1,348,871
2012	1,795,000	868,180	1,860,000	342,239	3,655,000	1,210,419
2013	1,935,000	805,850	1,775,000	272,331	3,710,000	1,078,181
2014-2018	7,815,000	2,924,153	3,845,000	656,619	11,660,000	3,580,772
2019-2023	2,640,000	1,982,177	1,475,000	155,338	4,115,000	2,137,515
2024-2028	3,795,000	1,354,760	-	-	3,795,000	1,354,760
2029-2032	4,025,000	444,200	-	-	4,025,000	444,200
Total	<u>\$ 27,025,000</u>	<u>\$ 11,305,635</u>	<u>\$ 19,530,000</u>	<u>\$ 3,116,588</u>	<u>\$ 46,555,000</u>	<u>\$ 14,422,223</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 6 – LONG-TERM DEBT

E. Minimum Debt Payments (Continued)

Business-Type Activities

Year Ending December 31,	G.O. Bonds		G.O. Revenue Bonds		Total Long-Term Bonded Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 385,000	\$ 33,635	\$ 295,000	\$ 176,678	\$ 680,000	\$ 210,313
2010	335,000	20,545	315,000	167,575	650,000	188,120
2011	120,000	8,820	320,000	157,170	440,000	165,990
2012	120,000	4,500	330,000	146,132	450,000	150,632
2013	-	-	345,000	134,143	345,000	134,143
2014-2018	-	-	1,025,000	509,735	1,025,000	509,735
2019-2023	-	-	1,050,000	317,500	1,050,000	317,500
2024-2025	-	-	765,000	59,220	765,000	59,220
Total	\$ 960,000	\$ 67,500	\$ 4,445,000	\$ 1,668,153	\$ 5,405,000	\$ 1,735,653

F. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Bonds Payable:				
G.O. Improvement Bonds	\$ 21,930,000	\$ 6,685,000	\$ (1,590,000)	\$ 27,025,000
G.O. Special Assessment Bonds	20,535,000	4,835,000	(5,840,000)	19,530,000
Total Bonds Payable	42,465,000	11,520,000	(7,430,000)	46,555,000
Compensated Absences	2,549,022	1,252,510	(1,393,800)	2,407,732
Governmental Activities Long-Term Liabilities	\$ 45,014,022	\$ 12,772,510	\$ (8,823,800)	\$ 48,962,732
Business-Type Activities:				
Bonds Payable:				
G.O. Bonds	\$ 1,255,000	\$ -	\$ (295,000)	\$ 960,000
G.O. Revenue Bonds	1,325,000	3,295,000	(175,000)	4,445,000
Total Bonds Payable	2,580,000	3,295,000	(470,000)	5,405,000
Capital Lease Obligation	-	56,657	(6,152)	50,505
Compensated Absences	414,513	166,075	(172,140)	408,448
Business-Type Activities Long-Term Liabilities	\$ 2,994,513	\$ 3,517,732	\$ (648,292)	\$ 5,863,953

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 6 – LONG-TERM DEBT

G. Capital Lease Obligations

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

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

<u>Year Ending</u> <u>December 31,</u>	
2009	\$ 12,717
2010	12,716
2011	12,716
2012	12,716
2013	<u>5,298</u>
Net Minimum Lease Payments	56,163
Less Amount Representing Interest	<u>(5,658)</u>
 Present Value of Net Minimum Lease Payments	 <u><u>\$ 50,505</u></u>

NOTE 7 – JOINT POWERS COMMITMENT

On August 25, 2005, the City entered into a joint powers agreement (the "Agreement") with the Cities of Eagan, Burnsville, Farmington, Hastings, Inver Grove Heights, Lakeville, Mendota Heights, Rosemount, South St. Paul, West St. Paul, Minnesota, and Dakota County Minnesota, to establish the Dakota Communications Center (DCC), a Minnesota nonprofit corporation. The purpose of the DCC is to engage in the operation and maintenance of a county-wide public safety answering point and communications center for law enforcement, fire, emergency medical services and other public safety services for the mutual benefit of residents residing in the above mentioned cities and county (members). Pursuant to the Agreement, members are required to provide DCC their pro rata share of cost of operations and 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 4.0% to 5.0%. The debt will be repaid with member assessments over a seven year amortization. All members reserve the right to prepay, in whole or in part on any date, its allocated share of principal and interest on the bonds.

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008**

NOTE 7 – JOINT POWERS COMMITMENT

Payments from the City are provided from General Fund appropriations. The City’s future member payments to the DCC as of December 31, 2008 are as follows:

<u>Payment Year</u>	<u>Amount</u>
2009	\$ 157,600
2010	152,600
2011	152,600
2012	157,400
2013	156,800
2014	156,000
Total	\$ 933,000

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

NOTE 8 – CONDUIT DEBT OBLIGATIONS

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

As of December 31, 2008, the City’s conduit debt consisted of the following:

	<u>Outstanding Balance</u>
Apple Valley Economic Development Authority: Health Care Revenue Bonds (EverCare Senior Living, LLC Projects), Series 2005A	\$ 21,430,000
Public Project Revenue Bond (Independent School District No. 196 Lease Obligations), Series 2006C	3,665,000
Total Conduit Debt Obligations	\$ 25,095,000

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 9 – RISK MANAGEMENT

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

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2008 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2008, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the Public Employees' Retirement Fund (PERF) 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.

PERF members belong to either the Coordinated 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.

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all PEPFF and PERF 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 PERF and PEPFF. That report may be obtained on the Internet at www.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.

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.5% for Coordinated Plan PERF members and 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1%, respectively, effective January 1, 2009. The City's contributions to the PERF for the years ending December 31, 2008, 2007 and 2006 were \$ 536,969, \$ 491,596 and \$ 477,374, respectively. The City's contributions to the PEPFF for the years ending December 31, 2008, 2007 and 2006 were \$ 530,887, \$ 449,206 and \$ 379,875, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 11 – DEFINED CONTRIBUTION PLAN

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008**

NOTE 11 – DEFINED CONTRIBUTION PLAN

Total contributions made by the City during fiscal year 2008 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 1,608	\$ 1,608	5.0%	5.0%	5.0%

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

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

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with HealthPartners. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2008, the City contributed \$ 80,215 for current premiums. Retirees are able to use any accumulated banked sick leave at retirement to fund their post employment participation in the City sponsored medical and dental group plans. As of January 1, 2008, there were approximately 10 retirees receiving health benefits from the City's health plan.

C. Annual Other Post Employment Benefit Cost and Net Other Post Employment Benefit Obligation

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The table on the following page shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the plan.

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

C. Annual Other Post Employment Benefit Cost and Net Other Post Employment Benefit Obligation (Continued)

	2008
Annual Required Contribution	\$ 296,823
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	296,823
Contributions Made	(80,215)
Increase in Net OPEB Obligation	216,608
Net OPEB Obligation - Beginning of Year	-
Net OPEB Obligation- End of Year	\$ 216,608

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
12/31/08	\$ 296,823	\$ 80,215	27%	\$ 216,608

D. Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the City had no assets deposited to fund the Plan. The actuarial accrued liability for benefits was \$ 2,859,748 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,859,748. The covered payroll (annual payroll of active employees covered by the plan) was \$ 10,909,139 and the ratio of the UAAL to the covered payroll was 27%.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008**

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

D. Funded Status and Funding Progress (Continued)

The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, will present information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The year ending December 31, 2008 was the year of implementation for the City; therefore, only one year's information is presented.

E. Actuarial Methods and Assumptions

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

In the January 1, 2008, the actuarial valuation date, the entry age normal cost method was used. The actuarial assumptions included a 4.5% discount rate, which is based on the investment yield expected to finance benefits depending on whether the Plan is funded in a separate trust (about 7.0% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5.0%, shorter term, based on City's general assets). The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 10% initially, reduced incrementally to an ultimate rate of 5% after 10 years. Both rates included a 3% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2008 was 30 years.

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008**

NOTE 13 – COMMITMENTS

At December 31, 2008, the City had the following construction contract commitments outstanding:

Project	Contractor	Commitment
Aquatic Center Expansion	CM Construction	\$ 1,929,079
Senior Center	Various Contractors	1,741,715
Quarry Point Park	Ebert Construction	417,521
Wheaton Pond Storm Water Improvements	Hennen Construction	46,510
Sanitary Sewer Lift Station No. 1 Replacement	Bergerson Caswell, Inc.	202,259
Sunset Pond	Imperial Developers	7,062
Cobblestone Lake Trails	Enebak Construction	10,028
2007 Street Maintenance	Valley Paving	594,940
2008 Street Maintenance	McNamara Contracting	300,219
Liquor Store No. 3	Ebert Construction	26,638
Water Treatment Plant Roof Replacement	Walker Roofing Company, Inc.	62,000
Palomino Reservoir Rehabilitation	Horizon Brothers Painting Corporation	484,000
2009 Street Maintenance Project	McNamara Contracting, Inc.	2,630,386
2009 Painting of New Steel Fence Sections	Budget Sandblasting and Painting, Inc.	21,271
2009 Reconditioning of Decorative Light Poles	Top Coat Painting Service	13,230
Senior Center Data and Communication Cabling	Cabling Services Corporation	23,873
Redwood Park Pre-Cast Restroom Facility	CXT Concrete Buildings	42,500
2009 Concrete Removal and Replacement Services	Ron Kassa Construction, Inc.	18,459
Hayes Community and Senior Center Audio Video Systems	Tierney Brothers, Inc.	75,860

NOTE 14 – JOINT POWERS AGREEMENT WITH DAKOTA COUNTY

In July 1987, the City and Dakota 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 15 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the Improvement Bonds of 2003 Debt Service Fund and governmental activities in the amount of \$ 1,005,000 to record the reimbursement of bond payments from 2004 to 2007.

NOTE 16 – SUBSEQUENT EVENT

On March 1, 2009, the City issued \$ 2,775,000 G.O. State Aid Refunding Bonds, Series 2009A, with an average interest rate of 2.73%.

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

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

**SCHEDULE OF FUNDING PROGRESS - POST EMPLOYMENT BENEFITS PLAN
December 31, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/08*	\$ -	\$ 2,859,748	\$ 2,859,748	0.0%	\$ 10,909,139	26.2%

*This Schedule was implemented in 2008 and, therefore, contains only one year of data. See Note 12 in the Notes to the Financial Statements for more details on this Schedule.

SUPPLEMENTARY INFORMATION

CITY OF APPLE VALLEY
Dakota County, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2008**

	<u>Budgeted Amounts - Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES:			
Taxes	\$ 18,735,266	\$ 18,708,435	\$ (26,831)
Special Assessments	-	6,340	6,340
Licenses and Permits	908,000	561,594	(346,406)
Intergovernmental Revenue:			
Fire Aid	-	212,542	212,542
State Grants	86,095	108,595	22,500
Total Intergovernmental Revenue	<u>86,095</u>	<u>321,137</u>	<u>235,042</u>
Charges for Services:			
General Government	17,800	27,029	9,229
Public Safety	169,000	295,020	126,020
Recreation	753,000	652,925	(100,075)
Rental	118,000	271,758	153,758
Cable Franchise Fees	370,000	392,712	22,712
Total Charges for Services	<u>1,427,800</u>	<u>1,639,444</u>	<u>211,644</u>
Franchise Fees	450,000	515,022	65,022
Fines and Forfeitures	250,000	324,461	74,461
Miscellaneous Revenues:			
Investment Income	350,000	300,941	(49,059)
Administrative Fees	1,070,000	1,311,479	241,479
Refunds and Reimbursements	130,000	43,995	(86,005)
Contributions and Donations	-	1,195	1,195
Other	190,000	60,219	(129,781)
Total Miscellaneous Revenues	<u>1,740,000</u>	<u>1,717,829</u>	<u>(22,171)</u>
Total Revenues	<u>23,597,161</u>	<u>23,794,262</u>	<u>197,101</u>
EXPENDITURES:			
General Government:			
Mayor and Council	99,314	68,027	(31,287)
Administrative and Finance	971,693	921,648	(50,045)
Other General Government	4,032,152	3,681,611	(350,541)
Capital Outlay	153,400	150,393	(3,007)
Total General Government	<u>5,256,559</u>	<u>4,821,679</u>	<u>(434,880)</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2008**

	<u>Budgeted Amounts - Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
EXPENDITURES:			
Public Safety:			
Police:			
Current	\$ 7,315,009	\$ 7,155,175	\$ (159,834)
Capital Outlay	182,392	149,451	(32,941)
Fire:			
Current	1,270,185	1,646,195	376,010
Capital Outlay	84,000	71,539	(12,461)
Ambulance Subsidy:			
Current	25,025	-	(25,025)
Other Public Safety:			
Current	668,526	612,327	(56,199)
Total Public Safety	<u>9,545,137</u>	<u>9,634,687</u>	<u>89,550</u>
Public Works:			
Streets and Highways:			
General Public Works	4,600,291	2,853,620	(1,746,671)
Snow and Ice Removal	329,016	396,222	67,206
Street Engineering	95,000	98,120	3,120
Street Construction Capital Outlay	28,000	28,915	915
Street - Other Capital Outlay	30,000	21,819	(8,181)
Total Public Works	<u>5,082,307</u>	<u>3,398,696</u>	<u>(1,683,611)</u>
Park and Recreation:			
Current	4,309,658	4,158,278	(151,380)
Capital Outlay	143,500	111,349	(32,151)
Total Park and Recreation	<u>4,453,158</u>	<u>4,269,627</u>	<u>(183,531)</u>
Total Expenditures	<u>24,337,161</u>	<u>22,124,689</u>	<u>(2,212,472)</u>
Excess of Revenues Over (Under) Expenditures	(740,000)	1,669,573	2,409,573
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Capital Asset	-	89,085	89,085
Transfers In	740,000	730,242	(9,758)
Transfers Out	-	(2,429,935)	(2,429,935)
Total Other Financing Sources (Uses)	<u>740,000</u>	<u>(1,610,608)</u>	<u>(2,350,608)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>58,965</u>	<u>\$ 58,965</u>
FUND BALANCES:			
Beginning of Year		<u>11,166,743</u>	
End of Year		<u>\$ 11,225,708</u>	

CITY OF APPLE VALLEY
Dakota County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008

	Special Revenue				Total
	Cable TV (2010)	Solid Waste Grant (2040)	Police Crime (2060)	Lodging Tax (7000)	
ASSETS:					
Cash and Investments	\$ 131,854	\$ 56,501	\$ 96,021	\$ 59,451	\$ 343,827
Cash with Fiscal Agent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	18,424	6	-	3,698	22,128
Due from Other Funds	-	-	-	-	-
Due from Other Governments	395	-	-	-	395
Total Assets	\$ 150,673	\$ 56,507	\$ 96,021	\$ 63,149	\$ 366,350
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accrued Wages Payable	\$ 4,373	\$ -	\$ -	\$ -	\$ 4,373
Accounts Payable	495	-	-	-	495
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Due to Other Governments	10	-	-	-	10
Deferred Revenue	-	-	-	-	-
Total Liabilities	4,878	-	-	-	4,878
Fund Balances:					
Unreserved, Reported in:					
Special Revenue - Undesignated	145,795	56,507	96,021	63,149	361,472
Debt Service - Undesignated	-	-	-	-	-
Capital Projects - Undesignated	-	-	-	-	-
Total Fund Balances	145,795	56,507	96,021	63,149	361,472
Total Liabilities and Fund Balances	\$ 150,673	\$ 56,507	\$ 96,021	\$ 63,149	\$ 366,350

Debt Service

1997 Park Bonds (3060)	Cemetery Bonds of 1997 (3065)	G.O. Closed Bond Issues (3075)	Refunding Bonds of 1993 (3155)	Improvement Bonds of 2003 (3165)	Improvement Bonds of 1997 (3185)
\$ 141,073	\$ 31,117	\$ 2,203,025	\$ 630,118	\$ -	\$ -
-	-	-	-	-	-
-	-	-	40,994	5,560	4,464
-	-	-	8,452	13,951	-
-	-	-	52,890	5,561	22,322
-	-	-	-	-	-
-	-	-	670,000	-	-
-	-	-	-	-	-
<u>\$ 141,073</u>	<u>\$ 31,117</u>	<u>\$ 2,203,025</u>	<u>\$ 1,402,454</u>	<u>\$ 25,072</u>	<u>\$ 26,786</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	65,737	1,273,005
-	-	-	-	-	-
-	-	-	102,336	25,072	26,786
-	-	-	<u>102,336</u>	<u>25,072</u>	<u>26,786</u>
-	-	-	<u>102,336</u>	<u>90,809</u>	<u>1,299,791</u>
-	-	-	-	-	-
141,073	31,117	2,203,025	1,300,118	(65,737)	(1,273,005)
-	-	-	-	-	-
<u>141,073</u>	<u>31,117</u>	<u>2,203,025</u>	<u>1,300,118</u>	<u>(65,737)</u>	<u>(1,273,005)</u>
<u>\$ 141,073</u>	<u>\$ 31,117</u>	<u>\$ 2,203,025</u>	<u>\$ 1,402,454</u>	<u>\$ 25,072</u>	<u>\$ 26,786</u>

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

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008**

	Debt Service			
	State Aid Street Bonds of 2004 (3190)	1998/2008 Improvement Bonds (3195)	Economic Development (3215)	Taxable Tax Increment Bonds of 1985-1992A Refunding (3220)
ASSETS:				
Cash and Investments	\$ 409,684	\$ 1,977,358	\$ 93,131	\$ 1,367,106
Cash with Fiscal Agent	-	-	-	-
Special Assessments Receivable:				
Current	-	162,140	-	-
Delinquent	-	3,630	-	-
Deferred	-	853,263	-	-
Accounts Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	53	-	-
	<u>\$ 409,684</u>	<u>\$ 2,996,444</u>	<u>\$ 93,131</u>	<u>\$ 1,367,106</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Deferred Revenue	-	1,019,033	-	-
Total Liabilities	<u>-</u>	<u>1,019,033</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Unreserved, Reported in:				
Special Revenue - Undesignated	-	-	-	-
Debt Service - Undesignated	409,684	1,977,411	93,131	1,367,106
Capital Projects - Undesignated	-	-	-	-
Total Fund Balances	<u>409,684</u>	<u>1,977,411</u>	<u>93,131</u>	<u>1,367,106</u>
	<u>\$ 409,684</u>	<u>\$ 2,996,444</u>	<u>\$ 93,131</u>	<u>\$ 1,367,106</u>
Total Liabilities and Fund Balances	<u>\$ 409,684</u>	<u>\$ 2,996,444</u>	<u>\$ 93,131</u>	<u>\$ 1,367,106</u>

Debt Service

Tax Increment Downtown Redevelopment (3260)	Taxable Tax Increment Bonds of 1995 (3270)	Tax Increment Fischer Marketplace (3275)	2001 Improvement Bonds (3285)	G.O. Refunding Bonds of 2002 (3300)	Improvement Bonds of 2003 (3305)	G.O. Equipment Certificates of 2003 (3310)
\$ 1,507,761	\$ 1,166,633	\$ 2,808,905	\$ -	\$ -	\$ -	\$ 31,501
-	-	-	2,460,815	-	-	-
-	-	-	61,717	-	-	-
-	-	-	39,790	-	-	-
-	-	-	1,039,588	-	-	-
-	98,284	-	-	-	-	-
-	-	-	-	-	-	-
-	-	4,940	296	-	-	-
<u>\$ 1,507,761</u>	<u>\$ 1,264,917</u>	<u>\$ 2,813,845</u>	<u>\$ 3,602,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,501</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	1,838,386	25,082	897,438	-
-	-	-	-	-	-	-
-	-	-	1,141,095	-	-	-
-	-	-	<u>2,979,481</u>	<u>25,082</u>	<u>897,438</u>	-
-	-	-	-	-	-	-
1,507,761	1,264,917	2,813,845	622,725	(25,082)	(897,438)	31,501
-	-	-	-	-	-	-
<u>1,507,761</u>	<u>1,264,917</u>	<u>2,813,845</u>	<u>622,725</u>	<u>(25,082)</u>	<u>(897,438)</u>	<u>31,501</u>
<u>\$ 1,507,761</u>	<u>\$ 1,264,917</u>	<u>\$ 2,813,845</u>	<u>\$ 3,602,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,501</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008

	Debt Service				
	G.O. Equipment Certificates of 2004 (3315)	Improvement Bonds of 2004 (3320)	G.O. Equipment Certificates of 2005 (3325)	G.O. Equipment Certificates of 2006 (3335)	Improvement Bonds of 2007 (3340)
ASSETS:					
Cash and Investments	\$ 5,546	\$ 1,391,948	\$ 19,446	\$ 31,394	\$ -
Cash with Fiscal Agent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	119,957	-	-	149,661
Delinquent	-	182,015	-	-	-
Deferred	-	896,240	-	-	2,763,699
Accounts Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
	<u>\$ 5,546</u>	<u>\$ 2,590,160</u>	<u>\$ 19,446</u>	<u>\$ 31,394</u>	<u>\$ 2,913,360</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	119,365
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	1,198,212	-	-	2,913,360
Total Liabilities	<u>-</u>	<u>1,198,212</u>	<u>-</u>	<u>-</u>	<u>3,032,725</u>
Fund Balances:					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	5,546	1,391,948	19,446	31,394	(119,365)
Capital Projects - Undesignated	-	-	-	-	-
Total Fund Balances	<u>5,546</u>	<u>1,391,948</u>	<u>19,446</u>	<u>31,394</u>	<u>(119,365)</u>
	<u>\$ 5,546</u>	<u>\$ 2,590,160</u>	<u>\$ 19,446</u>	<u>\$ 31,394</u>	<u>\$ 2,913,360</u>
Total Liabilities and Fund Balances	<u>\$ 5,546</u>	<u>\$ 2,590,160</u>	<u>\$ 19,446</u>	<u>\$ 31,394</u>	<u>\$ 2,913,360</u>

Debt Service			Capital Projects				
G.O. Park Bond of 2007 (3345)	G.O. Park Bond of 2008 (3355)	Total	Equipment Certificates (2005)	Park Dedication (2015)	Police Special Projects (2055)	Police 911 (2065)	Tree Preservation Escrow (2070)
\$ 11,330	\$ 133,364	\$ 13,960,440	\$ 307,253	\$ 1,068,341	\$ 76,429	\$ 332,573	\$ 350,736
-	-	2,460,815	-	-	-	-	-
-	-	544,493	-	-	-	-	-
-	-	247,838	-	-	-	-	-
-	-	5,633,563	-	-	-	-	-
-	-	98,284	-	6,321	-	-	-
-	-	670,000	-	-	-	-	-
-	-	5,289	-	-	1,148	-	-
<u>\$ 11,330</u>	<u>\$ 133,364</u>	<u>\$ 23,620,722</u>	<u>\$ 307,253</u>	<u>\$ 1,074,662</u>	<u>\$ 77,577</u>	<u>\$ 332,573</u>	<u>\$ 350,736</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	7,794	-	-	-	262
-	-	-	-	-	-	-	-
-	-	4,219,013	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	6,425,894	-	-	-	-	-
-	-	10,644,907	7,794	-	-	-	262
-	-	-	-	-	-	-	-
11,330	133,364	12,975,815	-	-	-	-	-
-	-	-	299,459	1,074,662	77,577	332,573	350,474
<u>11,330</u>	<u>133,364</u>	<u>12,975,815</u>	<u>299,459</u>	<u>1,074,662</u>	<u>77,577</u>	<u>332,573</u>	<u>350,474</u>
<u>\$ 11,330</u>	<u>\$ 133,364</u>	<u>\$ 23,620,722</u>	<u>\$ 307,253</u>	<u>\$ 1,074,662</u>	<u>\$ 77,577</u>	<u>\$ 332,573</u>	<u>\$ 350,736</u>

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

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008**

	Capital Projects				
	Pond Escrow (2075)	Pathways and Sidewalks Escrow (2080)	Dodd Road Escrow (2085)	Dakota Technical Building Escrow (2090)	EDA Operations (3210)
ASSETS:					
Cash and Investments	\$ 213,799	\$ 186,818	\$ 207,740	\$ 404,339	\$ 760,467
Cash with Fiscal Agent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	-	-	-	6,667	100,000
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
	<u>\$ 213,799</u>	<u>\$ 186,818</u>	<u>\$ 207,740</u>	<u>\$ 411,006</u>	<u>\$ 860,467</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	265	-
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>265</u>	<u>-</u>
Fund Balances:					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	-	-	-	-	-
Capital Projects - Undesignated	213,799	186,818	207,740	410,741	860,467
Total Fund Balances	<u>213,799</u>	<u>186,818</u>	<u>207,740</u>	<u>410,741</u>	<u>860,467</u>
	<u>\$ 213,799</u>	<u>\$ 186,818</u>	<u>\$ 207,740</u>	<u>\$ 411,006</u>	<u>\$ 860,467</u>
Total Liabilities and Fund Balances	<u>\$ 213,799</u>	<u>\$ 186,818</u>	<u>\$ 207,740</u>	<u>\$ 411,006</u>	<u>\$ 860,467</u>

Capital Projects

Capital Building (4000)	Park Improvement Development (4010)	Dakota County Construction Projects (4030)	C.I.P. Development (4045)	1995 Improvement Construction (4115)	1996 Improvement Construction (4140)	1998 Improvement Construction (4195)
\$ 408,313	\$ 1,467	\$ -	\$ 230,113	\$ 14,370	\$ -	\$ 1,127,925
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 408,313</u>	<u>\$ 1,467</u>	<u>\$ -</u>	<u>\$ 230,113</u>	<u>\$ 14,370</u>	<u>\$ -</u>	<u>\$ 1,127,925</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	3,666	-	-	345	-
45,899	-	-	-	-	-	-
-	-	13,868	-	-	407,066	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>45,899</u>	<u>-</u>	<u>17,534</u>	<u>-</u>	<u>-</u>	<u>407,411</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>362,414</u>	<u>1,467</u>	<u>(17,534)</u>	<u>230,113</u>	<u>14,370</u>	<u>(407,411)</u>	<u>1,127,925</u>
<u>362,414</u>	<u>1,467</u>	<u>(17,534)</u>	<u>230,113</u>	<u>14,370</u>	<u>(407,411)</u>	<u>1,127,925</u>
<u>\$ 408,313</u>	<u>\$ 1,467</u>	<u>\$ -</u>	<u>\$ 230,113</u>	<u>\$ 14,370</u>	<u>\$ -</u>	<u>\$ 1,127,925</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008

	Capital Projects				
	1999 Improvement Construction (4225)	2000 Improvement Construction (4245)	2008 Construction Projects (4400)	Engineer Developer Review Nonreimbursable (4600)	Cable Capital Equipment (4800)
ASSETS:					
Cash and Investments	\$ -	\$ 1,495,947	\$ 177,545	\$ -	\$ 53,250
Cash with Fiscal Agent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	\$ -	\$ 1,495,947	\$ 177,545	\$ -	\$ 53,250
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	16,150	34,009	4,474	-
Contracts Payable	-	-	-	-	-
Due to Other Funds	157,576	-	-	-	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	157,576	16,150	34,009	4,474	-
Fund Balances:					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	-	-	-	-	-
Capital Projects - Undesignated	(157,576)	1,479,797	143,536	(4,474)	53,250
Total Fund Balances	(157,576)	1,479,797	143,536	(4,474)	53,250
Total Liabilities and Fund Balances	\$ -	\$ 1,495,947	\$ 177,545	\$ -	\$ 53,250

Capital Projects

Physical Improvement (4900)	Future Improvements (4910)	Private Development (4920)	Road Improvements (2025)	Fire Grants Project (7600)	Total	Total Nonmajor Governmental Funds
\$ 139,083	\$ 664,970	\$ 117,251	\$ -	\$ 28,056	\$ 8,366,785	\$ 22,671,052
-	-	-	-	-	-	2,460,815
-	-	-	-	-	-	544,493
-	-	-	-	-	-	247,838
-	-	-	-	-	-	5,633,563
334	-	-	-	-	113,322	233,734
-	-	-	-	-	-	670,000
-	-	-	-	-	1,148	6,832
<u>\$ 139,417</u>	<u>\$ 664,970</u>	<u>\$ 117,251</u>	<u>\$ -</u>	<u>\$ 28,056</u>	<u>\$ 8,481,255</u>	<u>\$ 32,468,327</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,373
3,055	-	-	162,860	-	232,880	233,375
-	-	-	51,489	-	97,388	97,388
-	-	-	3,960,656	-	4,539,166	8,758,179
-	-	-	-	-	-	10
-	-	-	-	-	-	6,425,894
<u>3,055</u>	<u>-</u>	<u>-</u>	<u>4,175,005</u>	<u>-</u>	<u>4,869,434</u>	<u>15,519,219</u>
-	-	-	-	-	-	361,472
-	-	-	-	-	-	12,975,815
136,362	664,970	117,251	(4,175,005)	28,056	3,611,821	3,611,821
<u>136,362</u>	<u>664,970</u>	<u>117,251</u>	<u>(4,175,005)</u>	<u>28,056</u>	<u>3,611,821</u>	<u>16,949,108</u>
<u>\$ 139,417</u>	<u>\$ 664,970</u>	<u>\$ 117,251</u>	<u>\$ -</u>	<u>\$ 28,056</u>	<u>\$ 8,481,255</u>	<u>\$ 32,468,327</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2008

	Special Revenue				
	Cable TV (2010)	Police Relief (2030)	Solid Waste Grant (2040)	Police Crime (2060)	Lodging Tax (7000)
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-
Intergovernmental	-	330,242	-	-	-
Charges for Services	-	-	-	-	-
Franchise Fees	72,995	-	-	-	-
Miscellaneous:					
Investment Income	3,939	-	1,946	2,477	-
Refunds and Reimbursements	84,423	-	-	-	-
Contributions and Donations	-	-	-	-	-
Other	103	-	7,023	8,569	65,073
Total Revenues	<u>161,460</u>	<u>330,242</u>	<u>8,969</u>	<u>11,046</u>	<u>65,073</u>
EXPENDITURES:					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	10,103	-
Public Works	-	-	7,443	-	-
Park and Recreation	161,761	-	-	-	47,001
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay:					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>161,761</u>	<u>-</u>	<u>7,443</u>	<u>10,103</u>	<u>47,001</u>
Excess of Revenues Over (Under) Expenditures	(301)	330,242	1,526	943	18,072
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	-	-	-	31,680	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	22,905	-	-	-	-
Transfers Out	-	(330,242)	-	-	-
Total Other Financing Sources (Uses)	<u>22,905</u>	<u>(330,242)</u>	<u>-</u>	<u>31,680</u>	<u>-</u>
Net Change in Fund Balances	22,604	-	1,526	32,623	18,072
FUND BALANCES:					
Beginning of Year, As Previously Stated	123,191	-	54,981	63,398	45,077
Prior Period Adjustment	-	-	-	-	-
Beginning of Year, As Restated	<u>123,191</u>	<u>-</u>	<u>54,981</u>	<u>63,398</u>	<u>45,077</u>
End of Year	<u>\$ 145,795</u>	<u>\$ -</u>	<u>\$ 56,507</u>	<u>\$ 96,021</u>	<u>\$ 63,149</u>

Special Revenue	Debt Service					
	1997 Park Bonds (3060)	Cemetery Bonds of 1997 (3065)	G.O. Closed Bond Issues (3075)	Refunding Bonds of 1993 (3155)	Improvement Bonds of 2003 (3165)	Crossover Refunding Bonds of 1991A/1995 (3170)
Total						
\$ -	\$ 830,000	\$ 70,000	\$ -	\$ -	\$ -	\$ -
-	-	-	-	46,222	6,645	-
330,242	-	-	-	-	-	-
-	-	-	-	-	-	-
72,995	-	-	-	-	-	-
8,362	10,700	1,465	74,262	21,155	278	-
84,423	-	-	-	-	-	-
-	-	-	-	-	-	-
80,768	-	-	-	-	-	-
<u>576,790</u>	<u>840,700</u>	<u>71,465</u>	<u>74,262</u>	<u>67,377</u>	<u>6,923</u>	<u>-</u>
-	-	-	-	-	-	-
10,103	-	-	-	-	-	-
7,443	-	-	-	-	-	-
208,762	-	-	-	-	-	-
-	550,000	45,000	-	255,000	85,000	-
-	255,563	19,548	-	23,200	4,630	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>226,308</u>	<u>805,563</u>	<u>64,548</u>	<u>-</u>	<u>278,200</u>	<u>89,630</u>	<u>-</u>
350,482	35,137	6,917	74,262	(210,823)	(82,707)	-
31,680	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22,905	-	-	-	55,938	-	90,086
<u>(330,242)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(275,657)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,938</u>	<u>-</u>	<u>90,086</u>
74,825	35,137	6,917	74,262	(154,885)	(82,707)	90,086
286,647	105,936	24,200	2,128,763	1,455,003	16,970	(90,086)
-	-	-	-	-	-	-
<u>286,647</u>	<u>105,936</u>	<u>24,200</u>	<u>2,128,763</u>	<u>1,455,003</u>	<u>16,970</u>	<u>(90,086)</u>
<u>\$ 361,472</u>	<u>\$ 141,073</u>	<u>\$ 31,117</u>	<u>\$ 2,203,025</u>	<u>\$ 1,300,118</u>	<u>\$ (65,737)</u>	<u>\$ -</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

	Debt Service				
	Improvement Bonds of 1997 (3185)	State Aid Street Bonds of 2004 (3190)	1998/2008 Improvement Bonds (3195)	Economic Development (3215)	Taxable Tax Increment Bonds of 1985-1992A Refunding (3220)
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 257,149
Special Assessments	6,808	-	295,097	-	-
Intergovernmental	-	163,783	-	-	-
Charges for Services	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Miscellaneous:					
Investment Income	-	11,124	162,397	3,139	37,418
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	6,808	174,907	457,494	3,139	294,567
EXPENDITURES:					
Current:					
General Government	-	-	-	-	597
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Debt Service:					
Principal	365,000	80,000	600,000	-	-
Interest and Other Charges	37,212	13,313	335,234	-	-
Capital Outlay:					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	402,212	93,313	935,234	-	597
Excess of Revenues Over (Under) Expenditures	(395,404)	81,594	(477,740)	3,139	293,970
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	2,420,000	-	-
Bond Premium	-	-	-	-	-
Bond Discount	-	-	(23,716)	-	-
Payment of Refunded Debt	-	-	(2,360,000)	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	36,284	-	-
Net Change in Fund Balances	(395,404)	81,594	(441,456)	3,139	293,970
FUND BALANCES:					
Beginning of Year, As Previously Stated	(877,601)	328,090	2,418,867	89,992	1,073,136
Prior Period Adjustment	-	-	-	-	-
Beginning of Year, As Restated	(877,601)	328,090	2,418,867	89,992	1,073,136
End of Year	\$ (1,273,005)	\$ 409,684	\$ 1,977,411	\$ 93,131	\$ 1,367,106

Debt Service

Tax Increment Downtown Redevelopment (3260)	Taxable Tax Increment Bonds of 1995 (3270)	Tax Increment Fischer Marketplace (3275)	2001 Improvement Bonds (3285)	G.O. Refunding Bonds of 2002 (3300)	Improvement Bonds of 2003 (3305)	G.O. Equipment Certificates of 2003 (3310)
\$ 556,255	\$ -	\$ 1,227,078	\$ -	\$ -	\$ -	\$ -
-	-	-	71,367	-	-	-
-	-	11,100	-	-	603,167	-
-	-	-	-	-	-	-
-	435,351	-	-	-	-	-
39,958	38,226	64,669	70,284	-	-	1,061
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>596,213</u>	<u>473,577</u>	<u>1,302,847</u>	<u>141,651</u>	<u>-</u>	<u>603,167</u>	<u>1,061</u>
302,007	-	1,318,757	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	175,000	-	400,000	110,000	400,000	-
-	56,612	-	217,089	4,425	155,213	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>302,007</u>	<u>231,612</u>	<u>1,318,757</u>	<u>617,089</u>	<u>114,425</u>	<u>555,213</u>	<u>-</u>
294,206	241,965	(15,910)	(475,438)	(114,425)	47,954	1,061
-	-	-	-	-	-	-
-	-	-	2,415,000	-	-	-
-	-	-	54,759	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	114,425	-	-
-	(90,086)	-	-	-	-	-
-	(90,086)	-	2,469,759	114,425	-	-
294,206	151,879	(15,910)	1,994,321	-	47,954	1,061
1,213,555	1,113,038	2,829,755	(1,371,596)	(25,082)	(1,950,392)	30,440
-	-	-	-	-	1,005,000	-
<u>1,213,555</u>	<u>1,113,038</u>	<u>2,829,755</u>	<u>(1,371,596)</u>	<u>(25,082)</u>	<u>(945,392)</u>	<u>30,440</u>
<u>\$ 1,507,761</u>	<u>\$ 1,264,917</u>	<u>\$ 2,813,845</u>	<u>\$ 622,725</u>	<u>\$ (25,082)</u>	<u>\$ (897,438)</u>	<u>\$ 31,501</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2008

	Debt Service				
	G.O. Equipment Certificates of 2004 (3315)	Improvement Bonds of 2004 (3320)	G.O. Equipment Certificates of 2005 (3325)	G.O. Equipment Certificates of 2006 (3335)	Improvement Bonds of 2007 (3340)
REVENUES:					
Taxes	\$ 47,000	\$ -	\$ 111,200	\$ 123,000	\$ -
Special Assessments	-	228,040	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Miscellaneous:					
Investment Income	545	59,859	1,631	1,922	3,757
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>47,545</u>	<u>287,899</u>	<u>112,831</u>	<u>124,922</u>	<u>3,757</u>
EXPENDITURES:					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Debt Service:					
Principal	45,000	450,000	100,000	85,000	125,000
Interest and Other Charges	1,350	111,775	6,000	32,200	135,225
Capital Outlay:					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>46,350</u>	<u>561,775</u>	<u>106,000</u>	<u>117,200</u>	<u>260,225</u>
Excess of Revenues Over (Under) Expenditures	1,195	(273,876)	6,831	7,722	(256,468)
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,195	(273,876)	6,831	7,722	(256,468)
FUND BALANCES:					
Beginning of Year, As Previously Stated	4,351	1,665,824	12,615	23,672	137,103
Prior Period Adjustment	-	-	-	-	-
Beginning of Year, As Restated	<u>4,351</u>	<u>1,665,824</u>	<u>12,615</u>	<u>23,672</u>	<u>137,103</u>
End of Year	<u>\$ 5,546</u>	<u>\$ 1,391,948</u>	<u>\$ 19,446</u>	<u>\$ 31,394</u>	<u>\$ (119,365)</u>

Debt Service			Capital Projects				
G.O. Park Bond of 2007 (3345)	G.O. Park Bond of 2008 (3355)	Total	Equipment Certificates (2005)	Park Dedication (2015)	Police Special Projects (2055)	Police 911 (2065)	Tree Preservation Escrow (2070)
\$ -	\$ -	\$ 3,221,682	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	654,179	-	-	-	-	-
-	-	778,050	-	-	2,687	-	-
-	-	-	-	-	-	-	-
-	-	435,351	-	-	-	-	-
7,653	5,807	617,310	11,239	35,579	1,998	11,211	12,018
-	-	-	-	-	4,387	-	-
-	-	-	-	-	7,350	-	-
-	-	-	-	42,346	15,615	-	-
<u>7,653</u>	<u>5,807</u>	<u>5,706,572</u>	<u>11,239</u>	<u>77,925</u>	<u>32,037</u>	<u>11,211</u>	<u>12,018</u>
-	-	1,621,361	-	-	-	-	-
-	-	-	-	-	6,076	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	6,238
-	-	3,870,000	-	-	-	-	-
264,750	129,719	1,803,058	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	176,255	-	-	-	-
-	-	-	-	5,236	-	-	-
<u>264,750</u>	<u>129,719</u>	<u>7,294,419</u>	<u>176,255</u>	<u>5,236</u>	<u>6,076</u>	<u>-</u>	<u>6,238</u>
(257,097)	(123,912)	(1,587,847)	(165,016)	72,689	25,961	11,211	5,780
-	-	-	-	-	-	-	-
-	344,181	5,179,181	-	-	-	-	-
-	-	54,759	-	-	-	-	-
-	(86,905)	(110,621)	-	-	-	-	-
-	-	(2,360,000)	-	-	-	-	-
-	-	260,449	-	-	-	-	-
-	-	(90,086)	-	-	-	-	-
-	<u>257,276</u>	<u>2,933,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(257,097)	133,364	1,345,835	(165,016)	72,689	25,961	11,211	5,780
268,427	-	10,624,980	464,475	1,001,973	51,616	321,362	344,694
-	-	1,005,000	-	-	-	-	-
<u>268,427</u>	<u>-</u>	<u>11,629,980</u>	<u>464,475</u>	<u>1,001,973</u>	<u>51,616</u>	<u>321,362</u>	<u>344,694</u>
<u>\$ 11,330</u>	<u>\$ 133,364</u>	<u>\$ 12,975,815</u>	<u>\$ 299,459</u>	<u>\$ 1,074,662</u>	<u>\$ 77,577</u>	<u>\$ 332,573</u>	<u>\$ 350,474</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2008

	Capital Projects				
	Pond Escrow (2075)	Pathways and Sidewalks Escrow (2080)	Dodd Road Escrow (2085)	Dakota Technical Building Escrow (2090)	EDA Operations (3210)
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	86,667	-
Franchise Fees	-	-	-	-	-
Miscellaneous:					
Investment Income	7,207	6,297	7,003	12,411	25,634
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>7,207</u>	<u>6,297</u>	<u>7,003</u>	<u>99,078</u>	<u>25,634</u>
EXPENDITURES:					
Current:					
General Government	-	-	-	13,721	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay:					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,721</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>7,207</u>	<u>6,297</u>	<u>7,003</u>	<u>85,357</u>	<u>25,634</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>7,207</u>	<u>6,297</u>	<u>7,003</u>	<u>85,357</u>	<u>25,634</u>
FUND BALANCES:					
Beginning of Year, As Previously Stated	206,592	180,521	200,737	325,384	834,833
Prior Period Adjustment	-	-	-	-	-
Beginning of Year, As Restated	<u>206,592</u>	<u>180,521</u>	<u>200,737</u>	<u>325,384</u>	<u>834,833</u>
End of Year	<u>\$ 213,799</u>	<u>\$ 186,818</u>	<u>\$ 207,740</u>	<u>\$ 410,741</u>	<u>\$ 860,467</u>

Capital Projects

Capital Building (4000)	Park Improvement Development (4010)	Dakota County Construction Projects (4030)	C.I.P. Development (4045)	1995 Improvement Construction (4115)	1996 Improvement Construction (4140)	1998 Improvement Construction (4195)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
27,200	61	-	7,757	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>27,200</u>	<u>61</u>	<u>-</u>	<u>7,757</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	17,534	-	-	37,107	-
-	-	-	-	-	-	-
-	-	<u>17,534</u>	<u>-</u>	<u>-</u>	<u>37,107</u>	<u>-</u>
27,200	61	(17,534)	7,757	-	(37,107)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
93,407	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>93,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
120,607	61	(17,534)	7,757	-	(37,107)	-
241,807	1,406	-	222,356	14,370	(370,304)	1,127,925
-	-	-	-	-	-	-
<u>241,807</u>	<u>1,406</u>	<u>-</u>	<u>222,356</u>	<u>14,370</u>	<u>(370,304)</u>	<u>1,127,925</u>
<u>\$ 362,414</u>	<u>\$ 1,467</u>	<u>\$ (17,534)</u>	<u>\$ 230,113</u>	<u>\$ 14,370</u>	<u>\$ (407,411)</u>	<u>\$ 1,127,925</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2008

	Capital Projects				
	1999 Improvement Construction (4225)	2000 Improvement Construction (4245)	2008 Construction Projects (4400)	Engineer Developer Review Nonreimbursable (4600)	Cable Capital Equipment (4800)
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Miscellaneous:					
Investment Income	-	-	-	-	1,795
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Other	-	(23,579)	233,250	-	-
Total Revenues	<u>-</u>	<u>(23,579)</u>	<u>233,250</u>	<u>-</u>	<u>1,795</u>
EXPENDITURES:					
Current:					
General Government	-	-	-	4,474	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay:					
General Government	-	-	89,714	-	-
Public Works	5,269	44,100	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>5,269</u>	<u>44,100</u>	<u>89,714</u>	<u>4,474</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(5,269)	(67,679)	143,536	(4,474)	1,795
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(5,269)	(67,679)	143,536	(4,474)	1,795
FUND BALANCES:					
Beginning of Year, As Previously Stated	(152,307)	1,547,476	-	-	51,455
Prior Period Adjustment	-	-	-	-	-
Beginning of Year, As Restated	<u>(152,307)</u>	<u>1,547,476</u>	<u>-</u>	<u>-</u>	<u>51,455</u>
End of Year	<u>\$ (157,576)</u>	<u>\$ 1,479,797</u>	<u>\$ 143,536</u>	<u>\$ (4,474)</u>	<u>\$ 53,250</u>

Capital Projects

Physical Improvement (4900)	Future Improvements (4910)	Private Development (4920)	Road Improvements (2025)	Fire Grants Project (7600)	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,221,682
-	-	-	-	-	-	654,179
-	-	-	-	38,171	40,858	1,149,150
-	-	-	-	-	86,667	86,667
-	-	-	-	-	-	508,346
-	-	-	(151,203)	955	17,162	642,834
-	-	-	-	-	4,387	88,810
-	-	-	-	-	7,350	7,350
10,960	-	-	-	-	278,592	359,360
10,960	-	-	(151,203)	39,126	435,016	6,718,378
-	-	-	-	-	18,195	1,639,556
-	349	-	-	38,408	44,833	54,936
-	-	-	-	-	-	7,443
-	-	-	-	-	6,238	215,000
-	-	-	-	-	-	3,870,000
-	-	-	-	-	-	1,803,058
-	-	-	-	-	89,714	89,714
-	-	-	2,870,365	-	3,150,630	3,150,630
-	-	-	-	-	5,236	5,236
-	349	-	2,870,365	38,408	3,314,846	10,835,573
10,960	(349)	-	(3,021,568)	718	(2,879,830)	(4,117,195)
-	-	-	-	-	-	31,680
-	-	-	-	-	-	5,179,181
-	-	-	-	-	-	54,759
-	-	-	-	-	-	(110,621)
-	-	-	-	-	-	(2,360,000)
-	-	-	2,365,000	-	2,458,407	2,741,761
-	-	-	-	-	-	(420,328)
-	-	-	2,365,000	-	2,458,407	5,116,432
10,960	(349)	-	(656,568)	718	(421,423)	999,237
125,402	665,319	117,251	(3,518,437)	27,338	4,033,244	14,944,871
-	-	-	-	-	-	1,005,000
125,402	665,319	117,251	(3,518,437)	27,338	4,033,244	15,949,871
\$ 136,362	\$ 664,970	\$ 117,251	\$ (4,175,005)	\$ 28,056	\$ 3,611,821	\$ 16,949,108

CITY OF APPLE VALLEY
Dakota County, Minnesota

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
December 31, 2008

	<u>Insurance Trust</u> <u>(7100)</u>	<u>Risk</u> <u>Management</u> <u>(7200)</u>	<u>Total Internal</u> <u>Service Funds</u>
ASSETS:			
Cash and Investments (Including Cash Equivalents)	\$ 136,551	\$ 3,336,145	\$ 3,472,696
Accounts Receivable	-	4,315	4,315
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 136,551</u>	<u>\$ 3,340,460</u>	<u>\$ 3,477,011</u>
LIABILITIES AND NET ASSETS:			
Current Liabilities:			
Accounts Payable	\$ 15,667	\$ 20,596	\$ 36,263
Due to Other Governments	-	429	429
Current Compensated Absences Payable	-	1,295,566	1,295,566
Total Current Liabilities	<u>15,667</u>	<u>1,316,591</u>	<u>1,332,258</u>
Noncurrent Liabilities:			
Compensated Absences Payable	-	1,112,166	1,112,166
Total Liabilities	<u>15,667</u>	<u>2,428,757</u>	<u>2,444,424</u>
Net Assets:			
Unrestricted	<u>120,884</u>	<u>911,703</u>	<u>1,032,587</u>
Total Liabilities and Net Assets	<u>\$ 136,551</u>	<u>\$ 3,340,460</u>	<u>\$ 3,477,011</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2008

	<u>Insurance Trust</u> (7100)	<u>Risk Management</u> (7200)	<u>Total Internal Service Funds</u>
OPERATING REVENUE:			
Charges for Services	\$ 170,927	\$ 948,885	\$ 1,119,812
OPERATING EXPENSES:			
Personal Services	158,869	311,715	470,584
Contractual Services	-	8,534	8,534
Other Charges	-	694,380	694,380
Total Operating Expenses	<u>158,869</u>	<u>1,014,629</u>	<u>1,173,498</u>
Operating Income (Loss)	12,058	(65,744)	(53,686)
NONOPERATING REVENUE (EXPENSES):			
Investment Income	4,256	92,140	96,396
Operating Grants and Contributions	-	8,013	8,013
Total Nonoperating Revenue (Expenses)	<u>4,256</u>	<u>100,153</u>	<u>104,409</u>
Change in Net Assets	16,314	34,409	50,723
NET ASSETS:			
Beginning of Year	<u>104,570</u>	<u>877,294</u>	<u>981,864</u>
End of Year	<u>\$ 120,884</u>	<u>\$ 911,703</u>	<u>\$ 1,032,587</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2008

	Governmental Activities		
	Insurance Trust (7100)	Risk Management (7200)	Total Internal Service Funds
CASH FLOWS - OPERATING ACTIVITIES:			
Receipts from Customers	\$ 170,927	\$ 944,768	\$ 1,115,695
Payments to Suppliers	(151,801)	(1,012,551)	(1,164,352)
Net Cash Flows - Operating Activities	19,126	(67,783)	(48,657)
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:			
Operating Grants and Contributions	-	8,013	8,013
CASH FLOWS - INVESTING ACTIVITIES:			
Interest and Dividends Received	4,256	92,140	96,396
Net Change in Cash and Cash Equivalents	23,382	32,370	55,752
CASH AND CASH EQUIVALENTS:			
January 1	113,169	3,303,775	3,416,944
December 31	\$ 136,551	\$ 3,336,145	\$ 3,472,696
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 12,058	\$ (65,744)	\$ (53,686)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:			
Accounts Receivable	-	(4,315)	(4,315)
Due from Other Governments	-	198	198
Accounts Payable	7,068	13,347	20,415
Due to Other Governments	-	429	429
Compensated Absences Payable	-	(11,698)	(11,698)
Total Adjustments	7,068	(2,039)	5,029
Net Cash Flows - Operating Activities	\$ 19,126	\$ (67,783)	\$ (48,657)