

CITY OF APPLE VALLEY
Dakota County, Minnesota

Audited Financial Statements
For the Fiscal Year Ended December 31, 2009



**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	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	25
Statement of Net Assets – Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	28
Statement of Cash Flows – Proprietary Funds.....	30
Notes to the Financial Statements.....	33
 REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT’S DISCUSSION AND ANALYSIS:	
Schedule of Funding Progress – Other Post Employment Benefits.....	64
 SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	67
Combining Balance Sheet – Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	82
Combining Statement of Net Assets – Internal Service Funds	92
Combining Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Funds	93
Combining Statement of Cash Flows – Internal Service Funds	94



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

**ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2009**

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





Expert advice. When you need it.SM

INDEPENDENT AUDITOR'S REPORT

August 2, 2010

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, 2009, 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, 2009, 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.

Expert advice. When you need it.SM

*Certified Public Accountants
Wealth Management
Payroll Services
Business Valuations
Technology Services*

St. Cloud
220 Park Avenue S.
P.O. Box 1304
St. Cloud, Minnesota
56302
Phone: 320.251.7010
Fax: 320.251.1784

Twin Cities
3800 American Boulevard W.
Suite 1000
Bloomington, Minnesota
55431
Phone: 952.563.6800
Fax: 952.563.6801

www.kdv.com

Toll Free
877.912.7696

Technology Help Desk
866.400.6426





In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits 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, 2009

As management of the City of Apple Valley (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal years ended December 31, 2008 and 2009. 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 \$ 225,774,073 (net assets). Of this amount, \$ 55,391,522 (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 \$ 4,815,875.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 40,525,668, a decrease of \$ 4,443,382 from the prior year.
- Approximately 99.9% of this total fund balance amount, \$ 40,485,153, 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).

CITY OF APPLE VALLEY
Dakota County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

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.

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 16-17 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.

CITY OF APPLE VALLEY
Dakota County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

The City maintained 61 individual governmental funds during 2009. Of these funds, seven are considered major funds. Information on the major funds is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Closed Bond Issues Debt Service Fund, Improvement Bonds of 2006 Debt Service Fund, Improvement Bonds of 2007 Debt Service Fund, Future Capital Projects Fund, Road Improvement Capital Projects Fund and the 2007 Park Bond Capital Projects Fund all of which are considered to be major funds. Data from the other 54 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 18-25 of this report.

Proprietary Funds – The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor, municipal golf course, sports arena, water and sewer, storm drainage 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 26-31 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 33-61 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding the post employment 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 72-94 of this report.

CITY OF APPLE VALLEY
Dakota County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

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 \$ 225,774,073 at the close of the most recent fiscal year.

The largest portion of the City's net assets, \$ 145,429,245, 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 investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Apple Valley's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 66,360,300	\$ 72,033,773	\$ 20,819,588	\$ 20,703,846	\$ 87,179,888	\$ 92,737,619
Capital Assets, Net	85,323,055	82,622,953	106,213,375	105,323,087	191,536,430	187,946,040
Total Assets	151,683,355	154,656,726	127,032,963	126,026,933	278,716,318	280,683,659
Long-Term Liabilities	36,320,521	40,393,312	4,413,971	5,017,100	40,734,492	45,410,412
Other Liabilities	10,425,917	11,859,698	1,781,836	2,455,351	12,207,753	14,315,049
Total Liabilities	46,746,438	52,253,010	6,195,807	7,472,451	52,942,245	59,725,461
Net Assets:						
Invested in Capital, Net of Related Debt	43,981,788	41,867,201	101,447,457	100,280,579	145,429,245	142,147,780
Restricted	24,664,257	30,525,737	289,049	275,000	24,953,306	30,800,737
Unrestricted	36,290,872	30,010,778	19,100,650	17,998,903	55,391,522	48,009,681
Total Net Assets	\$ 104,936,917	\$ 102,403,716	\$ 120,837,156	\$ 118,554,482	\$ 225,774,073	\$ 220,958,198

A portion of the City's net assets, \$ 24,953,306, or 11%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 55,391,522, or 25%, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net assets increased by approximately \$ 4.8 million; approximately 70% of this increase is attributed to the operating income of the City's enterprise funds. In addition to this increase, an increase of approximately \$ 1 million, or 20%, is attributed to the increase in the General Fund's net assets due to realizing savings within the General Fund from vacant positions and other budget savings.

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

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	
	2009	2008	2009	2008	2008	2007
REVENUE:						
Program Revenues:						
Charges for Services	\$ 4,863,295	\$ 5,041,400	\$ 21,065,073	\$ 18,986,868	\$ 25,928,368	\$ 24,028,268
Operating Grants	1,577,419	1,153,964	25,190	47,285	1,602,609	1,201,249
Capital Grants	2,451,327	10,345,742	316,200	324,323	2,767,527	10,670,065
General Revenues:						
Taxes	24,078,701	21,983,181	120,000	125,000	24,198,701	22,108,181
Unallocated Aids	292,225	584,294	-	-	292,225	584,294
Franchise Fees	1,014,177	1,343,085	-	-	1,014,177	1,343,085
Investment Earnings	912,413	1,352,749	426,300	672,485	1,338,713	2,025,234
Gain on Sale of Assets	48,309	120,765	-	-	48,309	120,765
Other General Revenues	385,647	22,638	152,243	81,197	537,890	103,835
Transfers	1,824,528	955,251	(1,824,528)	(955,251)	-	-
Total Revenue	<u>37,448,041</u>	<u>42,903,069</u>	<u>20,280,478</u>	<u>19,281,907</u>	<u>57,728,519</u>	<u>62,184,976</u>
EXPENSES:						
General Government	8,685,487	8,147,712	-	-	8,685,487	8,147,712
Public Safety	10,306,540	10,223,407	-	-	10,306,540	10,223,407
Public Works	8,393,981	7,349,899	-	-	8,393,981	7,349,899
Park and Recreation	5,754,969	5,011,287	-	-	5,754,969	5,011,287
Interest	1,773,863	2,102,579	-	-	1,773,863	2,102,579
Municipal Liquor	-	-	8,062,876	6,985,584	8,062,876	6,985,584
Municipal Golf	-	-	1,011,443	1,047,254	1,011,443	1,047,254
Sports Arena	-	-	771,198	755,102	771,198	755,102
Water and Sewer	-	-	7,226,393	7,983,126	7,226,393	7,983,126
Storm Drainage	-	-	869,376	926,799	869,376	926,799
Cemetery	-	-	56,518	45,882	56,518	45,882
Total Expenses	<u>34,914,840</u>	<u>32,834,884</u>	<u>17,997,804</u>	<u>17,743,747</u>	<u>52,912,644</u>	<u>50,578,631</u>
Change in Net Assets	2,533,201	10,068,185	2,282,674	1,538,160	4,815,875	11,606,345
Net Assets - Beginning	102,403,716	91,330,531	118,554,482	117,016,322	220,958,198	208,346,853
Prior Period Adjustment	-	1,005,000	-	-	-	1,005,000
Net Assets - Beginning, As Restated	<u>102,403,716</u>	<u>92,335,531</u>	<u>118,554,482</u>	<u>117,016,322</u>	<u>220,958,198</u>	<u>209,351,853</u>
Net Assets - Ending	<u>\$ 104,936,917</u>	<u>\$ 102,403,716</u>	<u>\$ 120,837,156</u>	<u>\$ 118,554,482</u>	<u>\$ 225,774,073</u>	<u>\$ 220,958,198</u>

- Investment earnings for both governmental and business activities declined for 2009 and reflect the decline in the overall investment market and the rates received.

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

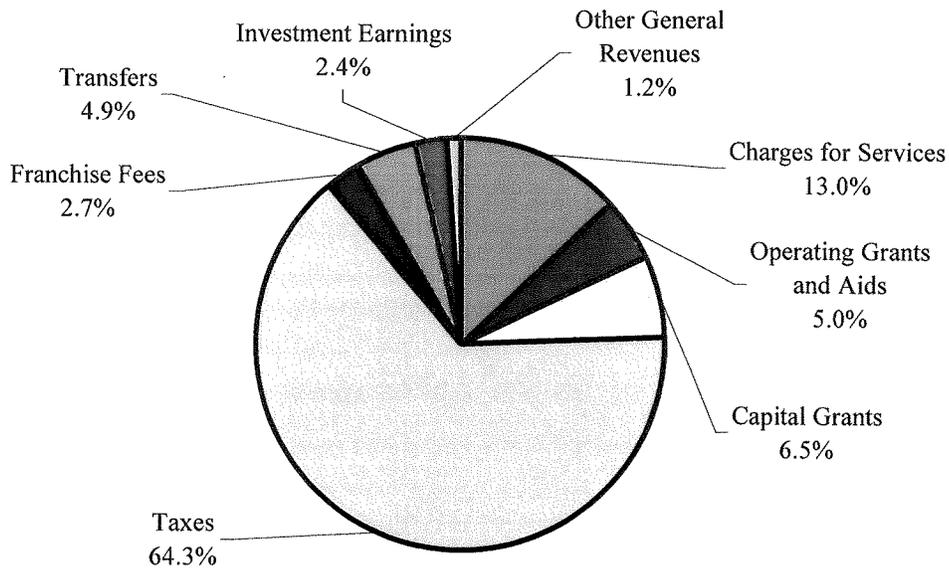
**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

Governmental Activities – Governmental activities increased the City's net assets by \$ 2.5 million, accounting for 53% 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, 64%. 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 2009 was \$ 1,824,528 into the governmental funds and is an increase from the net transfer in of \$ 955,251 for 2008.

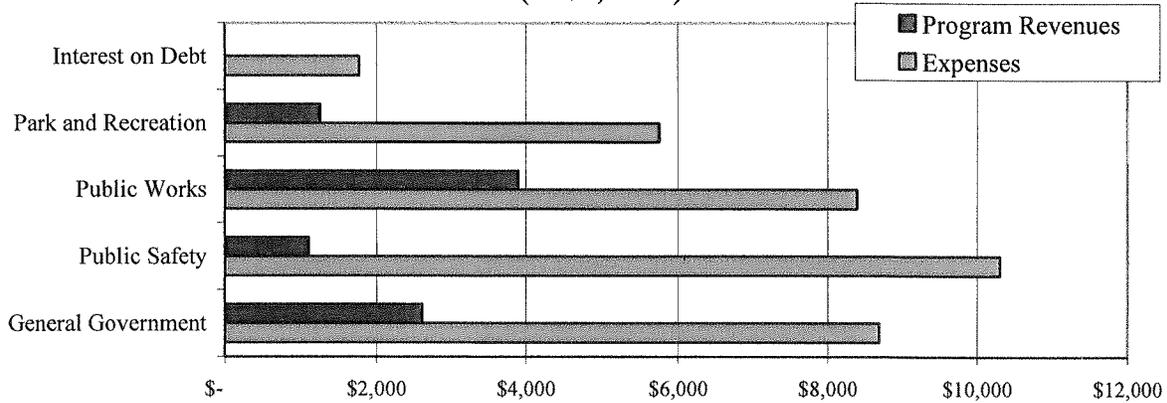
Revenue By Source - Governmental Activities



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

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



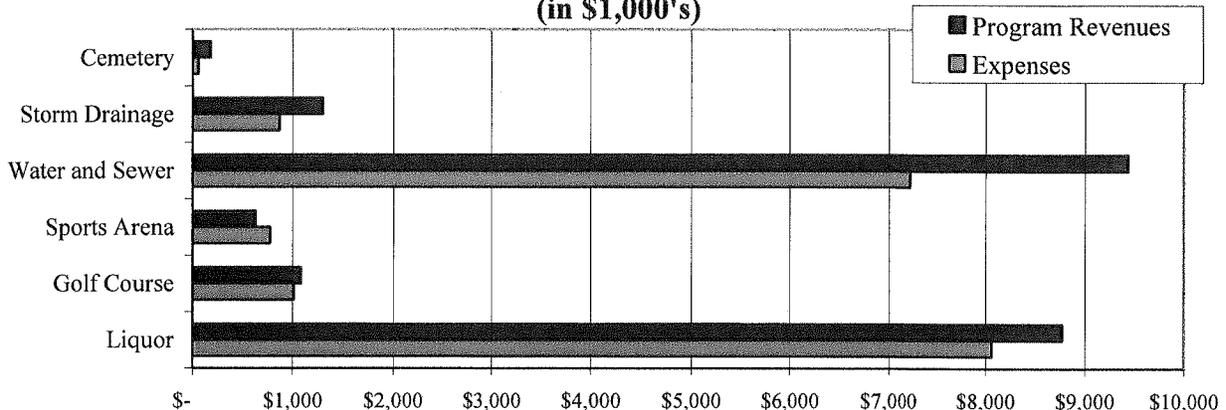
In each program area, program expenses exceeded program revenues. This is to be expected with governmental operations where support mainly comes from general revenues sources such as property taxes.

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

Business Type Activities. Business-type activities increased the City's net assets by \$ 2.2 million, accounting for 47% of the increase in the total net assets of the City.

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

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

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 \$ 40,525,668, a decrease of \$ 4,443,382 over the prior year. This decrease is attributed to the spend-down of park bond proceeds during 2009. Approximately 99.9% of the total amount (\$ 40,485,153) represents unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various prepaid expenditures in the General Fund (\$ 17,599) and to replenish inventory (\$ 22,916).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$ 12,181,208, while total fund balance reached \$ 12,221,723. 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 54.7% 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 \$ 19,100,650. Unrestricted net assets of the Water and Sewer Fund, the City's largest proprietary fund, at the end of the year amounted to \$ 16,115,868. Current year operations posted a \$ 1,367,181 increase in net assets for this Fund.

Total ending net assets for all proprietary funds was \$ 120,837,156, \$ 101,447,457 of which is invested in capital assets (infrastructure), net of related debt.

The increase in net assets in the Municipal Liquor Fund of \$ 307,723 reflects a full year of operations of the City's third liquor store. The Sports Arena Fund posted a reduction in net assets of \$ 23,562 which is an improvement in revenues over prior years but still fell under the expenses. The other proprietary funds posted increases in net assets of \$ 1,367,181 in the Water and Sewer Fund, \$ 76,014 in the Municipal Golf Course Fund, \$ 434,120 in the Storm Drainage Fund and \$ 121,198 in the Cemetery Fund. The increase in the Cemetery Fund includes a contributed asset valued at \$ 84,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2009 General Fund budget was amended to reflect some projects, estimated at \$ 111,000, within the General Fund that were not going to be completed until 2010. In addition to this amendment, another amendment to present the budget amounts for police and fire aid in the same manner as the financial statements was completed.

CITY OF APPLE VALLEY
Dakota County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

During the year, the total revenues were short of the budgetary estimates and can be attributed to the collection of property taxes and the cuts in Market Value Homestead Credit (a state aid) experienced in 2009. Total actual expenditures were less than the budgetary estimates, eliminating the need to draw down existing fund balance and are attributed to curtailing spending where possible and a number of vacant positions held open for extended periods during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounted to \$ 191,536,430 (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 \$ 3.6 million, or approximately 1.9%.

Additional information on the City's capital assets can be found in Note 4 on pages 46-48 of this report.

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of \$ 46,595,000, a net decrease of \$ 5,365,000, or 10%. Of the total bonded debt \$ 7,560,000, or 16.2%, is due within one year.

During the 2009, the City issued \$ 2.775 million of debt.

- The \$ 2,775,000 General Obligation (G.O.) State Aid Road Refunding Bonds Series 2009A were issued to refund the G.O. State Aid Road Bonds of 2003. The total cash savings to the City over the remaining life of the Bonds is \$ 84,565. The repayment of these Bonds will come from future municipal state aid allotments.

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Bonds Payable:				
G.O. Bonds	\$ 27,025,000	\$ 2,775,000	\$ (1,680,000)	\$ 28,120,000
G.O. Special Assessment Bonds	19,530,000	-	(5,780,000)	13,750,000
Total Bonds Payable	<u>46,555,000</u>	<u>2,775,000</u>	<u>(7,460,000)</u>	<u>41,870,000</u>
Business-Type Activities:				
Bonds Payable:				
G.O. Refunding Bonds	960,000	-	(385,000)	575,000
G.O. Revenue Bonds	1,150,000	-	(180,000)	970,000
Revenue Bonds	3,295,000	-	(115,000)	3,180,000
Total Bonds Payable	<u>5,405,000</u>	<u>-</u>	<u>(680,000)</u>	<u>4,725,000</u>
Total Bonded Debt	<u>\$ 51,960,000</u>	<u>\$ 2,775,000</u>	<u>\$ (8,140,000)</u>	<u>\$ 46,595,000</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

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 49-53 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 significantly less than, approximately \$ 1.5 million, the levy limit imposed by the State of Minnesota for 2010.
- Property values in the City are declining as they are in other locations. The decline in residential property values expected for the 2011 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.
- 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 2010. Because of these reductions, the City no longer relies on the MVHC state aid payment in its operating budgets, although, it must continue to levy for the credit provided under the program to residential property owners.
- As a result of the City's responsible stewardship, the services provided to the public remain a good value. The City will continue to provide the quality public services our citizens have come to expect and at a reasonable price.

All of these factors were considered in preparing the City's budget for the 2010 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, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments (Including Cash Equivalents)	\$ 40,272,131	\$ 17,175,734	\$ 57,447,865
Cash with Fiscal Agent	2,794,918	289,049	3,083,967
Receivables:			
Accounts Receivable	419,337	1,858,836	2,278,173
Taxes Receivable	564,258	-	564,258
Special Assessments Receivable	19,643,114	266,310	19,909,424
Interest Receivable	334,490	-	334,490
Due from Other Governments	1,792,961	199,025	1,991,986
Interfund Balances	375,356	(375,356)	-
Inventory	22,916	1,113,028	1,135,944
Prepaid Items	140,819	217,191	358,010
Deferred Charges	-	75,771	75,771
Capital Assets not being Depreciated:			
Land and Land Improvements	2,523,813	5,203,835	7,727,648
Construction in Progress	3,394,191	1,432,917	4,827,108
Capital Assets being Depreciated:			
Buildings	26,622,953	14,811,807	41,434,760
Improvements Other than Buildings	21,060,823	117,948,145	139,008,968
Furniture and Equipment	14,299,845	3,998,720	18,298,565
Infrastructure	61,645,639	-	61,645,639
Less Accumulated Depreciation	(44,224,209)	(37,182,049)	(81,406,258)
Total Assets	\$ 151,683,355	\$ 127,032,963	\$ 278,716,318
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accrued Wages Payable	\$ 723,717	\$ 98,524	\$ 822,241
Accounts Payable	732,056	640,082	1,372,138
Contracts Payable	647,157	20,284	667,441
Bond Interest Payable	103,397	15,676	119,073
Due to Other Governments	29,366	138,022	167,388
Unearned Revenue	4,187	-	4,187
Bond Principal Payable:			
Due Within One Year	6,910,000	650,000	7,560,000
Due in More than One Year	34,960,000	4,075,000	39,035,000
Capital Lease Payable:			
Due Within One Year	-	10,088	10,088
Due in More than One Year	-	30,830	30,830
Compensated Absences Payable:			
Due Within One Year	1,276,037	209,160	1,485,197
Due in More than One Year	1,005,982	248,971	1,254,953
Net Other Post Employment Benefits (OPEB) Obligation:			
Due in More than One Year	354,539	59,170	413,709
Total Liabilities	46,746,438	6,195,807	52,942,245
Net Assets:			
Invested in Capital Assets, Net of Related Debt	43,981,788	101,447,457	145,429,245
Restricted for:			
Debt Service	24,057,697	289,049	24,346,746
Capital Acquisition	606,560	-	606,560
Unrestricted	36,290,872	19,100,650	55,391,522
Total Net Assets	104,936,917	120,837,156	225,774,073
Total Liabilities and Net Assets	\$ 151,683,355	\$ 127,032,963	\$ 278,716,318

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

	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	\$ 8,685,487	\$ 2,542,395	\$ 28,731	\$ 39,600	\$ (6,074,761)	\$ -	\$ (6,074,761)
Public Safety	10,306,540	603,425	513,170	100	(9,189,845)	-	(9,189,845)
Public Works	8,393,981	457,516	1,035,518	2,410,008	(4,490,939)	-	(4,490,939)
Park and Recreation	5,754,969	1,259,959	-	1,619	(4,493,391)	-	(4,493,391)
Interest on Long-Term Debt	1,773,863	-	-	-	(1,773,863)	-	(1,773,863)
Total Governmental Activities	34,914,840	4,863,295	1,577,419	2,451,327	(26,022,799)	-	(26,022,799)
Business-Type Activities:							
Municipal Liquor	8,062,876	8,772,571	-	-	-	709,695	709,695
Municipal Golf Course	1,011,443	1,085,429	-	-	-	73,986	73,986
Sports Arena	771,198	627,595	-	-	-	(143,603)	(143,603)
Water and Sewer	7,226,393	9,250,812	-	186,179	-	2,210,598	2,210,598
Storm Drainage	869,376	1,233,346	22,730	46,021	-	432,721	432,721
Cemetery	56,518	95,320	2,460	84,000	-	125,262	125,262
Total Business-Type Activities	17,997,804	21,065,073	25,190	316,200	-	3,408,659	3,408,659
Total Governmental and Business-Type Activities	\$ 52,912,644	\$ 25,928,368	\$ 1,602,609	\$ 2,767,527	(26,022,799)	3,408,659	(22,614,140)
General Revenues:							
Property Taxes					24,078,701	120,000	24,198,701
Unallocated State and County Aids					292,225	-	292,225
Franchise Fees					1,014,177	-	1,014,177
Other General Revenue					385,647	152,243	537,890
Unrestricted Investment Earnings					912,413	426,300	1,338,713
Gain on Sale of Assets					48,309	-	48,309
Transfers					1,824,528	(1,824,528)	-
Total General Revenues and Transfers					28,556,000	(1,125,985)	27,430,015
Change in Net Assets					2,533,201	2,282,674	4,815,875
Net Assets - Beginning					102,403,716	118,554,482	220,958,198
Net Assets - Ending					\$ 104,936,917	\$ 120,837,156	\$ 225,774,073

17 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, 2009

		Debt Service	
	General Fund (1000)	Closed Bond Issues (3205)	Improvement Bonds of 2006 (3330)
ASSETS:			
Cash and Investments	\$ 11,196,145	\$ 167,897	\$ -
Cash with Fiscal Agent	-	-	-
Taxes Receivable - Delinquent	537,027	-	-
Special Assessments Receivable:			
Current	27,174	630,522	378,452
Delinquent	15,711	677,348	1,521,915
Deferred	-	6,767,952	2,818,941
Accounts Receivable	162,589	-	-
Interest Receivable	-	331,281	-
Due from Other Funds	135,356	3,860,064	-
Due from Other Governments	1,755,668	-	-
Inventory	22,916	-	-
Prepaid Items	17,599	-	-
	<u>\$ 13,870,185</u>	<u>\$ 12,435,064</u>	<u>\$ 4,719,308</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accrued Wages Payable	\$ 718,716	\$ -	\$ -
Accounts Payable	365,090	27	-
Contracts Payable	-	-	-
Due to Other Funds	-	-	1,907,818
Due to Other Governments	23,442	-	-
Deferred Revenue	541,214	8,067,710	4,719,308
Total Liabilities	<u>1,648,462</u>	<u>8,067,737</u>	<u>6,627,126</u>
Fund Balances:			
Reserved for:			
Inventory	22,916	-	-
Prepaid Items	17,599	-	-
Unreserved, Reported in:			
General Fund - Designated for Future Projects	111,000	-	-
General Fund - Undesignated	12,070,208	-	-
Special Revenue - Undesignated	-	-	-
Debt Service - Undesignated	-	4,367,327	(1,907,818)
Capital Projects - Undesignated	-	-	-
Total Fund Balances	<u>12,221,723</u>	<u>4,367,327</u>	<u>(1,907,818)</u>
	<u>\$ 13,870,185</u>	<u>\$ 12,435,064</u>	<u>\$ 4,719,308</u>

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

Debt Service Improvement Bonds of 2007 (3340)	Capital Projects			Nonmajor Governmental Funds	Total Governmental Funds
	Road Improvements (2025)	Future Capital Projects (4930)	2007 Park Bond (4935)		
\$ -	\$ -	\$ 3,521,005	\$ 843,022	\$ 21,117,115	\$ 36,845,184
-	-	-	-	2,794,918	2,794,918
-	-	-	-	27,231	564,258
255,085	-	-	-	313,941	1,605,174
499,589	-	-	-	181,199	2,895,762
3,286,168	-	-	-	2,269,117	15,142,178
-	-	-	-	256,748	419,337
-	-	-	-	3,209	334,490
-	-	8,944,730	-	240,000	13,180,150
-	-	-	-	37,095	1,792,763
-	-	-	-	-	22,916
-	-	-	-	-	17,599
<u>\$ 4,040,842</u>	<u>\$ -</u>	<u>\$ 12,465,735</u>	<u>\$ 843,022</u>	<u>\$ 27,240,573</u>	<u>\$ 75,614,729</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,001	\$ 723,717
-	71,520	-	-	287,008	723,645
-	-	-	314,289	332,868	647,157
353,643	4,568,892	-	-	5,974,441	12,804,794
-	-	-	-	5,744	29,186
4,040,842	-	-	-	2,791,488	20,160,562
<u>4,394,485</u>	<u>4,640,412</u>	<u>-</u>	<u>314,289</u>	<u>9,396,550</u>	<u>35,089,061</u>
-	-	-	-	-	22,916
-	-	-	-	-	17,599
-	-	-	-	-	111,000
-	-	-	-	-	12,070,208
-	-	-	-	342,464	342,464
(353,643)	-	-	-	14,890,171	16,996,037
-	(4,640,412)	12,465,735	528,733	2,611,388	10,965,444
<u>(353,643)</u>	<u>(4,640,412)</u>	<u>12,465,735</u>	<u>528,733</u>	<u>17,844,023</u>	<u>40,525,668</u>
<u>\$ 4,040,842</u>	<u>\$ -</u>	<u>\$ 12,465,735</u>	<u>\$ 843,022</u>	<u>\$ 27,240,573</u>	<u>\$ 75,614,729</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, 2009

Total Fund Balances - Governmental Funds	\$ 40,525,668
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	129,547,264
Less Accumulated Depreciation	(44,224,209)
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	(41,870,000)
Net OPEB Obligation	(354,539)
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	564,258
Special Assessments	2,880,051
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Special Assessments	16,712,066
Governmental funds do not report a liability for accrued interest due and payable.	(103,397)
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.	<u>1,259,755</u>
Total Net Assets - Governmental Activities	<u><u>\$ 104,936,917</u></u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2009

	General Fund (1000)	Debt Service		Capital Projects	
		Closed Bond Issues (3205)	Improvement Bonds of 2006 (3330)	Improvement Bonds of 2007 (3340)	Road Improvements (2025)
REVENUES:					
Taxes	\$ 19,692,305	\$ 25,762	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Other Taxes	40,692	-	-	-	-
Special Assessments	6,928	1,053,379	222,696	225,996	-
Licenses and Permits	755,444	-	-	-	-
Intergovernmental	581,822	-	-	-	-
Charges for Services	1,145,890	-	-	-	-
Franchise Fees	540,052	-	-	-	-
Fines and Forfeitures	316,324	-	-	-	-
Miscellaneous:					
Investment Income	200,312	71,866	-	-	(116,079)
Rentals	371,544	-	-	-	-
Contributions and Donations	-	-	-	-	-
Administrative Fees	635,502	-	-	-	-
Other	12,062	-	-	-	-
Refunds and Reimbursements	60,794	-	-	-	-
Total Revenues	<u>24,359,671</u>	<u>1,151,007</u>	<u>222,696</u>	<u>225,996</u>	<u>(116,079)</u>
EXPENDITURES:					
Current:					
General Government	4,489,661	-	-	-	-
Public Safety	9,563,133	-	-	-	-
Public Works	3,485,162	-	-	-	-
Park and Recreation	4,463,664	-	-	-	-
Debt Service:					
Principal	-	-	1,200,000	250,000	-
Interest and Other Charges	-	34,094	122,937	131,037	-
Capital Outlay:					
General Government	92,911	-	-	-	-
Public Safety	151,652	-	-	-	-
Public Works	18,894	-	-	-	2,752,931
Park and Recreation	83,638	-	-	-	-
Total Expenditures	<u>22,348,715</u>	<u>34,094</u>	<u>1,322,937</u>	<u>381,037</u>	<u>2,752,931</u>
Excess of Revenues Over (Under) Expenditures	2,010,956	1,116,913	(1,100,241)	(155,041)	(2,869,010)
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	36,127	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	1,410,000	238,270	1,371,220	135,250	3,223,413
Transfers Out	(2,461,068)	(7,114,754)	-	(214,487)	(819,810)
Total Other Financing Sources (Uses)	<u>(1,014,941)</u>	<u>(6,876,484)</u>	<u>1,371,220</u>	<u>(79,237)</u>	<u>2,403,603</u>
Net Change in Fund Balances	996,015	(5,759,571)	270,979	(234,278)	(465,407)
FUND BALANCES:					
Beginning of Year	<u>11,225,708</u>	<u>10,126,898</u>	<u>(2,178,797)</u>	<u>(119,365)</u>	<u>(4,175,005)</u>
End of Year	<u>\$ 12,221,723</u>	<u>\$ 4,367,327</u>	<u>\$ (1,907,818)</u>	<u>\$ (353,643)</u>	<u>\$ (4,640,412)</u>

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

Capital Projects

<u>Future Capital Projects (4930)</u>	<u>2007 Park Bond (4935)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,826,500	\$ 21,544,567
-	-	2,185,762	2,185,762
-	-	56,300	96,992
-	-	962,963	2,471,962
-	-	-	755,444
210,035	-	1,637,943	2,429,800
-	-	-	1,145,890
-	-	556,526	1,096,578
-	-	-	316,324
253,374	65,191	366,234	840,898
-	-	73,333	444,877
-	-	7,150	7,150
-	-	15,550	651,052
374,142	-	123,574	509,778
-	1,619	102,932	165,345
<u>837,551</u>	<u>66,810</u>	<u>7,914,767</u>	<u>34,662,419</u>
-	-	1,670,171	6,159,832
-	-	72,033	9,635,166
-	-	16,630	3,501,792
-	-	228,388	4,692,052
-	-	3,610,000	5,060,000
-	-	1,592,331	1,880,399
-	-	709,803	802,714
-	-	-	151,652
540,239	-	2,021,318	5,333,382
-	5,337,325	18,888	5,439,851
<u>540,239</u>	<u>5,337,325</u>	<u>9,939,562</u>	<u>42,656,840</u>
297,312	(5,270,515)	(2,024,795)	(7,994,421)
-	-	12,182	48,309
-	-	2,775,000	2,775,000
-	-	61,795	61,795
-	-	(2,400,000)	(2,400,000)
787,000	-	10,612,536	17,777,689
-	-	(4,091,635)	(14,701,754)
<u>787,000</u>	<u>-</u>	<u>6,969,878</u>	<u>3,561,039</u>
1,084,312	(5,270,515)	4,945,083	(4,433,382)
<u>11,381,423</u>	<u>5,799,248</u>	<u>12,898,940</u>	<u>44,959,050</u>
<u>\$ 12,465,735</u>	<u>\$ 528,733</u>	<u>\$ 17,844,023</u>	<u>\$ 40,525,668</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, 2009

Net Change in Fund Balances - Governmental Funds \$ (4,433,382)

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	7,127,177
Depreciation Expense	(3,628,874)
Disposal of Capital Assets	(865,627)
Donated Assets	67,426

Net OPEB obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (168,393)

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. 5,060,000

Bonds were refunded during the year. The amount paid off with the new funding is reported in the governmental funds as an other use of financing. However, the payments are not expenditures in the Statement of Activities, but rather a reduction on long-term liabilities in the Statement of Net Assets. 2,400,000

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. 44,741

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 (2,775,000)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (522,035)

The net revenue of certain activities of Internal Service Funds are reported with governmental activities. 227,168

Change in Net Assets - Governmental Activities \$ 2,533,201

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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 20,039,050	\$ 20,293,203	\$ 19,692,305	\$ (600,898)
Other Taxes	-	-	40,692	40,692
Special Assessments	-	-	6,928	6,928
Licenses and Permits	676,601	676,601	755,444	78,843
Intergovernmental	89,850	603,681	581,822	(21,859)
Charges for Services	1,170,936	1,170,936	1,145,890	(25,046)
Franchise Fees	820,000	820,000	540,052	(279,948)
Fines and Forfeitures	300,000	300,000	316,324	16,324
Miscellaneous Revenues:				
Investment Income	400,000	400,000	200,312	(199,688)
Rentals	271,000	271,000	371,544	100,544
Administrative Fees	470,000	470,000	635,502	165,502
Other	10,000	10,000	12,062	2,062
Refunds and Reimbursements	130,000	130,000	60,794	(69,206)
Total Revenues	<u>24,377,437</u>	<u>25,145,421</u>	<u>24,359,671</u>	<u>(785,750)</u>
EXPENDITURES:				
Current:				
General Government	5,240,657	5,168,057	4,489,661	(678,396)
Public Safety	9,778,510	10,180,994	9,563,133	(617,861)
Public Works	5,540,450	3,879,200	3,485,162	(394,038)
Park and Recreation	4,733,800	4,733,800	4,463,664	(270,136)
Capital Outlay:				
General Government	135,500	127,500	92,911	(34,589)
Public Safety	128,520	128,520	151,652	23,132
Public Works	25,000	25,000	18,894	(6,106)
Park and Recreation	130,000	130,000	83,638	(46,362)
Total Expenditures	<u>25,712,437</u>	<u>24,373,071</u>	<u>22,348,715</u>	<u>(2,024,356)</u>
Excess of Revenues Over (Under) Expenditures	(1,335,000)	772,350	2,010,956	1,238,606
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Capital Asset	-	-	36,127	36,127
Transfers In	1,335,000	1,000,000	1,410,000	410,000
Transfers Out	-	(1,661,250)	(2,461,068)	(799,818)
Total Other Financing Sources (Uses)	<u>1,335,000</u>	<u>(661,250)</u>	<u>(1,014,941)</u>	<u>(353,691)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ 111,100</u>	996,015	<u>\$ 884,915</u>
FUND BALANCES:				
Beginning of Year			11,225,708	
End of Year			<u>\$ 12,221,723</u>	

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, 2009

	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)	\$ 1,411,509	\$ 175,417	\$ -	\$ 14,127,704
Cash with Fiscal Agent	289,049	-	-	-
Special Assessments Receivable	-	-	-	234,570
Accounts Receivable	2,551	3,018	149,130	1,457,838
Due from Other Governments	-	-	198,137	888
Inventory	1,027,105	29,759	-	56,164
Prepaid Items	13,353	219	-	203,619
Total Current Assets	2,743,567	208,413	347,267	16,080,783
Noncurrent Assets:				
Deferred Special Assessments Receivable	-	-	-	16,857
Deferred Charges	51,191	-	9,031	-
Due from Other Funds	-	-	-	493,637
Capital Assets:				
Land and Land Improvements	1,179,183	991,179	2,000	1,667,581
Buildings	3,401,109	294,496	2,846,569	8,269,633
Other Improvements	-	387,502	371,650	75,119,615
Furniture and Equipment	262,603	766,118	188,338	2,781,661
Construction in Progress	-	-	-	1,064,717
Total Capital Assets	4,842,895	2,439,295	3,408,557	88,903,207
Less Accumulated Depreciation	(580,684)	(1,243,675)	(1,793,517)	(24,712,023)
Net Capital Assets	4,262,211	1,195,620	1,615,040	64,191,184
Total Noncurrent Assets	4,313,402	1,195,620	1,624,071	64,701,678
Total Assets	\$ 7,056,969	\$ 1,404,033	\$ 1,971,338	\$ 80,782,461
LIABILITIES AND NET ASSETS:				
Current Liabilities:				
Accounts Payable	\$ 382,537	\$ 8,379	\$ 20,828	\$ 209,907
Contracts Payable	-	-	-	16,060
Accrued Wages Payable	37,604	10,205	13,416	37,299
Interest Payable	10,768	-	1,950	1,041
Due to Other Governments	95,620	2,151	12,841	14,574
Long-Term Liabilities Due Within One Year	176,060	22,688	126,100	229,400
Total Current Liabilities	702,589	43,423	175,135	508,281
Noncurrent Liabilities:				
Compensated Absences Payable	123,643	69,241	99,828	165,419
Net OPEB Obligation	16,609	7,109	4,343	31,109
Due to Other Funds	-	-	628,993	-
Capital Lease Payable	-	40,918	-	-
Bonds Payable	3,180,000	-	530,000	345,000
Less Amounts Due Within One Year	(176,060)	(22,688)	(126,100)	(229,400)
Total Noncurrent Liabilities	3,144,192	94,580	1,137,064	312,128
Total Liabilities	3,846,781	138,003	1,312,199	820,409
Net Assets:				
Invested in Capital Assets, Net of Related Debt	1,082,211	1,154,702	1,085,040	63,846,184
Restricted for Debt Service	289,049	-	-	-
Unrestricted	1,838,928	111,328	(425,901)	16,115,868
Total Net Assets	3,210,188	1,266,030	659,139	79,962,052
Total Liabilities and Net Assets	\$ 7,056,969	\$ 1,404,033	\$ 1,971,338	\$ 80,782,461

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

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Total	Governmental Activities - Internal Service Funds
\$ 919,187	\$ 541,917	\$ 17,175,734	\$ 3,426,947
-	-	289,049	-
1,224	-	235,794	-
246,299	-	1,858,836	-
-	-	199,025	198
-	-	1,113,028	-
-	-	217,191	123,220
<u>1,166,710</u>	<u>541,917</u>	<u>21,088,657</u>	<u>3,550,365</u>
13,659	-	30,516	-
15,549	-	75,771	-
-	-	493,637	-
1,005,705	358,187	5,203,835	-
-	-	14,811,807	-
41,428,974	640,404	117,948,145	-
-	-	3,998,720	-
368,200	-	1,432,917	-
<u>42,802,879</u>	<u>998,591</u>	<u>143,395,424</u>	<u>-</u>
<u>(8,767,233)</u>	<u>(84,917)</u>	<u>(37,182,049)</u>	<u>-</u>
<u>34,035,646</u>	<u>913,674</u>	<u>106,213,375</u>	<u>-</u>
<u>34,064,854</u>	<u>913,674</u>	<u>106,813,299</u>	<u>-</u>
<u>\$ 35,231,564</u>	<u>\$ 1,455,591</u>	<u>\$ 127,901,956</u>	<u>\$ 3,550,365</u>
\$ 15,966	\$ 2,465	\$ 640,082	\$ 8,411
4,224	-	20,284	-
-	-	98,524	-
1,917	-	15,676	-
12,836	-	138,022	180
315,000	-	869,248	1,276,037
<u>349,943</u>	<u>2,465</u>	<u>1,781,836</u>	<u>1,284,628</u>
-	-	458,131	2,282,019
-	-	59,170	-
240,000	-	868,993	-
-	-	40,918	-
670,000	-	4,725,000	-
<u>(315,000)</u>	<u>-</u>	<u>(869,248)</u>	<u>(1,276,037)</u>
<u>595,000</u>	<u>-</u>	<u>5,282,964</u>	<u>1,005,982</u>
<u>944,943</u>	<u>2,465</u>	<u>7,064,800</u>	<u>2,290,610</u>
33,365,646	913,674	101,447,457	-
-	-	289,049	-
920,975	539,452	19,100,650	1,259,755
<u>34,286,621</u>	<u>1,453,126</u>	<u>120,837,156</u>	<u>1,259,755</u>
<u>\$ 35,231,564</u>	<u>\$ 1,455,591</u>	<u>\$ 127,901,956</u>	<u>\$ 3,550,365</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, 2009

	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
OPERATING REVENUES:				
Liquor Sales	\$ 8,772,571	\$ -	\$ -	\$ -
Golf Fees and Rentals	-	1,085,429	-	-
Sports Arena Revenues	-	-	627,595	-
Charges for Services	-	-	-	9,250,812
Total Operating Revenues	8,772,571	1,085,429	627,595	9,250,812
 Cost of Goods Sold	 6,271,141	 177,993	 1,040	 374,466
Gross Profit	2,501,430	907,436	626,555	8,876,346
 OPERATING EXPENSES:				
Personal Services	983,297	538,855	354,027	1,323,930
Contractual Services	157,385	17,540	44,595	285,283
Other Charges	203,001	28,748	3,436	276,889
Supplies and Repairs	28,352	116,170	65,085	738,437
Insurance	87,500	39,000	19,300	150,000
Utilities	52,078	36,727	127,766	410,312
Depreciation	144,946	56,410	126,659	1,363,191
Sewer Charges	-	-	-	2,284,569
Total Operating Expenses	1,656,559	833,450	740,868	6,832,611
Operating Income (Loss)	844,871	73,986	(114,313)	2,043,735
 NONOPERATING REVENUES (EXPENSES):				
Investment Income	35,091	2,028	41	350,999
Property Taxes	-	-	120,000	-
Connection Charges	-	-	-	142,480
Intergovernmental Revenue	-	-	-	-
Refunds and Reimbursements	-	-	-	108,670
Other Revenue	2,937	-	-	40,636
Interest Expense and Agent Fees	(135,176)	-	(29,290)	(19,316)
Total Nonoperating Revenues (Expenses)	(97,148)	2,028	90,751	623,469
Income (Loss) before Capital Contributions and Transfers	747,723	76,014	(23,562)	2,667,204
Capital Contributions	-	-	-	1,208,956
Transfers Out	(440,000)	-	-	(2,508,979)
Change in Net Assets	307,723	76,014	(23,562)	1,367,181
 NET ASSETS:				
Beginning of Year	2,902,465	1,190,016	682,701	78,594,871
End of Year	\$ 3,210,188	\$ 1,266,030	\$ 659,139	\$ 79,962,052

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

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Total	Governmental Activities - Internal Service Funds
\$ -	\$ -	\$ 8,772,571	\$ -
-	-	1,085,429	-
-	-	627,595	-
1,233,346	95,320	10,579,478	1,268,248
<u>1,233,346</u>	<u>95,320</u>	<u>21,065,073</u>	<u>1,268,248</u>
-	-	6,824,640	-
1,233,346	95,320	14,240,433	1,268,248
-	574	3,200,683	616,746
82,464	28,857	616,124	11,032
316,418	7,648	836,140	512,448
-	5,352	953,396	-
-	-	295,800	-
-	710	627,593	-
419,269	13,377	2,123,852	-
-	-	2,284,569	-
<u>818,151</u>	<u>56,518</u>	<u>10,938,157</u>	<u>1,140,226</u>
415,195	38,802	3,302,276	128,022
26,018	12,123	426,300	71,515
-	-	120,000	-
-	-	142,480	-
22,730	-	22,730	27,631
-	-	108,670	-
-	2,460	46,033	-
(51,225)	-	(235,007)	-
<u>(2,477)</u>	<u>14,583</u>	<u>631,206</u>	<u>99,146</u>
412,718	53,385	3,933,482	227,168
132,171	84,000	1,425,127	-
<u>(110,769)</u>	<u>(16,187)</u>	<u>(3,075,935)</u>	<u>-</u>
434,120	121,198	2,282,674	227,168
33,852,501	1,331,928	118,554,482	1,032,587
<u>\$ 34,286,621</u>	<u>\$ 1,453,126</u>	<u>\$ 120,837,156</u>	<u>\$ 1,259,755</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	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	\$ 8,772,079	\$ 1,096,061	\$ 604,423	\$ 8,573,082
Payments to Suppliers	(6,952,451)	(414,319)	(266,418)	(4,475,222)
Payments to Employees	(963,216)	(519,796)	(338,358)	(1,293,505)
Internal Activity	-	-	-	-
Net Cash Flows - Operating Activities	<u>856,412</u>	<u>161,946</u>	<u>(353)</u>	<u>2,804,355</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:				
Transfer to Other Funds	(440,000)	-	-	(2,508,979)
Payment of Due from/to Other Funds	-	-	-	-
Proceeds from Due to Other Funds	-	-	87,203	-
Intergovernmental Revenue	-	-	-	-
Taxes, Assessments and Aids	2,937	-	120,000	149,306
Net Cash Flows - Noncapital Financing Activities	<u>(437,063)</u>	<u>-</u>	<u>207,203</u>	<u>(2,359,673)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal Paid on Revenue Bonds	(115,000)	-	(95,000)	(170,000)
Interest and Agent Fees Paid	(132,210)	-	(26,963)	(18,275)
Connection Fees Received	-	-	-	142,480
Acquisition of Capital Assets	(292,988)	(9,587)	(84,928)	(1,341,495)
Net Cash Flows - Capital and Related Financing Activities	<u>(540,198)</u>	<u>(9,587)</u>	<u>(206,891)</u>	<u>(1,387,290)</u>
CASH FLOWS - INVESTING ACTIVITIES:				
Interest and Dividends Received	35,091	2,028	41	350,999
Net Change in Cash and Cash Equivalents	(85,758)	154,387	-	(591,609)
CASH AND CASH EQUIVALENTS:				
January 1	<u>1,786,316</u>	<u>21,030</u>	<u>-</u>	<u>14,719,313</u>
December 31	<u>\$ 1,700,558</u>	<u>\$ 175,417</u>	<u>\$ -</u>	<u>\$ 14,127,704</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 844,871	\$ 73,986	\$ (114,313)	\$ 2,043,735
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:				
Depreciation Expense	144,946	56,410	126,659	1,363,191
Accounts Receivable	(492)	10,632	(7,936)	(680,623)
Special Assessments Receivable	-	-	-	(3,752)
Due from Other Governments	-	-	(15,236)	6,645
Prepaid Items	12,637	7,806	3,716	14,587
Inventory	37,527	15,439	-	6,249
Accounts Payable	(205,393)	(23,261)	(21,692)	10,961
Due to Other Governments	2,235	1,875	12,780	12,937
Salaries Payable	2,756	1,688	1,927	472
Net OPEB Obligation	7,934	3,495	2,459	14,820
Compensated Absences Payable	9,391	13,876	11,283	15,133
Total Adjustments	<u>11,541</u>	<u>87,960</u>	<u>113,960</u>	<u>760,620</u>
Net Cash Flows - Operating Activities	<u>\$ 856,412</u>	<u>\$ 161,946</u>	<u>\$ (353)</u>	<u>\$ 2,804,355</u>
NONCASH CAPITAL ACTIVITIES:				
Capital Contributions	\$ -	\$ -	\$ -	\$ 1,208,956

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

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Total	Governmental Activities - Internal Service Funds
\$ 1,235,598	\$ 95,320	\$ 20,376,563	\$ -
(387,934)	(55,670)	(12,552,014)	-
-	(714)	(3,115,589)	-
-	-	-	(144,895)
<u>847,664</u>	<u>38,936</u>	<u>4,708,960</u>	<u>(144,895)</u>
(110,769)	(16,187)	(3,075,935)	-
(430,000)	-	(430,000)	-
-	-	87,203	-
22,730	-	22,730	27,631
-	2,460	274,703	-
<u>(518,039)</u>	<u>(13,727)</u>	<u>(3,121,299)</u>	<u>27,631</u>
(300,000)	-	(680,000)	-
(48,416)	-	(225,864)	-
-	-	142,480	-
(297,191)	(33,800)	(2,059,989)	-
<u>(645,607)</u>	<u>(33,800)</u>	<u>(2,823,373)</u>	<u>-</u>
26,018	12,123	426,300	71,515
(289,964)	3,532	(809,412)	(45,749)
<u>1,209,151</u>	<u>538,385</u>	<u>18,274,195</u>	<u>3,472,696</u>
<u>\$ 919,187</u>	<u>\$ 541,917</u>	<u>\$ 17,464,783</u>	<u>\$ 3,426,947</u>
\$ 415,195	\$ 38,802	\$ 3,302,276	\$ 128,022
419,269	13,377	2,123,852	-
-	-	(678,419)	4,315
2,252	-	(1,500)	-
-	-	(8,591)	(198)
-	-	38,746	(123,220)
-	-	59,215	-
(1,888)	(13,103)	(254,376)	(27,852)
12,836	-	42,663	(249)
-	(140)	6,703	-
-	-	28,708	-
-	-	49,683	(125,713)
<u>432,469</u>	<u>134</u>	<u>1,406,684</u>	<u>(272,917)</u>
<u>\$ 847,664</u>	<u>\$ 38,936</u>	<u>\$ 4,708,960</u>	<u>\$ (144,895)</u>
\$ 132,171	\$ 84,000	\$ 1,425,127	\$ -

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

1. Blended Component Unit

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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, 2009

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

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

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

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

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

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

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

Proprietary Funds:

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009**

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

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

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, 2009**

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

The City had formal policies in place as of December 31, 2009 to address the risks as indicated below.

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

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

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

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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, 2009

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
Improvements Other than Buildings	5-40
Furniture and Equipment	3-50
Infrastructure	25-50

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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, 2009**

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, 2009

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, 2009:

Debt Service:

Improvement Bonds of 2006 (3330)	\$ 1,907,818
Improvement Bonds of 2007 (3340)	353,643
Improvement Bonds of 2003 (3165)	136,704
Improvement Bonds of 1997 (3185)	1,655,532
2001/2008B Refunding Improvement Bonds (3285)	1,124,131
G.O. Refunding Bonds of 2002 (3300)	50,932

Capital Projects:

Road Improvements (2025)	4,640,412
Equipment Certificates (2005)	319,792
Dakota County Construction Projects (4030)	87,416
1999 Improvement Construction (4225)	69,805
2000 Improvement Construction (4245)	255,074
Engineer Developer Review Nonreimbursable (4600)	14,905
Construction Projects (4500)	2,014
2003 Improvement Construction (4300)	2,156,590

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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, 2009, the City’s bank balance was exposed to custodial credit risk because it was under collateralized. The amount exposed to custodial credit risk on December 31, 2009 was \$ 861,926.

As of December 31, 2009, the City had deposits and petty cash as follows:

Deposits	\$ 9,990,361
Petty Cash	<u>11,910</u>
Total Deposits and Petty Cash	<u><u>\$ 10,002,271</u></u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments

As of December 31, 2009, the City had the following investments:

Investment Type	Fair Value	Investment Maturities			
		Less Than One Year	1-5 Years	6-10 Years	Greater Than 10 Years
Money Markets	\$ (325,323)	\$ (325,323)	\$ -	\$ -	\$ -
Brokered Certificates of Deposit	3,496,183	3,304,426	191,757	-	-
U.S. Agency Securities	36,857,578	2,794,258	16,123,932	15,249,816	2,689,572
U.S. Treasury Securities	1,719,448	-	1,719,448	-	-
Municipal Bonds	8,781,675	-	6,644,279	2,137,396	-
Total Investments	\$ 50,529,561	\$ 5,773,361	\$ 24,679,416	\$ 17,387,212	\$ 2,689,572

Credit Risk: As of December 31, 2009, the City's investments in municipal bonds were rated AAA by Standard & Poor's (S&P) and A1 or better by Moody's Investors Service. The City's investments in government securities were rated AAA by S&P and Aaa by Moody's Investors Service.

Concentration of Credit Risk: As of December 31, 2009, the City had investments, as indicated in the following chart, which exceeded 5% of the City's total investments.

Investment	Market Value	Percent
Total FHLB	\$ 5,275,447	11.12%
Total FHLMC	11,612,755	24.48%
Total FNMA	15,877,939	33.49%

In addition, the City's cash held with a fiscal agent is also exposed to concentration of credit risk as 90.61% of this balance is invested in FNMA Bonds and 9.37% is invested in a FHLM Bond.

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 3 – DEPOSITS AND INVESTMENTS

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 10,002,271
Investments (Note 3.B.)	<u>50,529,561</u>
 Total Deposits and Investments	 <u><u>\$ 60,531,832</u></u>

Deposits and investments are presented in the December 31, 2009 basic financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 57,447,865
Cash with Fiscal Agent	<u>3,083,967</u>
 Total Deposits and Investments	 <u><u>\$ 60,531,832</u></u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 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	7,415,355	715,261	4,736,425	3,394,191
Total Capital Assets not being Depreciated	<u>9,939,168</u>	<u>715,261</u>	<u>4,736,425</u>	<u>5,918,004</u>
Capital Assets being Depreciated:				
Buildings	23,060,202	3,818,127	255,376	26,622,953
Improvements Other than Buildings	16,047,725	5,013,098	-	21,060,823
Furniture and Equipment	14,238,259	683,538	621,952	14,299,845
Infrastructure	60,558,537	1,087,102	-	61,645,639
Total Capital Assets being Depreciated	<u>113,904,723</u>	<u>10,601,865</u>	<u>877,328</u>	<u>123,629,260</u>
Less Accumulated Depreciation for:				
Buildings	6,928,688	623,817	88,075	7,464,430
Improvements Other than Buildings	3,690,407	526,274	-	4,216,681
Furniture and Equipment	8,556,917	937,642	537,528	8,957,031
Infrastructure	22,044,926	1,541,141	-	23,586,067
Total Accumulated Depreciation	<u>41,220,938</u>	<u>3,628,874</u>	<u>625,603</u>	<u>44,224,209</u>
Total Capital Assets being Depreciated, Net	<u>72,683,785</u>	<u>6,972,991</u>	<u>251,725</u>	<u>79,405,051</u>
Governmental Activities Capital Assets, Net	<u>\$ 82,622,953</u>	<u>\$ 7,688,252</u>	<u>\$ 4,988,150</u>	<u>\$ 85,323,055</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 4 – CAPITAL ASSETS

	Beginning Balance	Transfer	Increases	Decreases	Ending Balance
Business-Type Activities:					
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 4,667,877	\$ 491,160	\$ 44,798	\$ -	\$ 5,203,835
Construction in Progress	4,732,902	-	1,133,645	4,433,630	1,432,917
Total Capital Assets not being Depreciated	<u>9,400,779</u>	<u>491,160</u>	<u>1,178,443</u>	<u>4,433,630</u>	<u>6,636,752</u>
Capital Assets being Depreciated:					
Buildings	12,037,048	-	2,774,759	-	14,811,807
Improvements Other than Buildings	115,322,063	(491,160)	3,117,242	-	117,948,145
Furniture and Equipment	3,652,162	36,335	389,832	79,609	3,998,720
Total Capital Assets being Depreciated	<u>131,011,273</u>	<u>(454,825)</u>	<u>6,281,833</u>	<u>79,609</u>	<u>136,758,672</u>
Less Accumulated Depreciation for:					
Buildings	5,437,190	-	434,248	-	5,871,438
Improvements Other than Buildings	26,550,186	-	1,506,815	-	28,057,001
Furniture and Equipment	3,101,589	36,335	182,789	67,103	3,253,610
Total Accumulated Depreciation	<u>35,088,965</u>	<u>36,335</u>	<u>2,123,852</u>	<u>67,103</u>	<u>37,182,049</u>
Total Capital Assets being Depreciated, Net	<u>95,922,308</u>	<u>(491,160)</u>	<u>4,157,981</u>	<u>12,506</u>	<u>99,576,623</u>
Business-Type Activities Capital Assets, Net	<u>\$ 105,323,087</u>	<u>\$ -</u>	<u>\$ 5,336,424</u>	<u>\$ 4,446,136</u>	<u>\$ 106,213,375</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 4 – CAPITAL ASSETS

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

Governmental Activities:

General Government	\$ 414,365
Public Safety	576,384
Public Works	1,806,954
Park and Recreation	831,171
	<u>831,171</u>

Total Depreciation Expense - Governmental Activities \$ 3,628,874

Business-Type Activities:

Municipal Liquor	\$ 144,946
Municipal Golf Course	56,410
Sports Arena	126,659
Water and Sewer	1,363,191
Storm Drainage	419,269
Cemetery	13,377
	<u>13,377</u>

Total Depreciation Expense - Business-Type Activities \$ 2,123,852

NOTE 5 – INTERFUND ACTIVITY

A. Transfers

Transfers during the year ended December 31, 2009 were as follows:

	Transfers In							Total
	General Fund	Closed Bond Issues	Improvement Bonds of 2006	Improvement Bonds of 2007	Road Improvements	Future Capital Projects	Nonmajor Governmental Funds	
Transfers Out:								
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 1,661,250	\$ 787,000	\$ 12,818	\$ 2,461,068
Closed Bond Issues	-	-	-	81,939	-	-	7,032,815	7,114,754
Improvement Bonds of 2007	-	-	-	-	-	-	214,487	214,487
Road Improvements	-	-	-	-	-	-	819,810	819,810
Nonmajor Governmental Funds	-	238,270	1,371,220	53,311	608,413	-	1,820,421	4,091,635
Municipal Liquor	440,000	-	-	-	-	-	-	440,000
Water and Sewer	970,000	-	-	-	953,750	-	585,229	2,508,979
Storm Drainage	-	-	-	-	-	-	110,769	110,769
Cemetery	-	-	-	-	-	-	16,187	16,187
	<u>\$ 1,410,000</u>	<u>\$ 238,270</u>	<u>\$ 1,371,220</u>	<u>\$ 135,250</u>	<u>\$ 3,223,413</u>	<u>\$ 787,000</u>	<u>\$ 10,612,536</u>	<u>\$ 17,777,689</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, 2009**

NOTE 5 – INTERFUND ACTIVITY

B. Interfund Loans

Interfund loans as of December 31, 2009 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 (3330)	\$ -	\$ -	\$ 1,907,818	\$ -	\$ -	\$ 1,907,818
Improvement Bonds of 2007 (3340)	-	353,643	-	-	-	353,643
Road Improvements (Fund 2025)	-	-	4,568,892	-	-	4,568,892
Nonmajor Governmental Funds	-	3,506,421	2,468,020	-	-	5,974,441
Sports Arena	135,356	-	-	-	493,637	628,993
Storm Drainage	-	-	-	240,000	-	240,000
Total Interfund Loans	<u>\$ 135,356</u>	<u>\$ 3,860,064</u>	<u>\$ 8,944,730</u>	<u>\$ 240,000</u>	<u>\$ 493,637</u>	<u>\$ 13,673,787</u>

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

NOTE 6 – LONG-TERM DEBT

A. General Obligation Bonds

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

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

B. G.O. Equipment Certificates

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009**

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 liquor store, 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. Improvement Bonds 2003	1.30%-3.95%	\$ 5,380,000	\$ 3,575,000	\$ 3,150,000
G.O. Tax Increment Bonds 2003	2.00%-4.60%	1,905,000	1,050,000	185,000
G.O. Refunding Bonds 2004	2.00%-4.00%	9,220,000	7,145,000	780,000
G.O. Equipment Certificate Bonds 2006	4.00%	860,000	630,000	95,000
G.O. Park Bonds 2007A	3.40%-4.40%	6,400,000	6,335,000	80,000
G.O. Park Bonds 2008D	2.40%-4.20%	6,685,000	6,610,000	90,000
G.O. State-Aid Road Refunding Bonds 2009A	2.00%-3.00%	2,775,000	2,775,000	-
Total G.O. Bonds			<u>28,120,000</u>	<u>4,380,000</u>
Special Assessment Bonds:				
G.O. Refunding Bonds 2003	1.25%-3.50%	2,755,000	240,000	240,000
G.O. Improvement Bonds 2004	1.75%-4.15%	4,325,000	2,600,000	250,000
G.O. Refunding Bonds 2004	2.00%-3.00%	1,790,000	690,000	350,000
G.O. Improvement Bonds 2006	3.50%-3.75%	5,785,000	2,185,000	400,000
G.O. Improvement Bonds 2007B	3.35%-4.10%	3,600,000	3,225,000	250,000
G.O. Taxable Refunding Bonds 2008A	4.25%-4.55%	2,420,000	2,395,000	625,000
G.O. Improvement Refunding Bonds 2008B	3.25%-4.00%	2,415,000	2,415,000	415,000
Total Special Assessment Bonds			<u>13,750,000</u>	<u>2,530,000</u>
Total Governmental Activities Bonds			<u>41,870,000</u>	<u>6,910,000</u>
Compensated Absences			<u>2,282,019</u>	<u>1,276,037</u>
Total Governmental Activities			<u>44,152,019</u>	<u>8,186,037</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009**

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	\$ 530,000	\$ 100,000
Storm Sewer Refunding Bonds 2005	2.65%-3.70%	700,000	440,000	85,000
Liquor Store Revenue Bonds 2008C	2.60%-4.60%	3,295,000	3,180,000	130,000
Total G.O. Revenue Bonds			<u>4,150,000</u>	<u>315,000</u>
G.O. Bonds:				
G.O. Refunding Bonds 2002	1.50%-3.50%	1,525,000	230,000	230,000
G.O. Refunding Bonds 2002	1.50%-3.75%	1,095,000	345,000	105,000
Total G.O. Bonds			<u>575,000</u>	<u>335,000</u>
Total Business-Type Activities Bonds			4,725,000	650,000
Capital Lease Obligation			40,918	10,088
Compensated Absences			458,131	209,160
Total Business-Type Activities			<u>5,224,049</u>	<u>869,248</u>
Total all Long-Term Liabilities			<u>\$ 49,376,068</u>	<u>\$ 9,055,285</u>

E. Minimum Debt Payments

Annual debt service requirements to maturity are as follows:

Governmental Activities

Year Ending December 31,	<u>G.O. Improvement Bonds</u>		<u>G.O. Special Assessment Bonds</u>		<u>Total Long-Term Bonded Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,380,000	\$ 1,049,400	\$ 2,530,000	\$ 512,704	\$ 6,910,000	\$ 1,562,104
2011	1,725,000	894,218	2,265,000	424,016	3,990,000	1,318,234
2012	1,810,000	837,242	1,860,000	342,239	3,670,000	1,179,481
2013	1,945,000	781,413	1,775,000	272,331	3,720,000	1,053,744
2014	2,050,000	719,622	1,220,000	204,694	3,270,000	924,316
2015-2019	6,185,000	2,605,255	3,100,000	511,537	9,285,000	3,116,792
2020-2024	2,880,000	1,878,538	1,000,000	96,725	3,880,000	1,975,263
2025-2029	4,045,000	1,197,400	-	-	4,045,000	1,197,400
2030-2032	3,100,000	271,662	-	-	3,100,000	271,662
Total	<u>\$ 28,120,000</u>	<u>\$ 10,234,750</u>	<u>\$ 13,750,000</u>	<u>\$ 2,364,246</u>	<u>\$ 41,870,000</u>	<u>\$ 12,598,996</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 6 – LONG-TERM DEBT

E. Minimum Debt Payments (Continued)

Business-Type Activities

Year Ending December 31,	G.O. Bonds		Revenue Bonds		Total Long-Term Bonded Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	360,000	120,885	360,000	120,885
2015-2019	-	-	855,000	469,170	855,000	469,170
2020-2024	-	-	1,100,000	272,250	1,100,000	272,250
2025	-	-	525,000	24,150	525,000	24,150
Total	<u>\$ 575,000</u>	<u>\$ 33,865</u>	<u>\$ 4,150,000</u>	<u>\$ 1,491,475</u>	<u>\$ 4,725,000</u>	<u>\$ 1,525,340</u>

F. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Bonds Payable:				
G.O. Improvement Bonds	\$ 27,025,000	\$ 2,775,000	\$ (1,680,000)	\$ 28,120,000
G.O. Special Assessment Bonds	19,530,000	-	(5,780,000)	13,750,000
Total Bonds Payable	46,555,000	2,775,000	(7,460,000)	41,870,000
Compensated Absences	2,407,732	1,167,277	(1,292,990)	2,282,019
Governmental Activities Long-Term Liabilities	<u>\$ 48,962,732</u>	<u>\$ 3,942,277</u>	<u>\$ (8,752,990)</u>	<u>\$ 44,152,019</u>
Business-Type Activities:				
Bonds Payable:				
G.O. Bonds	\$ 960,000	\$ -	\$ (385,000)	\$ 575,000
G.O. Revenue Bonds	1,150,000	-	(180,000)	970,000
Revenue Bonds	3,295,000	-	(115,000)	3,180,000
Total Bonds Payable	5,405,000	-	(680,000)	4,725,000
Capital Lease Obligation	50,505	-	(9,587)	40,918
Compensated Absences	408,448	258,905	(209,222)	458,131
Business-Type Activities Long-Term Liabilities	<u>\$ 5,863,953</u>	<u>\$ 258,905</u>	<u>\$ (898,809)</u>	<u>\$ 5,224,049</u>

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, 2009**

NOTE 6 – LONG-TERM DEBT

F. Changes in Long-Term Liabilities (Continued)

In March 2009, the City issued G.O. State Aid Road Refunding Bonds, Series 2009A in the amount of \$ 2,775,000. The bonds were issued to refund the G.O. State Aid Road Bonds of 2003. The total cash savings to the City is \$ 84,565 with a net present value benefit of \$ 85,916.

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>		
2010	\$	11,771
2011		12,716
2012		12,716
2013		<u>7,172</u>
Net Minimum Lease Payments		<u>44,375</u>
Less Amount Representing Interest		<u>(3,457)</u>
Present Value of Net Minimum Lease Payments	\$	<u><u>40,918</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 the cost of operations, maintenance and capital projects.

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 7 – JOINT POWERS COMMITMENT

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

Payments from the City are provided from General Fund appropriations. The City's future member payments to the DCC as of December 31, 2009 are as follows:

<u>Payment Year</u>	<u>Amount</u>
2010	\$ 152,600
2011	152,600
2012	157,400
2013	156,800
2014	<u>156,000</u>
Total	<u>\$ 775,400</u>

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

NOTE 8 – CONDUIT DEBT OBLIGATIONS

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 8 – CONDUIT DEBT OBLIGATIONS

As of December 31, 2009, the City's conduit debt consisted of the following:

	<u>Outstanding Balance</u>
Apple Valley EDA:	
Health Care Revenue Bonds (EverCare Senior Living, LLC Projects), Series 2005A	\$ 21,250,000
Public Project Revenue Bond (Independent School District No. 196 Lease Obligations), Series 2006C	<u>3,100,000</u>
Total Conduit Debt Obligations	<u><u>\$ 24,350,000</u></u>

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; however, 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 2009 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2009, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009**

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009**

NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active Plan participants. Vested, terminated employees who are entitled to benefits but are not 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, #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2009. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members and 14.1% for PEPFF members. The City's contributions to the PERF for the years ending December 31, 2009, 2008 and 2007 were \$ 579,379, \$ 536,969 and \$ 491,596, respectively. The City's contributions to the PEPFF for the years ending December 31, 2009, 2008 and 2007 were \$ 608,686, \$ 530,887 and \$ 449,206, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009**

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.

Total contributions made by the City during fiscal year 2009 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 1,765	\$ 1,765	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 2009, the City contributed \$ 102,434 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, 2009, there were approximately 18 retirees receiving health benefits from the City's health plan.

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

C. Annual OPEB Cost and Net OPEB Obligation

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

	2009
ARC	\$ 296,823
Interest on Net OPEB Obligation	9,747
Adjustment to ARC	(7,035)
Annual OPEB Cost (Expense)	299,535
Contributions Made	(102,434)
Increase in Net OPEB Obligation	197,101
Net OPEB Obligation - Beginning of Year	216,608
Net OPEB Obligation- End of Year	\$ 413,709

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
12/31/09	\$ 299,535	\$ (102,434)	34%	\$ 413,709
12/31/08	296,823	80,215	27%	216,608

D. Funded Status and Funding Progress

As of January 1, 2009, based on the same population as the January 1, 2008 actuary study, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$ 3,112,170 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 3,112,170. The covered payroll (annual payroll of active employees covered by the plan) was \$ 11,454,596 and the ratio of the UAAL to the covered payroll was 27%.

CITY OF APPLE VALLEY
Dakota County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

D. Funded Status and Funding Progress (Continued)

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

The Schedule of Funding Progress – Other Post Employment Benefits, presented as required supplementary information following the Notes to the Financial Statements, will present multi-year information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The year ending December 31, 2008 was the first year of implementation for the City and the actuarial valuation has not been updated; 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.

As of January 1, 2008, the most recent 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% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5%, shorter-term, based on City's general assets). The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 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, 2009

NOTE 13 – COMMITMENTS

At December 31, 2009, the City had the following construction contract commitments outstanding:

<u>Project</u>	<u>Contractor</u>	<u>Commitment</u>
Senior Center	Various Contractors	\$ 21,659
Palomino Reservoir Rehabilitation	Horizon Bros. Painting Corporation	177,900
Well Pump 5, 10, 14 and LZP3 Maintenance	Keys Well Drilling	92,210
Long Lake Draw Down	Dave Perkins Contracting	49,881
140th Street West and Garden View Drive Street Improvements	McNamara Contracting	908,403
Grant Lighting Retrofits Project	Premium Electrical Services	122,629
Grant Building HVAC Improvements Project	UHL Company	174,050
Eleven 72-Inch Mowers	M.T.I. Distributing	117,751
Ice Arena Boiler Replacement Project	Lakes Mechanical Services	198,000
2010 Street Maintenance Project	McNamara Contracting	1,694,423
Chlorine Gas Containment System	Vessco	246,900
Apple Valley East Family Addition	McNamara Contracting	272,238
Playground Structures	Various Contractors	244,842
		<u>4,320,886</u>
Total		<u>\$ 4,320,886</u>

NOTE 14 – JOINT POWERS AGREEMENT WITH DAKOTA COUNTY

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

CITY OF APPLE VALLEY
Dakota County, Minnesota

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
December 31, 2009

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)
1/1/2008*	\$ -	\$ 2,859,748	\$ 2,859,748	0.0%	\$ 10,909,139	26.2%

* This Schedule was implemented in 2008 and the actuarial valuation has not yet been updated 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

(THIS PAGE LEFT BLANK INTENTIONALLY)

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, 2009**

	Original	Budgeted Amounts - Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES:				
General Property Taxes:				
Current	\$ 19,839,050	\$ 20,093,203	\$ 19,361,278	\$ (731,925)
Delinquent	200,000	200,000	331,027	131,027
Total General Property Taxes	<u>20,039,050</u>	<u>20,293,203</u>	<u>19,692,305</u>	<u>(600,898)</u>
Franchise Fees	820,000	820,000	540,052	(279,948)
Aggregate Taxes	-	-	40,692	40,692
Special Assessments	-	-	6,928	6,928
Licenses and Permits:				
General Government	108,200	108,200	154,360	46,160
Public Safety	8,800	8,800	5,908	(2,892)
Public Works	559,601	559,601	595,176	35,575
Total Licenses and Permits	<u>676,601</u>	<u>676,601</u>	<u>755,444</u>	<u>78,843</u>
Intergovernmental Revenue:				
State:				
PERA Aid	36,095	36,095	36,095	-
Fire Relief Aid - Public Safety	-	178,831	178,831	-
Police Relief Aid - Public Safety	-	335,000	333,620	(1,380)
Other - Public Safety	-	-	5,144	5,144
Local:				
Other - General Government	53,755	53,755	24,958	(28,797)
Other - Public Works	-	-	3,174	3,174
Total Intergovernmental Revenue	<u>89,850</u>	<u>603,681</u>	<u>581,822</u>	<u>(21,859)</u>
Charges for Services:				
Administration Charges - General Government:				
Construction Funds	30,000	30,000	235,502	205,502
Enterprise Funds	340,000	340,000	300,000	(40,000)
Investment Charge - General Government	100,000	100,000	100,000	-
Other - General Government	17,815	17,815	11,988	(5,827)
Other - Public Safety	185,121	185,121	262,751	77,630
Other - Public Works	-	-	12,410	12,410
Other - Park and Recreation	968,000	968,000	858,741	(109,259)
Total Charges for Services	<u>1,640,936</u>	<u>1,640,936</u>	<u>1,781,392</u>	<u>140,456</u>
Fines and Forfeitures	300,000	300,000	316,324	16,324
Investment Income	400,000	400,000	200,312	(199,688)
Rentals:				
City Hall - General Government	12,200	12,200	12,200	-
Fire Station	30,000	30,000	28,012	(1,988)
Antenna Rentals - Public Works	150,000	150,000	238,287	88,287
Recreation Facilities - Culture and Recreation	78,800	78,800	93,045	14,245
Total Rentals	<u>271,000</u>	<u>271,000</u>	<u>371,544</u>	<u>100,544</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, 2009**

	Original	Budgeted Amounts - Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES:				
Miscellaneous - General Government	\$ 10,000	\$ 10,000	\$ 12,062	\$ 2,062
Refunds and Reimbursements - Public Works	130,000	130,000	60,794	(69,206)
Total Revenues	<u>24,377,437</u>	<u>25,145,421</u>	<u>24,359,671</u>	<u>(785,750)</u>
EXPENDITURES:				
General Government:				
Mayor and City Council:				
Personal Services	93,757	93,757	93,318	(439)
Other Current Expenditures	29,505	29,505	15,266	(14,239)
Total Mayor and City Council	<u>123,262</u>	<u>123,262</u>	<u>108,584</u>	<u>(14,678)</u>
Administration:				
Personal Services	351,647	351,647	351,286	(361)
Other Current Expenditures	19,451	19,451	19,653	202
Total Administration	<u>371,098</u>	<u>371,098</u>	<u>370,939</u>	<u>(159)</u>
Finance and Data Processing:				
Personal Services	477,127	477,127	464,156	(12,971)
Other Current Expenditures	284,900	284,900	259,278	(25,622)
Capital Outlay	-	-	18	18
Total Finance and Data Processing	<u>762,027</u>	<u>762,027</u>	<u>723,452</u>	<u>(38,575)</u>
Information Technology:				
Personal Services	297,319	297,319	283,856	(13,463)
Other Current Expenditures	235,720	155,120	130,467	(24,653)
Capital Outlay	134,000	134,000	92,893	(41,107)
Total Information Technology	<u>667,039</u>	<u>586,439</u>	<u>507,216</u>	<u>(79,223)</u>
Human Resources:				
Personal Services	510,795	510,795	469,215	(41,580)
Other Current Expenditures	117,565	117,565	69,930	(47,635)
Capital Outlay	1,500	1,500	-	(1,500)
Total Human Resources	<u>629,860</u>	<u>629,860</u>	<u>539,145</u>	<u>(90,715)</u>
City Clerk/Elections:				
Personal Services	132,842	132,842	120,979	(11,863)
Other Current Expenditures	80,850	80,850	68,774	(12,076)
Total City Clerk/Elections	<u>213,692</u>	<u>213,692</u>	<u>189,753</u>	<u>(23,939)</u>
Legal:				
Other Current Expenditures	454,759	454,759	466,082	11,323
General Government Buildings:				
Personal Services	211,458	211,458	203,776	(7,682)
Other Current Expenditures	219,407	219,407	176,056	(43,351)
Total General Government Buildings	<u>430,865</u>	<u>430,865</u>	<u>379,832</u>	<u>(51,033)</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, 2009**

	Original	Budgeted Amounts - Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
EXPENDITURES:				
General Government: (Continued)				
Community Development:				
Personal Services	\$ 511,923	\$ 511,923	\$ 492,066	\$ (19,857)
Other Current Expenditures	133,838	133,838	61,616	(72,222)
Total Community Development	<u>645,761</u>	<u>645,761</u>	<u>553,682</u>	<u>(92,079)</u>
Code Enforcement:				
Personal Services	290,456	290,456	179,623	(110,833)
Other Current Expenditures	13,948	13,948	23,377	9,429
Total Code Enforcement	<u>304,404</u>	<u>304,404</u>	<u>203,000</u>	<u>(101,404)</u>
Unallocated:				
Personal Services	205,000	205,000	205,887	887
Other Current Expenditures	568,390	568,390	335,000	(233,390)
Total Unallocated	<u>773,390</u>	<u>773,390</u>	<u>540,887</u>	<u>(232,503)</u>
Total General Government	<u>5,376,157</u>	<u>5,295,557</u>	<u>4,582,572</u>	<u>(712,985)</u>
Public Safety:				
Police Protection:				
Personal Services	6,041,284	6,041,284	5,981,560	(59,724)
Other Current Expenditures	1,718,849	1,688,349	1,475,390	(212,959)
Capital Outlay	123,520	123,520	120,130	(3,390)
Total Police Protection	<u>7,883,653</u>	<u>7,853,153</u>	<u>7,577,080</u>	<u>(276,073)</u>
Fire Protection:				
Personal Services	884,207	884,207	776,792	(107,415)
Other Current Expenditures	437,380	437,380	291,877	(145,503)
Capital Outlay	5,000	5,000	31,522	26,522
Total Fire Protection	<u>1,326,587</u>	<u>1,326,587</u>	<u>1,100,191</u>	<u>(226,396)</u>
Fire Relief:				
Other Current Expenditures	-	432,984	432,984	-
Ambulance Subsidy:				
Other Current Expenditures	25,556	25,556	-	(25,556)
Civil Defense:				
Personal Services	7,000	7,000	-	(7,000)
Other Current Expenditures	13,720	13,720	13,934	214
Total Civil Defense	<u>20,720</u>	<u>20,720</u>	<u>13,934</u>	<u>(6,786)</u>
Animal Control:				
Personal Services	120,662	120,662	102,356	(18,306)
Other Current Expenditures	20,800	20,800	13,644	(7,156)
Total Animal Control	<u>141,462</u>	<u>141,462</u>	<u>116,000</u>	<u>(25,462)</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, 2009**

	Original	Budgeted Amounts - Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
EXPENDITURES:				
Public Safety: (Continued)				
Building Inspection:				
Personal Services	\$ 472,402	\$ 472,402	\$ 452,283	\$ (20,119)
Other Current Expense	36,650	36,650	22,313	(14,337)
Capital Outlay	-	-	-	-
Total Building Inspection	<u>509,052</u>	<u>509,052</u>	<u>474,596</u>	<u>(34,456)</u>
Total Public Safety	<u>9,907,030</u>	<u>10,309,514</u>	<u>9,714,785</u>	<u>(594,729)</u>
Public Works:				
Public Works Administration:				
Personal Services	494,799	494,799	478,360	(16,439)
Other Current Expense	436,089	436,089	440,121	4,032
Capital Outlay	25,000	25,000	18,894	(6,106)
Total Public Works Administration	<u>955,888</u>	<u>955,888</u>	<u>937,375</u>	<u>(18,513)</u>
Central Maintenance Facility:				
Personal Services	400,328	400,328	384,987	(15,341)
Other Current Expense	184,691	184,691	146,961	(37,730)
Total Central Maintenance Facility	<u>585,019</u>	<u>585,019</u>	<u>531,948</u>	<u>(53,071)</u>
Streets:				
Personal Services	1,412,678	1,412,678	1,268,905	(143,773)
Other Current Expense	2,611,865	950,615	765,828	(184,787)
Total Streets	<u>4,024,543</u>	<u>2,363,293</u>	<u>2,034,733</u>	<u>(328,560)</u>
Total Public Works	<u>5,565,450</u>	<u>3,904,200</u>	<u>3,504,056</u>	<u>(400,144)</u>
Culture and Recreation:				
Park and Recreation Administration:				
Personal Services	774,937	774,937	683,186	(91,751)
Other Current Expense	167,000	167,000	147,992	(19,008)
Total Park and Recreation Administration	<u>941,937</u>	<u>941,937</u>	<u>831,178</u>	<u>(110,759)</u>
Recreation Programs:				
Personal Services	226,500	226,500	216,049	(10,451)
Other Current Expense	203,300	203,300	169,322	(33,978)
Total Recreation Programs	<u>429,800</u>	<u>429,800</u>	<u>385,371</u>	<u>(44,429)</u>
Parks Maintenance:				
Personal Services	1,343,284	1,343,284	1,428,209	84,925
Other Current Expense	807,377	807,377	762,832	(44,545)
Capital Outlay	78,000	78,000	61,733	(16,267)
Total Parks Maintenance	<u>2,228,661</u>	<u>2,228,661</u>	<u>2,252,774</u>	<u>24,113</u>
Redwood Pool:				
Personal Services	66,204	66,204	64,255	(1,949)
Other Current Expense	47,100	47,100	35,449	(11,651)
Capital Outlay	6,000	6,000	-	(6,000)
Total Redwood Pool	<u>119,304</u>	<u>119,304</u>	<u>99,704</u>	<u>(19,600)</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, 2009**

	<u>Original</u>	<u>Budgeted Amounts - Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
EXPENDITURES:				
Culture and Recreation: (Continued)				
Aquatic Swim Center:				
Personal Services	\$ 289,900	\$ 289,900	\$ 320,476	\$ 30,576
Other Current Expense	314,900	314,900	280,703	(34,197)
Capital Outlay	10,000	10,000	-	(10,000)
Total Aquatic Swim Center	<u>614,800</u>	<u>614,800</u>	<u>601,179</u>	<u>(13,621)</u>
Apple Valley Community Center:				
Personal Services	108,000	108,000	107,506	(494)
Other Current Expense	142,175	142,175	108,359	(33,816)
Capital Outlay	10,000	10,000	-	(10,000)
Total Apple Valley Community Center	<u>260,175</u>	<u>260,175</u>	<u>215,865</u>	<u>(44,310)</u>
Hayes Community and Senior Center:				
Personal Services	143,268	143,268	93,911	(49,357)
Other Current Expense	63,800	63,800	37,443	(26,357)
Capital Outlay	26,000	26,000	21,905	(4,095)
Total Hayes Community and Senior Center	<u>233,068</u>	<u>233,068</u>	<u>153,259</u>	<u>(79,809)</u>
Cable TV:				
Other Current Expense	36,055	36,055	7,972	(28,083)
Total Culture and Recreation	<u>4,863,800</u>	<u>4,863,800</u>	<u>4,547,302</u>	<u>(316,498)</u>
Total Expenditures	<u>25,712,437</u>	<u>24,373,071</u>	<u>22,348,715</u>	<u>(2,024,356)</u>
Excess of Revenues Over (Under) Expenditures	(1,335,000)	772,350	2,010,956	1,238,606
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Assets	-	-	36,127	36,127
Transfer to Special Revenue Fund	-	-	(12,818)	(12,818)
Transfer to Capital Project Fund	-	(1,661,250)	(2,448,250)	(787,000)
Transfer from Police Relief Fund	335,000	-	-	-
Transfer from Water/Sewer Fund	600,000	600,000	970,000	370,000
Transfer from Liquor Fund	400,000	400,000	440,000	40,000
Total Other Financing Sources (Uses)	<u>1,335,000</u>	<u>(661,250)</u>	<u>(1,014,941)</u>	<u>(353,691)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ 111,100</u>	996,015	<u>\$ 884,915</u>
FUND BALANCES:				
Beginning of Year			11,225,708	
End of Year			<u>\$ 12,221,723</u>	

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

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009**

	Debt Service				
	1998/2008 Improvement Bonds (3195)	2001/2008B Refunding Improvement Bonds (3285)	G.O. Refunding Bonds of 2002 (3300)	2003/2009A Refunding Improvement Bonds (3305)	
ASSETS:					
Cash and Investments	\$ 1,497,320	\$ -	\$ -	\$ -	\$ 1,742,032
Cash with Fiscal Agent	-	-	-	2,794,918	-
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	161,726	60,377	-	-	75,116
Delinquent	3,324	63,235	-	-	85,277
Deferred	689,878	973,624	-	-	554,023
Accounts Receivable	-	-	-	-	-
Interest Receivable	-	-	-	3,209	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	\$ 2,352,248	\$ 1,097,236	\$ -	\$ 2,798,127	\$ 2,456,448
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	1,124,131	50,932	539,122	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	854,928	1,097,236	-	-	714,416
Total Liabilities	854,928	2,221,367	50,932	539,122	714,416
Fund Balances:					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	1,497,320	(1,124,131)	(50,932)	2,259,005	1,742,032
Capital Projects - Undesignated	-	-	-	-	-
Total Fund Balances	1,497,320	(1,124,131)	(50,932)	2,259,005	1,742,032
Total Liabilities and Fund Balances	\$ 2,352,248	\$ 1,097,236	\$ -	\$ 2,798,127	\$ 2,456,448

Debt Service

G.O. Equipment Certificates of 2003 (3310)	G.O. Equipment Certificates of 2004 (3315)	G.O. Equipment Certificates of 2005 (3325)	G.O. Equipment Certificates of 2006 (3335)	Economic Development (3215)	Tax Increment Downtown Redevelopment (3260)	Taxable Tax Increment Bonds of 2003 (3270)
\$ 32,201	\$ 5,669	\$ 24,697	\$ 36,651	\$ 95,262	\$ 1,870,534	\$ 1,428,724
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	110,043
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 32,201</u>	<u>\$ 5,669</u>	<u>\$ 24,697</u>	<u>\$ 36,651</u>	<u>\$ 95,262</u>	<u>\$ 1,870,534</u>	<u>\$ 1,538,767</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,667	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	5,636	-
-	-	-	-	-	-	-
-	-	-	-	1,667	5,636	-
-	-	-	-	-	-	-
32,201	5,669	24,697	36,651	93,595	1,864,898	1,538,767
<u>32,201</u>	<u>5,669</u>	<u>24,697</u>	<u>36,651</u>	<u>93,595</u>	<u>1,864,898</u>	<u>1,538,767</u>
<u>\$ 32,201</u>	<u>\$ 5,669</u>	<u>\$ 24,697</u>	<u>\$ 36,651</u>	<u>\$ 95,262</u>	<u>\$ 1,870,534</u>	<u>\$ 1,538,767</u>

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

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009**

	Debt Service				
	Taxable Tax Increment Bonds of 1985-1992A Refunding (3220)	Tax Increment Fischer Marketplace (3275)	G.O. Park Bond of 2007 (3345)	G.O. Park Bond of 2008 (3355)	Total
ASSETS:					
Cash and Investments	\$ 1,666,329	\$ 2,906,906	\$ 16,581	\$ 127,173	\$ 15,259,058
Cash with Fiscal Agent	-	-	-	-	2,794,918
Taxes Receivable - Delinquent	-	27,231	-	-	27,231
Special Assessments Receivable:					
Current	-	-	-	-	313,941
Delinquent	-	-	-	-	181,199
Deferred	-	-	-	-	2,269,117
Accounts Receivable	-	-	-	-	110,043
Interest Receivable	-	-	-	-	3,209
Due from Other Funds	-	-	-	-	240,000
Due from Other Governments	-	-	-	-	-
Total Assets	\$ 1,666,329	\$ 2,934,137	\$ 16,581	\$ 127,173	\$ 21,198,716
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	1,667	1,666	-	-	5,000
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	3,506,421
Due to Other Governments	-	-	-	-	5,636
Deferred Revenue	-	27,231	-	-	2,791,488
Total Liabilities	1,667	28,897	-	-	6,308,545
Fund Balances:					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	1,664,662	2,905,240	16,581	127,173	14,890,171
Capital Projects - Undesignated	-	-	-	-	-
Total Fund Balances	1,664,662	2,905,240	16,581	127,173	14,890,171
Total Liabilities and Fund Balances	\$ 1,666,329	\$ 2,934,137	\$ 16,581	\$ 127,173	\$ 21,198,716

Capital Projects

Equipment Certificates (2005)	Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)	Police 911 (2065)	Tree Preservation Escrow (2070)	Pond Escrow (2075)	Pathways and Sidewalks Escrow (2080)
\$ -	\$ 1,097,681	\$ -	\$ 94,636	\$ 339,959	\$ 350,996	\$ 218,547	\$ 190,967
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	32,672	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,097,681</u>	<u>\$ 32,672</u>	<u>\$ 94,636</u>	<u>\$ 339,959</u>	<u>\$ 350,996</u>	<u>\$ 218,547</u>	<u>\$ 190,967</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	14,222	3,701	-	1,419	-	-
-	-	-	-	-	-	-	-
319,792	-	15,096	-	-	-	-	-
-	-	-	67	-	-	-	-
-	-	-	-	-	-	-	-
<u>319,792</u>	<u>-</u>	<u>29,318</u>	<u>3,768</u>	<u>-</u>	<u>1,419</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(319,792)	1,097,681	3,354	90,868	339,959	349,577	218,547	190,967
<u>(319,792)</u>	<u>1,097,681</u>	<u>3,354</u>	<u>90,868</u>	<u>339,959</u>	<u>349,577</u>	<u>218,547</u>	<u>190,967</u>
<u>\$ -</u>	<u>\$ 1,097,681</u>	<u>\$ 32,672</u>	<u>\$ 94,636</u>	<u>\$ 339,959</u>	<u>\$ 350,996</u>	<u>\$ 218,547</u>	<u>\$ 190,967</u>

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

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009**

	Capital Projects				
	Dodd Road Escrow (2085)	Dakota Technical Building Escrow (2090)	EDA Operations (3210)	Capital Building (4000)	Park Improvement Development (4010)
ASSETS:					
Cash and Investments	\$ 212,353	\$ 472,639	\$ 774,558	\$ 416,898	\$ 1,500
Cash with Fiscal Agent	-	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	-	-	100,000	-	-
Interest Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	\$ 212,353	\$ 472,639	\$ 874,558	\$ 416,898	\$ 1,500
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Contracts Payable	-	-	-	45,899	-
Due to Other Funds	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	-	-	-	45,899	-
Fund Balances:					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	-	-	-	-	-
Capital Projects - Undesignated	212,353	472,639	874,558	370,999	1,500
Total Fund Balances	212,353	472,639	874,558	370,999	1,500
Total Liabilities and Fund Balances	\$ 212,353	\$ 472,639	\$ 874,558	\$ 416,898	\$ 1,500

Capital Projects

Dakota County Construction Projects (4030)	C.I.P. Development (4045)	1996 Improvement Construction (4140)	1999 Improvement Construction (4225)	2000 Improvement Construction (4245)	2008 Construction Projects (4400)	Engineer Developer Review Nonreimbursable (4600)
\$ -	\$ 235,223	\$ 10,347	\$ -	\$ -	\$ 83,063	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	4,886	8,588	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 235,223</u>	<u>\$ 10,347</u>	<u>\$ -</u>	<u>\$ 4,886</u>	<u>\$ 91,651</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,732	-	10,347	59	18,095	17,178	14,834
-	-	-	-	-	-	-
67,684	-	-	69,746	241,865	-	71
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>87,416</u>	<u>-</u>	<u>10,347</u>	<u>69,805</u>	<u>259,960</u>	<u>17,178</u>	<u>14,905</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(87,416)	235,223	-	(69,805)	(255,074)	74,473	(14,905)
<u>(87,416)</u>	<u>235,223</u>	<u>-</u>	<u>(69,805)</u>	<u>(255,074)</u>	<u>74,473</u>	<u>(14,905)</u>
<u>\$ -</u>	<u>\$ 235,223</u>	<u>\$ 10,347</u>	<u>\$ -</u>	<u>\$ 4,886</u>	<u>\$ 91,651</u>	<u>\$ -</u>

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

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009**

	Capital Projects				
	Cable Capital Equipment (4800)	Physical Improvement (4900)	Future Improvements (4910)	Private Development (4920)	Construction Projects (4500)
ASSETS:					
Cash and Investments	\$ 54,926	\$ 147,834	\$ 664,970	\$ 117,251	\$ 13,255
Cash with Fiscal Agent	-	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	-	248	-	-	-
Interest Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Total Assets	<u>\$ 54,926</u>	<u>\$ 148,082</u>	<u>\$ 664,970</u>	<u>\$ 117,251</u>	<u>\$ 13,255</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	30,122	-	-	15,269
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>30,122</u>	<u>-</u>	<u>-</u>	<u>15,269</u>
Fund Balances:					
Unreserved, Reported in:					
Special Revenue - Undesignated	-	-	-	-	-
Debt Service - Undesignated	-	-	-	-	-
Capital Projects - Undesignated	54,926	117,960	664,970	117,251	(2,014)
Total Fund Balances	<u>54,926</u>	<u>117,960</u>	<u>664,970</u>	<u>117,251</u>	<u>(2,014)</u>
Total Liabilities and Fund Balances	<u>\$ 54,926</u>	<u>\$ 148,082</u>	<u>\$ 664,970</u>	<u>\$ 117,251</u>	<u>\$ 13,255</u>

Capital Projects

2003 Improvement Construction (4300)	Fire Grants Project (7600)	Total	Total Nonmajor Governmental Funds
\$ -	\$ 29,899	\$ 5,527,502	\$ 21,117,115
-	-	-	2,794,918
-	-	-	27,231
-	-	-	313,941
-	-	-	181,199
-	-	-	2,269,117
11,621	-	125,343	256,748
-	-	-	3,209
-	-	-	240,000
-	-	32,672	37,095
<u>\$ 11,621</u>	<u>\$ 29,899</u>	<u>\$ 5,685,517</u>	<u>\$ 27,240,573</u>
\$ -	\$ -	\$ -	\$ 5,001
127,476	720	273,174	287,008
286,969	-	332,868	332,868
1,753,766	-	2,468,020	5,974,441
-	-	67	5,744
-	-	-	2,791,488
<u>2,168,211</u>	<u>720</u>	<u>3,074,129</u>	<u>9,396,550</u>
-	-	-	342,464
-	-	-	14,890,171
(2,156,590)	29,179	2,611,388	2,611,388
<u>(2,156,590)</u>	<u>29,179</u>	<u>2,611,388</u>	<u>17,844,023</u>
<u>\$ 11,621</u>	<u>\$ 29,899</u>	<u>\$ 5,685,517</u>	<u>\$ 27,240,573</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, 2009

	Special Revenue				Total
	Cable TV (2010)	Solid Waste Grant (2040)	Police Crime (2060)	Lodging Tax (7000)	
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Other Taxes	-	-	-	56,300	56,300
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Franchise Fees	82,401	-	-	-	82,401
Miscellaneous:					
Investment Income	3,010	1,269	1,668	-	5,947
Rentals	-	-	-	-	-
Refunds and Reimbursements	90,704	-	719	-	91,423
Contributions and Donations	-	-	-	-	-
Administrative Fees	-	-	-	-	-
Other	300	5,923	883	-	7,106
Total Revenues	176,415	7,192	3,270	56,300	243,177
EXPENDITURES:					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	59,318	-	59,318
Public Works	-	6,259	-	-	6,259
Park and Recreation	169,556	-	-	50,164	219,720
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay:					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	1,888	-	-	-	1,888
Total Expenditures	171,444	6,259	59,318	50,164	287,185
Excess of Revenues Over (Under) Expenditures	4,971	933	(56,048)	6,136	(44,008)
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	-	-	12,182	-	12,182
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	12,818	-	-	-	12,818
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	12,818	-	12,182	-	25,000
Net Change in Fund Balances	17,789	933	(43,866)	6,136	(19,008)
FUND BALANCES:					
Beginning of Year	145,795	56,507	96,021	63,149	361,472
End of Year	\$ 163,584	\$ 57,440	\$ 52,155	\$ 69,285	\$ 342,464

Debt Service

1997 Park Bonds (3060)	Cemetery Bonds of 1997 (3065)	G.O. Closed Bond Issues (3075)	Refunding Bonds of 1993 (3155)	Improvement Bonds of 2003 (3165)	Improvement Bonds of 1997 (3185)	State Aid Street Bonds of 2004 (3190)	1998/2008 Improvement Bonds (3195)
\$ 860,000	\$ 71,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	53,044	6,283	6,473	-	246,000
-	-	-	-	-	-	135,000	-
-	-	-	-	-	-	-	-
5,397	896	48,923	13,877	-	-	9,061	43,044
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	15,550	-	-	-	-
-	-	-	-	-	-	-	-
<u>865,397</u>	<u>71,896</u>	<u>48,923</u>	<u>82,471</u>	<u>6,283</u>	<u>6,473</u>	<u>144,061</u>	<u>289,044</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
590,000	45,000	-	220,000	75,000	360,000	105,000	625,000
243,188	18,535	-	15,550	2,250	29,000	11,513	144,135
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>833,188</u>	<u>63,535</u>	<u>-</u>	<u>235,550</u>	<u>77,250</u>	<u>389,000</u>	<u>116,513</u>	<u>769,135</u>
32,209	8,361	48,923	(153,079)	(70,967)	(382,527)	27,548	(480,091)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>32,209</u>	<u>8,361</u>	<u>48,923</u>	<u>(153,079)</u>	<u>(70,967)</u>	<u>(382,527)</u>	<u>27,548</u>	<u>(480,091)</u>
141,073	31,117	2,203,025	1,300,118	(65,737)	(1,273,005)	409,684	1,977,411
<u>\$ 173,282</u>	<u>\$ 39,478</u>	<u>\$ 2,251,948</u>	<u>\$ 1,147,039</u>	<u>\$ (136,704)</u>	<u>\$ (1,655,532)</u>	<u>\$ 437,232</u>	<u>\$ 1,497,320</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, 2009

	Debt Service				
	2001/2008B Refunding Improvement Bonds (3285)	G.O. Refunding Bonds of 2002 (3300)	2003/2009A Refunding Improvement Bonds (3305)	Improvement Bonds of 2004 (3320)	G.O. Equipment Certificates of 2003 (3310)
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Other Taxes	-	-	-	-	-
Special Assessments	81,081	-	-	570,082	-
Intergovernmental	-	-	900,518	-	-
Franchise Fees	-	-	-	-	-
Miscellaneous:					
Investment Income	21,090	-	30,947	32,317	700
Rentals	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Administrative Fees	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>102,171</u>	<u>-</u>	<u>931,465</u>	<u>602,399</u>	<u>700</u>
EXPENDITURES:					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Debt Service:					
Principal	400,000	25,000	400,000	250,000	-
Interest and Other Charges	207,906	850	211,817	100,525	-
Capital Outlay:					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>607,906</u>	<u>25,850</u>	<u>611,817</u>	<u>350,525</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(505,735)	(25,850)	319,648	251,874	700
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	2,775,000	-	-
Bond Premium	-	-	61,795	-	-
Payment of Refunded Debt	(2,400,000)	-	-	-	-
Transfers In	1,160,126	-	-	200,908	-
Transfers Out	(1,247)	-	-	(102,698)	-
Total Other Financing Sources (Uses)	<u>(1,241,121)</u>	<u>-</u>	<u>2,836,795</u>	<u>98,210</u>	<u>-</u>
Net Change in Fund Balances	(1,746,856)	(25,850)	3,156,443	350,084	700
FUND BALANCES:					
Beginning of Year	<u>622,725</u>	<u>(25,082)</u>	<u>(897,438)</u>	<u>1,391,948</u>	<u>31,501</u>
End of Year	<u>\$ (1,124,131)</u>	<u>\$ (50,932)</u>	<u>\$ 2,259,005</u>	<u>\$ 1,742,032</u>	<u>\$ 32,201</u>

Debt Service

G.O. Equipment Certificates of 2004 (3315)	G.O. Equipment Certificates of 2005 (3325)	G.O. Equipment Certificates of 2006 (3335)	Economic Development (3215)	Tax Increment Downtown Redevelopment (3260)	Taxable Tax Increment Bonds of 2003 (3270)	Taxable Tax Increment Bonds of 1985-1992A Refunding (3220)
\$ -	\$ 112,500	\$ 123,000	\$ -	\$ -	\$ -	\$ -
-	-	-	-	617,924	-	267,853
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	474,125	-
123	901	1,057	2,131	33,826	30,650	31,998
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>123</u>	<u>113,401</u>	<u>124,057</u>	<u>2,131</u>	<u>651,750</u>	<u>504,775</u>	<u>299,851</u>
-	-	-	1,667	294,613	-	2,295
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	105,000	90,000	-	-	180,000	-
-	3,150	28,800	-	-	50,925	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>108,150</u>	<u>118,800</u>	<u>1,667</u>	<u>294,613</u>	<u>230,925</u>	<u>2,295</u>
123	5,251	5,257	464	357,137	273,850	297,556
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>123</u>	<u>5,251</u>	<u>5,257</u>	<u>464</u>	<u>357,137</u>	<u>273,850</u>	<u>297,556</u>
5,546	19,446	31,394	93,131	1,507,761	1,264,917	1,367,106
<u>\$ 5,669</u>	<u>\$ 24,697</u>	<u>\$ 36,651</u>	<u>\$ 93,595</u>	<u>\$ 1,864,898</u>	<u>\$ 1,538,767</u>	<u>\$ 1,664,662</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, 2009

	Debt Service			Capital Projects	
	Tax Increment Fischer Marketplace (3275)	G.O. Park Bond of 2007 (3345)	G.O. Park Bond of 2008 (3355)	Total	Equipment Certificates (2005)
REVENUES:					
Taxes	\$ -	\$ 335,000	\$ 325,000	\$ 1,826,500	\$ -
Tax Increments	1,299,985	-	-	2,185,762	-
Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	962,963	-
Intergovernmental	12,819	-	-	1,048,337	-
Franchise Fees	-	-	-	474,125	-
Miscellaneous:					
Investment Income	44,317	-	3,247	354,502	3,203
Rentals	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Administrative Fees	-	-	-	15,550	-
Other	-	-	-	-	-
Total Revenues	1,357,121	335,000	328,247	6,867,739	3,203
EXPENDITURES:					
Current:					
General Government	1,265,726	-	-	1,564,301	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	65,000	75,000	3,610,000	-
Interest and Other Charges	-	264,749	259,438	1,592,331	-
Capital Outlay:					
General Government	-	-	-	-	-
Public Works	-	-	-	-	622,454
Park and Recreation	-	-	-	-	-
Total Expenditures	1,265,726	329,749	334,438	6,766,632	622,454
Excess of Revenues Over (Under) Expenditures	91,395	5,251	(6,191)	101,107	(619,251)
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	2,775,000	-
Bond Premium	-	-	-	61,795	-
Payment of Refunded Debt	-	-	-	(2,400,000)	-
Transfers In	-	-	-	1,361,034	-
Transfers Out	-	-	-	(103,945)	-
Total Other Financing Sources (Uses)	-	-	-	1,693,884	-
Net Change in Fund Balances	91,395	5,251	(6,191)	1,794,991	(619,251)
FUND BALANCES:					
Beginning of Year	2,813,845	11,330	133,364	13,095,180	299,459
End of Year	\$ 2,905,240	\$ 16,581	\$ 127,173	\$ 14,890,171	\$ (319,792)

Capital Projects

Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)	Police 911 (2065)	Tree Preservation Escrow (2070)	Pond Escrow (2075)	Pathways and Sidewalks Escrow (2080)	Dodd Road Escrow (2085)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	32,672	-	-	-	-	-	-
-	-	-	-	-	-	-	-
23,750	-	2,145	7,386	7,771	4,748	4,149	4,613
-	-	-	-	-	-	-	-
-	-	11,509	-	-	-	-	-
-	-	6,050	-	-	-	-	-
-	-	-	-	-	-	-	-
16,269	-	5,582	-	-	-	-	-
<u>40,019</u>	<u>32,672</u>	<u>25,286</u>	<u>7,386</u>	<u>7,771</u>	<u>4,748</u>	<u>4,149</u>	<u>4,613</u>
-	-	-	-	-	-	-	-
-	-	11,995	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	8,668	-	-	-
-	-	-	-	-	-	-	-
-	29,318	-	-	-	-	-	-
-	-	-	-	-	-	-	-
17,000	-	-	-	-	-	-	-
<u>17,000</u>	<u>29,318</u>	<u>11,995</u>	<u>-</u>	<u>8,668</u>	<u>-</u>	<u>-</u>	<u>-</u>
23,019	3,354	13,291	7,386	(897)	4,748	4,149	4,613
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>23,019</u>	<u>3,354</u>	<u>13,291</u>	<u>7,386</u>	<u>(897)</u>	<u>4,748</u>	<u>4,149</u>	<u>4,613</u>
1,074,662	-	77,577	332,573	350,474	213,799	186,818	207,740
<u>\$ 1,097,681</u>	<u>\$ 3,354</u>	<u>\$ 90,868</u>	<u>\$ 339,959</u>	<u>\$ 349,577</u>	<u>\$ 218,547</u>	<u>\$ 190,967</u>	<u>\$ 212,353</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, 2009

	Capital Projects				
	Dakota Technical Building Escrow (2090)	EDA Operations (3210)	Capital Building (4000)	Park Improvement Development (4010)	Dakota County Construction Projects (4030)
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Miscellaneous:					
Investment Income	9,572	16,841	8,585	33	-
Rentals	73,333	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Administrative Fees	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>82,905</u>	<u>16,841</u>	<u>8,585</u>	<u>33</u>	<u>-</u>
EXPENDITURES:					
Current:					
General Government	21,007	2,750	-	-	69,882
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>21,007</u>	<u>2,750</u>	<u>-</u>	<u>-</u>	<u>69,882</u>
Excess of Revenues Over (Under) Expenditures	61,898	14,091	8,585	33	(69,882)
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
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	61,898	14,091	8,585	33	(69,882)
FUND BALANCES:					
Beginning of Year	<u>410,741</u>	<u>860,467</u>	<u>362,414</u>	<u>1,467</u>	<u>(17,534)</u>
End of Year	<u>\$ 472,639</u>	<u>\$ 874,558</u>	<u>\$ 370,999</u>	<u>\$ 1,500</u>	<u>\$ (87,416)</u>

Capital Projects

C.I.P. Development (4045)	1995 Improvement Construction (4115)	1996 Improvement Construction (4140)	1998 Improvement Construction (4195)	1999 Improvement Construction (4225)	2000 Improvement Construction (4245)	2008 Construction Projects (4400)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	556,834
-	-	-	-	-	-	-
5,110	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(10,692)	54,588
<u>5,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,692)</u>	<u>611,422</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	680,485
-	-	10,346	-	295	177,960	-
-	-	-	-	-	-	-
-	-	<u>10,346</u>	<u>-</u>	<u>295</u>	<u>177,960</u>	<u>680,485</u>
5,110	-	(10,346)	-	(295)	(188,652)	(69,063)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	458,153	17,830	88,066	674,899	-
-	(14,370)	(40,396)	(1,145,755)	-	(2,221,118)	-
-	<u>(14,370)</u>	<u>417,757</u>	<u>(1,127,925)</u>	<u>88,066</u>	<u>(1,546,219)</u>	<u>-</u>
5,110	(14,370)	407,411	(1,127,925)	87,771	(1,734,871)	(69,063)
<u>230,113</u>	<u>14,370</u>	<u>(407,411)</u>	<u>1,127,925</u>	<u>(157,576)</u>	<u>1,479,797</u>	<u>143,536</u>
<u>\$ 235,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,805)</u>	<u>\$ (255,074)</u>	<u>\$ 74,473</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, 2009

	Capital Projects				
	Engineer Developer Review Nonreimbursable (4600)	Cable Capital Equipment (4800)	Physical Improvement (4900)	Future Improvements (4910)	Private Development (4920)
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Miscellaneous:					
Investment Income	-	1,188	-	-	-
Rentals	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Administrative Fees	-	-	-	-	-
Other	1,800	488	(8,031)	-	-
Total Revenues	<u>1,800</u>	<u>1,676</u>	<u>(8,031)</u>	<u>-</u>	<u>-</u>
EXPENDITURES:					
Current:					
General Government	12,231	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	10,371	-	-
Park and Recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay:					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>12,231</u>	<u>-</u>	<u>10,371</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(10,431)	1,676	(18,402)	-	-
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
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	(10,431)	1,676	(18,402)	-	-
FUND BALANCES:					
Beginning of Year	<u>(4,474)</u>	<u>53,250</u>	<u>136,362</u>	<u>664,970</u>	<u>117,251</u>
End of Year	<u>\$ (14,905)</u>	<u>\$ 54,926</u>	<u>\$ 117,960</u>	<u>\$ 664,970</u>	<u>\$ 117,251</u>

Capital Projects

Construction Projects (4500)	2003 Improvement Construction (4300)	Fire Grants Project (7600)	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,826,500
-	-	-	-	2,185,762
-	-	-	-	56,300
-	-	-	-	962,963
-	-	100	589,606	1,637,943
-	-	-	-	556,526
-	(93,952)	643	5,785	366,234
-	-	-	73,333	73,333
-	-	-	11,509	102,932
-	-	1,100	7,150	7,150
-	-	-	-	15,550
3,300	53,164	-	116,468	123,574
<u>3,300</u>	<u>(40,788)</u>	<u>1,843</u>	<u>803,851</u>	<u>7,914,767</u>
-	-	-	105,870	1,670,171
-	-	720	12,715	72,033
-	-	-	10,371	16,630
-	-	-	8,668	228,388
-	-	-	-	3,610,000
-	-	-	-	1,592,331
-	-	-	709,803	709,803
5,314	1,204,949	-	2,021,318	2,021,318
-	-	-	17,000	18,888
<u>5,314</u>	<u>1,204,949</u>	<u>720</u>	<u>2,885,745</u>	<u>9,939,562</u>
(2,014)	(1,245,737)	1,123	(2,081,894)	(2,024,795)
-	-	-	-	12,182
-	-	-	-	2,775,000
-	-	-	-	61,795
-	-	-	-	(2,400,000)
-	7,999,736	-	9,238,684	10,612,536
-	(566,051)	-	(3,987,690)	(4,091,635)
-	<u>7,433,685</u>	<u>-</u>	<u>5,250,994</u>	<u>6,969,878</u>
(2,014)	6,187,948	1,123	3,169,100	4,945,083
-	(8,344,538)	28,056	(557,712)	12,898,940
<u>\$ (2,014)</u>	<u>\$ (2,156,590)</u>	<u>\$ 29,179</u>	<u>\$ 2,611,388</u>	<u>\$ 17,844,023</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
December 31, 2009

	<u>Insurance Trust</u> (7100)	<u>Risk Management</u> (7200)	<u>Total Internal Service Funds</u>
ASSETS:			
Current Assets:			
Cash and Investments (Including Cash Equivalents)	\$ 133,601	\$ 3,293,346	\$ 3,426,947
Due from Other Governments	-	198	198
Prepaid Expenses	-	123,220	123,220
Total Assets	<u><u>\$ 133,601</u></u>	<u><u>\$ 3,416,764</u></u>	<u><u>\$ 3,550,365</u></u>
LIABILITIES AND NET ASSETS:			
Current Liabilities:			
Accounts Payable	\$ -	\$ 8,411	\$ 8,411
Due to Other Governments	-	180	180
Current Compensated Absences Payable	-	1,276,037	1,276,037
Total Current Liabilities	<u>-</u>	<u>1,284,628</u>	<u>1,284,628</u>
Noncurrent Liabilities:			
Compensated Absences Payable	-	1,005,982	1,005,982
Total Liabilities	<u>-</u>	<u>2,290,610</u>	<u>2,290,610</u>
Net Assets:			
Unrestricted	<u>133,601</u>	<u>1,126,154</u>	<u>1,259,755</u>
Total Liabilities and Net Assets	<u><u>\$ 133,601</u></u>	<u><u>\$ 3,416,764</u></u>	<u><u>\$ 3,550,365</u></u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2009

	Insurance Trust (7100)	Risk Management (7200)	Total Internal Service Funds
OPERATING REVENUE:			
Charges for Services	<u>\$ 161,350</u>	<u>\$ 1,106,898</u>	<u>\$ 1,268,248</u>
OPERATING EXPENSES:			
Personal Services	151,613	465,133	616,746
Contractual Services	-	11,032	11,032
Other Charges	-	512,448	512,448
Total Operating Expenses	<u>151,613</u>	<u>988,613</u>	<u>1,140,226</u>
Operating Income	9,737	118,285	128,022
NONOPERATING REVENUE (EXPENSES):			
Investment Income	2,980	68,535	71,515
Operating Grants and Contributions	-	27,631	27,631
Total Nonoperating Revenue (Expenses)	<u>2,980</u>	<u>96,166</u>	<u>99,146</u>
Change in Net Assets	12,717	214,451	227,168
NET ASSETS:			
Beginning of Year	<u>120,884</u>	<u>911,703</u>	<u>1,032,587</u>
End of Year	<u>\$ 133,601</u>	<u>\$ 1,126,154</u>	<u>\$ 1,259,755</u>

CITY OF APPLE VALLEY
Dakota County, Minnesota

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2009

	Governmental Activities		
	Insurance Trust (7100)	Risk Management (7200)	Total Internal Service Funds
CASH FLOWS - OPERATING ACTIVITIES:			
Receipts from Customers	\$ 161,350	\$ 1,111,015	\$ 1,272,365
Payments to Suppliers	<u>(167,280)</u>	<u>(1,249,980)</u>	<u>(1,417,260)</u>
Net Cash Flows - Operating Activities	(5,930)	(138,965)	(144,895)
 CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:			
Operating Grants and Contributions	-	27,631	27,631
 CASH FLOWS - INVESTING ACTIVITIES:			
Interest and Dividends Received	<u>2,980</u>	<u>68,535</u>	<u>71,515</u>
Net Change in Cash and Cash Equivalents	(2,950)	(42,799)	(45,749)
 CASH AND CASH EQUIVALENTS:			
January 1	<u>136,551</u>	<u>3,336,145</u>	<u>3,472,696</u>
December 31	<u><u>\$ 133,601</u></u>	<u><u>\$ 3,293,346</u></u>	<u><u>\$ 3,426,947</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS - OPERATING ACTIVITIES:			
Operating Income	\$ 9,737	\$ 118,285	\$ 128,022
Adjustments to Reconcile Operating Income to Net Cash Flows - Operating Activities:			
Accounts Receivable	-	4,315	4,315
Due from Other Governments	-	(198)	(198)
Prepaid Items	-	(123,220)	(123,220)
Accounts Payable	(15,667)	(12,185)	(27,852)
Due to Other Governments	-	(249)	(249)
Compensated Absences Payable	-	(125,713)	(125,713)
Total Adjustments	<u>(15,667)</u>	<u>(257,250)</u>	<u>(272,917)</u>
Net Cash Flows - Operating Activities	<u><u>\$ (5,930)</u></u>	<u><u>\$ (138,965)</u></u>	<u><u>\$ (144,895)</u></u>