



COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



City of Apple Valley
Minnesota
Year Ended December 31, 2014

CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

Comprehensive Annual Financial Report
for the Year Ended
December 31, 2014

Prepared by
Finance Department

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

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CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

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INTRODUCTORY SECTION

CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

Elected Officials and Administration
December 31, 2014

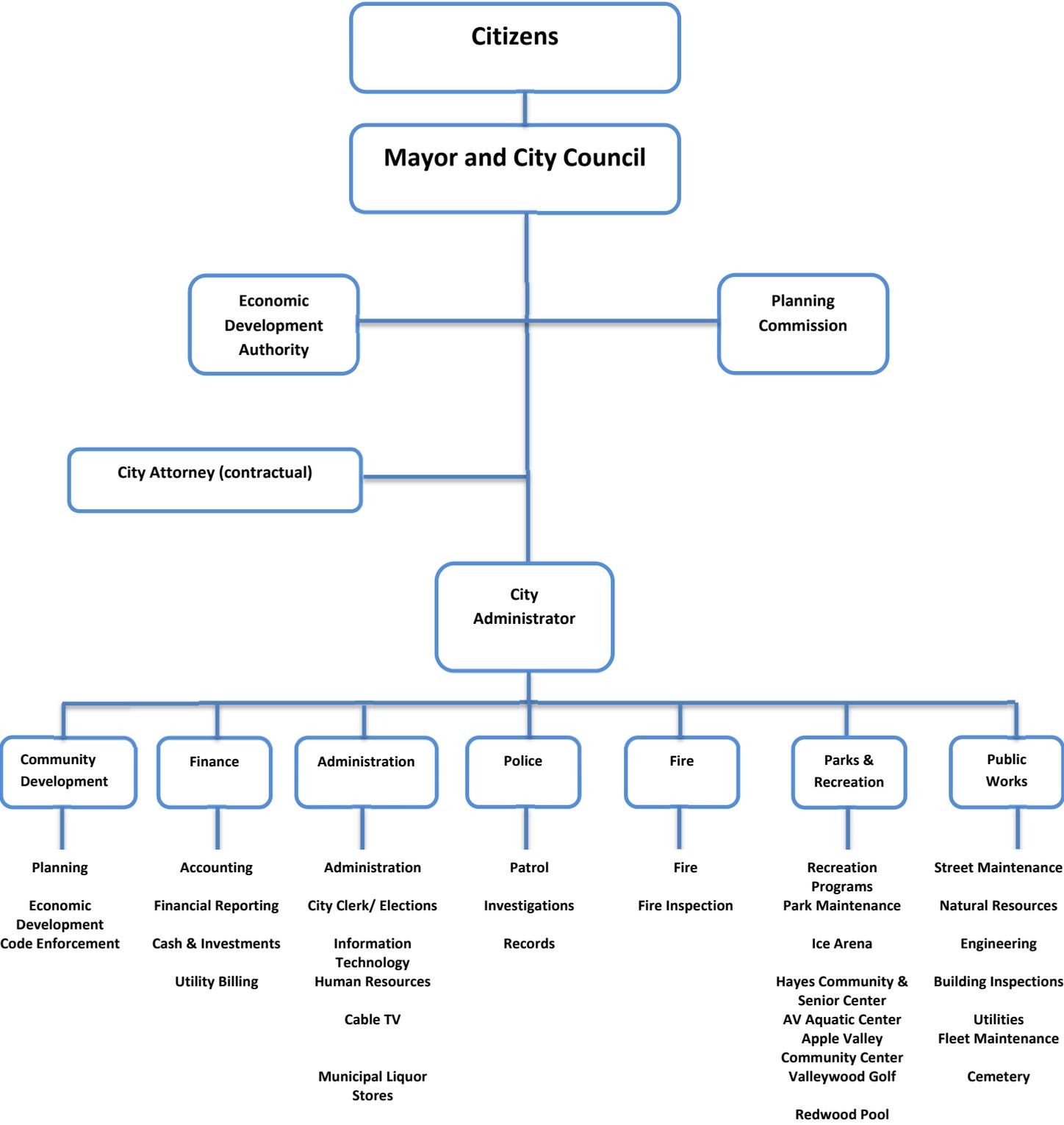
ELECTED OFFICIALS

		<u>Term Expires</u>
Mary Hamann-Roland	Mayor	December 31, 2018
John Bergman	Councilmember	December 31, 2018
Thomas Goodwin	Councilmember	December 31, 2016
Ruth Grendahl	Councilmember	December 31, 2016
Clint Hooppaw	Councilmember	December 31, 2018

ADMINISTRATION

M. Thomas Lawell	City Administrator
Pamela Gackstetter	City Clerk
Ronald Hedberg	Finance Director/Treasurer
Todd Blomstrom	Public Works Director
Jon Rechtzigel	Police Chief
Nealon Thompson	Fire Chief
Bruce Nordquist	Community Development Director
Barry Bernstein	Parks and Recreation Director
Cathy Broughten	Assistant Finance Director
Charles Grawe	Assistant City Administrator
Melissa Haas	Human Resource Manager
Colin Manson	City Engineer
Carol Blommel Johnson	Public Works Superintendent

Organizational Structure City of Apple Valley



June 29, 2015

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

The comprehensive annual financial report (CAFR) of the City of Apple Valley, Minnesota (the City), for the year ended December 31, 2014, is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board and meets the requirements of the State Auditor's Office.

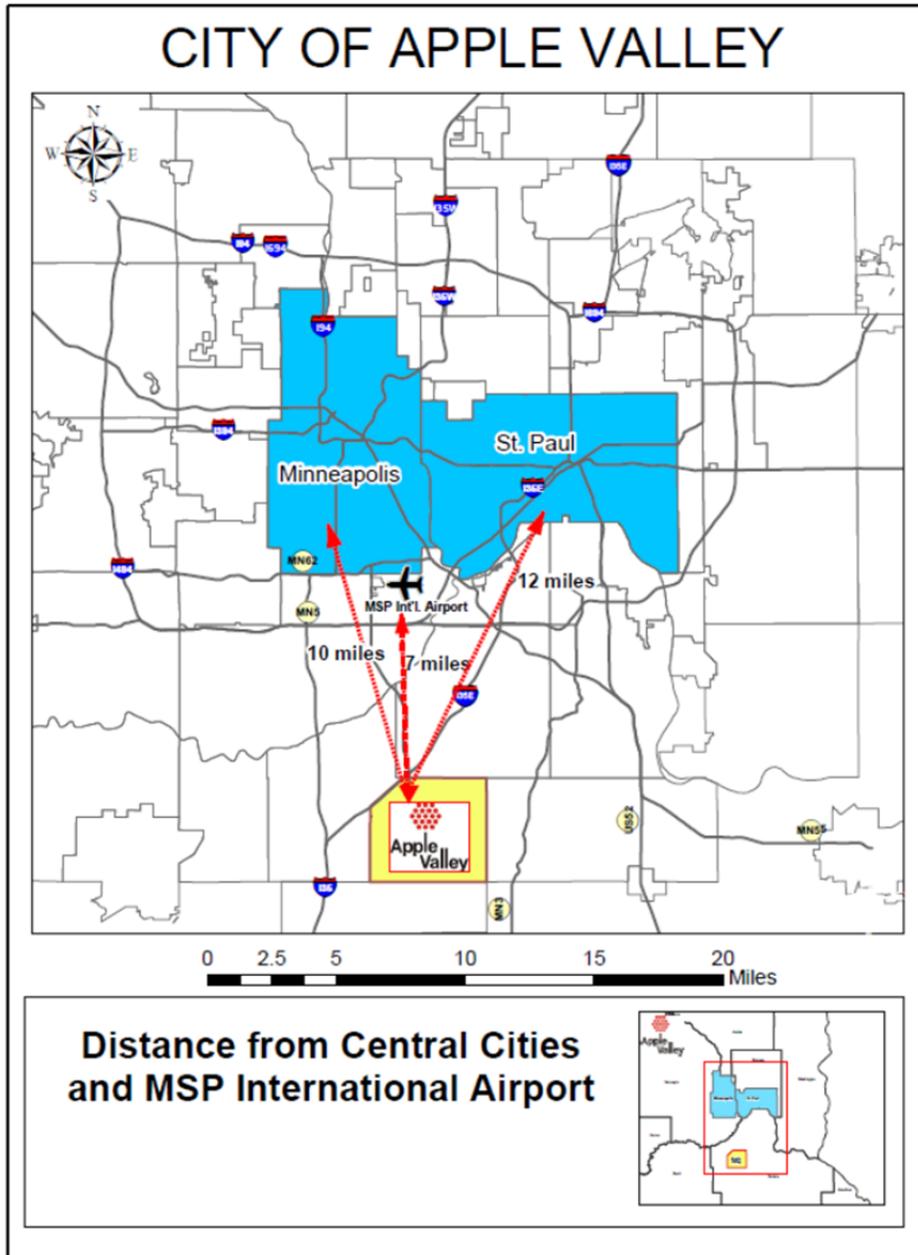
The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented within this report. To provide a reasonable basis for making these representations, management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

The City's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates used by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements, for the year ended December 31, 2014, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented in the financial section of this report.

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

Profile of the City of Apple Valley

The City was incorporated as a village on January 1, 1969 and incorporated as a city on January 1, 1974. The City is a suburban community located 17 miles south of downtown Minneapolis within Dakota County, and has a convenient location with a comprehensive system of highways – Interstate 35E serves the northwest boundary of the City, while State Highway 77 runs north and south through the City. The City is seven miles from the Minneapolis-St. Paul International Airport within the seven-county Twin Cities metropolitan region, has a land area of 17.5 square miles, and serves a community with a current population of 50,330.



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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

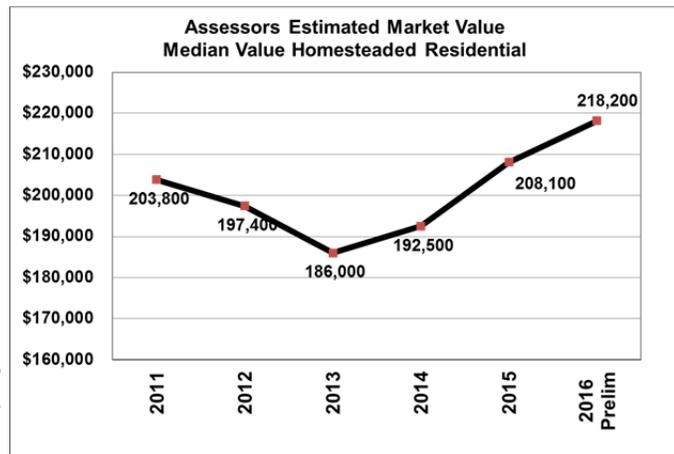
The sluggish economic conditions that have persisted since 2008 appear to have improved for the City, its residents, and its businesses. The City's unemployment rate as of December 2014, for example, is 2.6 percent, compared to the state of Minnesota's rate of 3.6 percent and the national unemployment rate of 5.4 percent.

Unemployment Rate:	Dec. 2014	Dec. 2012
City of Apple Valley	2.6%	4.2%
Dakota County	3.1%	4.7%
State of Minnesota	3.6%	5.2%
National	5.4%	7.6%

(Source: MN Dept. of Economic Development)

Housing Values

Home values in the City are continuing a positive trend reflecting the recovery of the housing market. Like many areas of the state and country, housing values have trended downward in recent years. The assessor's estimated market for residential market values increased on the median valued home approximately 3.5 percent for 2014. Assessor values for 2015 and 2016 continue this positive trend.



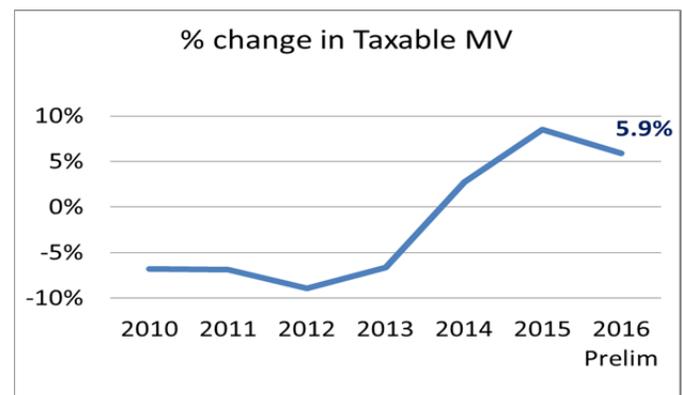
Increase (Decline) in Median Value Home:	
2011	(6.4%)
2012	(3.1%)
2013	(5.8%)
2014	3.5%
2015	8.1%
2016 (Preliminary)	4.9%

The population of the City has increased from 585 in 1960 to 49,084 according to the 2010 census and is estimated at 50,330 for 2014. Most of the population of the City concentrates in two age groups: 45–54 years and 5–14 years at 17.0 percent and 14.2 percent, respectively. According to the 2010 census, the average age is 32 years and the median family income was \$65,825. The most recent estimate of the median family income from the US Census Bureau is \$96,271 for 2013.

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

Market Value Growth

For the past two years and for 2015 and 2016, the City has been adding a new tax base which previously was at or near historic low levels. In 2014, a total of \$19.2 million of market value was added to the City's tax base and which current data indicates is continuing. Conditions have improved in total market value to \$3.9 billion for 2014 due to recovery in existing property values. Conditions continue to improve for the future with preliminary County Assessor data for payable 2016 showing a 4.9 percent increase in the median value home and an increase of 5.9 percent in total city-wide taxable market value to \$4.5 billion. The City's economy, like similar communities, is recovering from the downturn in its property valuations. This recovery is fueled by underlying housing and commercial values and new construction.



Major Initiatives

The City Council initiated the expansion of the water treatment plant in 2012. This expansion, once complete and operational in 2015, will provide adequate supply for the projected full growth of the City. The total amount of the project is approximately \$14 million.

In 2014, investment continued in the City as new businesses opened and new developments were approved. What follows is a sample of some of the development projects that were reviewed, approved, began construction, or were completed in 2014, as well as some of the long-range planning and economic development initiatives that will help maintain the City's high quality of life.

Residential Development

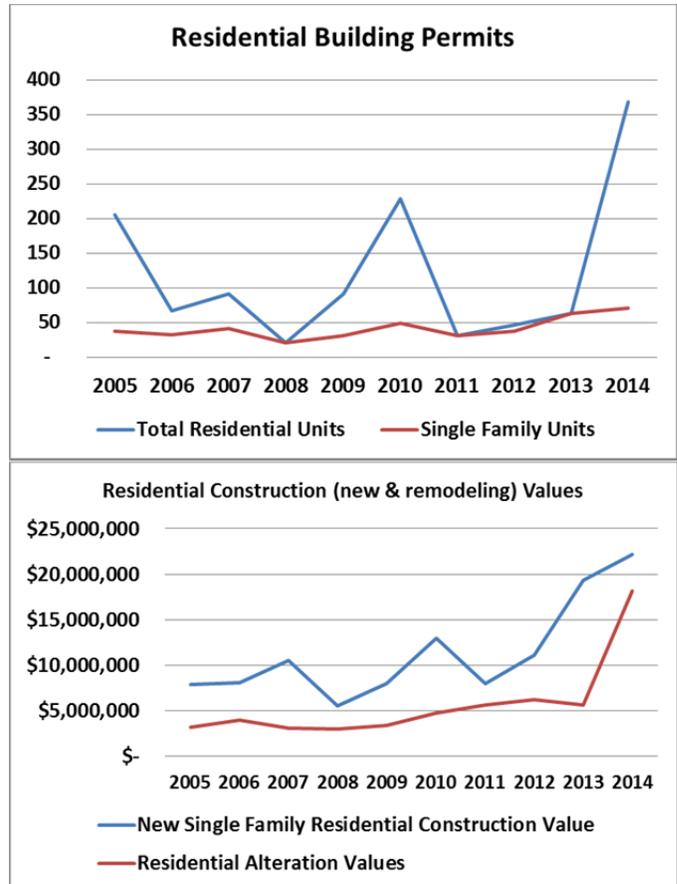
Over the past 10 years, single-family construction has averaged 41 units per year, and 2014 saw 71 single-family units constructed. Multi-family construction shows strong activity for 2014 with 297 apartment units permitted in 2014 with occupancy in 2015.

While the construction of new single-family homes has increased for 2014, the valuation added by remodeling and renovations is being maintained at a high level. This reflects homeowners' continued interest in investing in their properties.

Four different residential subdivisions were approved in 2014, providing for 200 single-family lots.

The first phase of Parkside Village, a 322-unit market rate, multi-family development, was approved in 2012. Construction of the first phase, including 196 units, began in August 2014 with occupancy scheduled for 2015.

The first phase of the Remington Cove Apartments began construction of 101 units in 2014 with occupancy scheduled for 2015.



Commercial Development

Commercial and industrial development continued to improve in 2014 with total improvement values, including commercial alterations, totaling \$17.9 million in 2014.

New commercial construction projects included an additional 125,000 square feet in the Apple Valley Business Campus, approved and started in 2014. Other new construction includes the construction of a 9,000 square foot real estate office in the Cobblestone neighborhood. In spring 2015, Uponsor North America announced plans to expand its manufacturing facility. Uponsor will invest \$18 million and expand the plant by 88,000 square feet to accommodate additional manufacturing and office space.



Institutional Development

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

Infrastructure Improvements

The City is committed to maintaining its significant investment in the community's infrastructure with the implementation of an aggressive street maintenance program in 2012. In 2014, over \$6 million was invested to maintain the infrastructure and included the following significant projects:

- Reconstruction of 132nd Street
- Reconstruction of Whitney Drive from Pennock to Cedar Avenue
- Reconstruction of the Garret/Glazier Avenue Loop
- Additional resurfacing of streets throughout the community

Long-Term Financial Planning

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

One of the larger improvements included in the CIP includes the expansion of the City's water treatment plant. In 2014, the City continued its progress on the expansion of the water treatment facility to expand capacity to meet ultimate demands of the utility customers once fully developed. Construction started in 2012 and will be completed and placed in service in 2015. The total cost of the treatment plant expansion is estimated at \$14 million and was financed by cash on hand in the Utility Fund of \$5.2 million, along with \$8.8 million long-term water utility revenue bonds.

Relevant Financial Policies

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

Cash temporarily idle during the year was invested in U.S. government agency obligations, municipal securities, certificates of deposit, and money market instruments. The City's investment policy calls for the investment of public funds in a manner that will provide the highest investment return with minimum risk while meeting the daily cash flow demands of the City. For investments held at December 31, 2014, the effective duration of the investment portfolio was 2.9 years. The City's average return on investments in 2014 was 3.4 percent.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the City a Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the fiscal year-end December 31, 2013. This is the second year that the City achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government has to publish an easily readable and efficiently organized CAFR that satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another award.

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

Respectfully Submitted,

CITY OF APPLE VALLEY, MINNESOTA

A handwritten signature in black ink, appearing to read "Ronald Hedberg". The signature is fluid and cursive, written over a light blue horizontal line.

Ronald Hedberg
Finance Director



Government Finance Officers Association

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

Presented to

**City of Apple Valley
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

FINANCIAL SECTION



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Apple Valley, Minnesota (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City at December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

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

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

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

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
June 29, 2015

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CITY OF APPLE VALLEY

Management's Discussion and Analysis Year Ended December 31, 2014

As management of the City of Apple Valley, Minnesota (the City), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, located earlier in this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$265,128,573 (*net position*). Of this amount, \$51,055,380 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors; \$15,582,209 is restricted for specific purposes (*restricted net position*); and \$198,490,984 represents the net investment in capital assets.
- The City's total net position increased by \$5,385,207. The governmental activities net position increased by \$1,907,568 due primarily to capital grants and contributions, increases in charges for services, retirement of debt, and decreases in expenses. Business-type activities had an increase of \$3,477,639 in net position due to an increase in charges for services and capital grants related to the installation of utilities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$53,434,502, an increase of \$1,588,008. Restricted fund balances increased from \$20,966,147 to \$21,772,784, an increase of \$806,637, which represents increases in the debt service and capital projects funds from the collections of special assessments. The unassigned fund balances decreased \$760,095 to \$3,508,818. Assigned fund balances increased \$1,302,447 to \$27,669,036.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14,617,170, or 50.6 percent, of total General Fund expenditures based on 2015 budgeted expenditure levels, including transfers.
- The City's long-term liabilities increased by \$5,635,762, or 12.4 percent, during the current fiscal year and is attributable to a combination of debt retirement and the issuance of \$9,510,000 of general obligation bonds. Please see further details of long-term debt in Note 5 of the notes to basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The *Statement of Net Position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows as applicable with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by property 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 parks and recreation. The business-type activities of the City include municipal liquor, municipal golf course, sports arena, water and sewer, storm drainage, cemetery, and street light utility.

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

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 the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Closed Bond Issues Debt Service Fund, 2001/2008B Refunding Improvement Bonds Debt Service Fund, Construction Projects Capital Projects Fund, Road Improvements Capital Projects Fund, and Future Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. 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, Road Improvement Capital Projects Fund, Future Capital Projects Fund, Cable TV Special Revenue Fund, EDA Operations Special Revenue Fund, and Equipment Certificate Capital Projects Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

Proprietary Funds – The City maintains two different 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, cemetery, and street light utility operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its insurance, compensated absences, and vehicle and equipment replacement. Because these services predominantly 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 fund financial statements provide separate information for the municipal liquor, municipal golf course, sports arena, water and sewer, storm drainage, cemetery, and street light utility operations, all of which are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding the Post-Employment Benefits Plan and Firefighters' Relief Association. The basic financial statements also present the combining and individual fund statements and schedules (presented as supplementary information) referred to earlier in connection with nonmajor governmental funds and internal service funds, which are presented immediately following the basic financial statements.

Further, a statistical section has been included as part of the comprehensive annual financial report (CAFR) to facilitate additional analysis, and is the third and final section of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$265,128,573 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment, distribution system, and infrastructure) 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 investments in its capital assets are 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 Position

Table 1
Summary of Net Position
as of December 31, 2014 and 2013

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 67,578,084	\$ 72,053,871	\$ 20,231,520	\$ 18,130,927	\$ 87,809,604	\$ 90,184,798
Capital assets, net	102,173,367	97,379,541	131,510,684	122,747,657	233,684,051	220,127,198
Total assets	\$ 169,751,451	\$ 169,433,412	\$ 151,742,204	\$ 140,878,584	\$ 321,493,655	\$ 310,311,996
Liabilities						
Other liabilities	\$ 3,101,333	\$ 2,158,023	\$ 2,312,063	\$ 3,094,683	\$ 5,413,396	\$ 5,252,706
Noncurrent liabilities	36,941,895	39,474,734	14,009,791	5,841,190	50,951,686	45,315,924
Total liabilities	\$ 40,043,228	\$ 41,632,757	\$ 16,321,854	\$ 8,935,873	\$ 56,365,082	\$ 50,568,630
Net position						
Net investment in capital assets	\$ 78,398,734	\$ 70,526,658	\$ 120,092,250	\$ 118,410,631	\$ 198,490,984	\$ 188,937,289
Restricted	15,253,042	18,619,396	329,167	303,823	15,582,209	18,923,219
Unrestricted	36,056,447	38,654,601	14,998,933	13,228,257	51,055,380	51,882,858
Total net position	\$ 129,708,223	\$ 127,800,655	\$ 135,420,350	\$ 131,942,711	\$ 265,128,573	\$ 259,743,366
Total liabilities and net position	\$ 169,751,451	\$ 169,433,412	\$ 151,742,204	\$ 140,878,584	\$ 321,493,655	\$ 310,311,996

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$51,055,380 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. There was an increase in net position in the governmental activities and business-type activities of \$1,907,568 and \$3,477,639, respectively, for a total increase of \$5,385,207 in net position.

City of Apple Valley's Changes in Net Position

Table 2
Change in Net Position
for the Years Ended December 31, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 6,402,520	\$ 5,028,282	\$ 22,377,678	\$ 22,242,843	\$ 28,780,198	\$ 27,271,125
Operating grants and contributions	837,763	900,223	-	80,707	837,763	980,930
Capital grants and contributions	1,897,081	3,250,152	1,612,392	1,497,501	3,509,473	4,747,653
General revenues						
Property taxes	23,626,279	22,639,147	121,000	121,000	23,747,279	22,760,147
Other taxes	193,018	169,413	-	-	193,018	169,413
Franchise taxes	1,272,428	1,262,393	-	-	1,272,428	1,262,393
Grants and contributions not restricted to specific programs	36,710	40,397	-	-	36,710	40,397
Other	78,478	186,872	-	-	78,478	186,872
Investment earnings (charges)	1,562,329	(1,056,882)	506,693	(358,333)	2,069,022	(1,415,215)
Total revenues	35,906,606	32,419,997	24,617,763	23,583,718	60,524,369	56,003,715
Expenses						
General government	6,107,245	5,012,638	-	-	6,107,245	5,012,638
Public safety	11,946,671	11,336,972	-	-	11,946,671	11,336,972
Public works	9,011,324	6,905,011	-	-	9,011,324	6,905,011
Parks and recreation	6,403,907	6,345,937	-	-	6,403,907	6,345,937
Interest and fiscal charges	1,037,527	1,194,974	-	-	1,037,527	1,194,974
Municipal liquor	-	-	8,332,921	8,419,472	8,332,921	8,419,472
Municipal golf course	-	-	1,526,108	1,507,451	1,526,108	1,507,451
Sports arena	-	-	853,315	759,930	853,315	759,930
Water and sewer	-	-	8,186,262	7,794,274	8,186,262	7,794,274
Storm drainage	-	-	1,257,566	1,052,087	1,257,566	1,052,087
Cemetery	-	-	51,646	51,472	51,646	51,472
Street light utility	-	-	424,670	444,106	424,670	444,106
Total expenses	34,506,674	30,795,532	20,632,488	20,028,792	55,139,162	50,824,324
Increase (decrease) in net position before transfers	1,399,932	1,624,465	3,985,275	3,554,926	5,385,207	5,179,391
Transfers	507,636	1,338,889	(507,636)	(1,338,889)	-	-
Change in net position	1,907,568	2,963,354	3,477,639	2,216,037	5,385,207	5,179,391
Net position – beginning	127,800,655	124,837,301	131,942,711	129,726,674	259,743,366	254,563,975
Net position – ending	\$ 129,708,223	\$ 127,800,655	\$ 135,420,350	\$ 131,942,711	\$ 265,128,573	\$ 259,743,366

Governmental Activities – The City's net position for governmental activities increased by \$1,907,568, or 1.5 percent. Key elements of this increase are seen in the table above.

Revenues increased overall by \$3,486,609, or 10.8 percent. This change included:

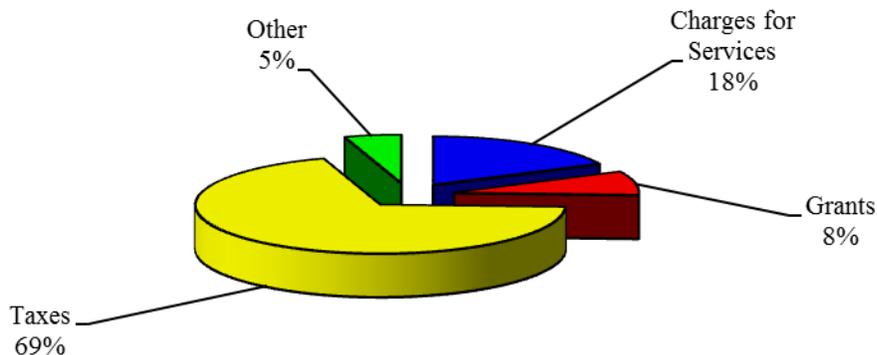
- Increases in charges for services due to increased building permits and engineering fees as a result of development activity within the City and an increase in park dedication fees in the current year.
- Decrease in capital grants and contributions as a result of a lower level of activity in developer-installed infrastructure and less special assessment activity in the current year.
- Increase in investment earnings due to the positive market value adjustment in the current year.

Expenses increased overall by \$3,711,142, or 12.1 percent. This increase included:

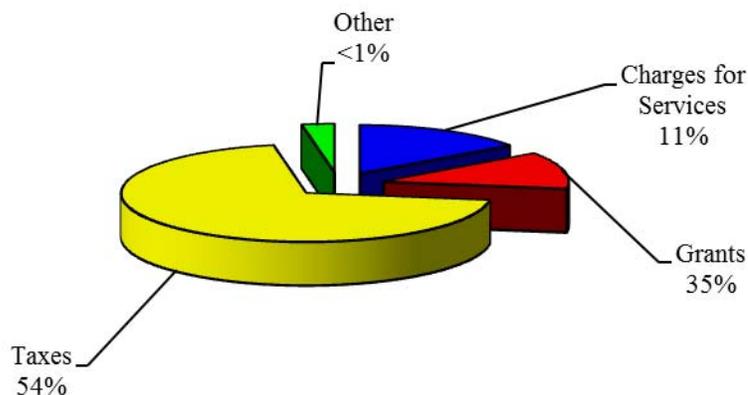
- The general government function increased \$1,094,607 due to a one-time payment of \$488,500 for developer assistance and a \$385,000 payment of excess tax increment distribution back to the county.
- The public works function increased \$2,106,313 and included higher costs for street improvements done to county roads, which were not capitalized by the City because the streets are the county's asset.

As seen in the following graph, taxes make up about 69 percent of the total revenues for 2014. Charges for services make up about 18 percent of the total and are followed by grants at 8 percent and other at 5 percent of the total.

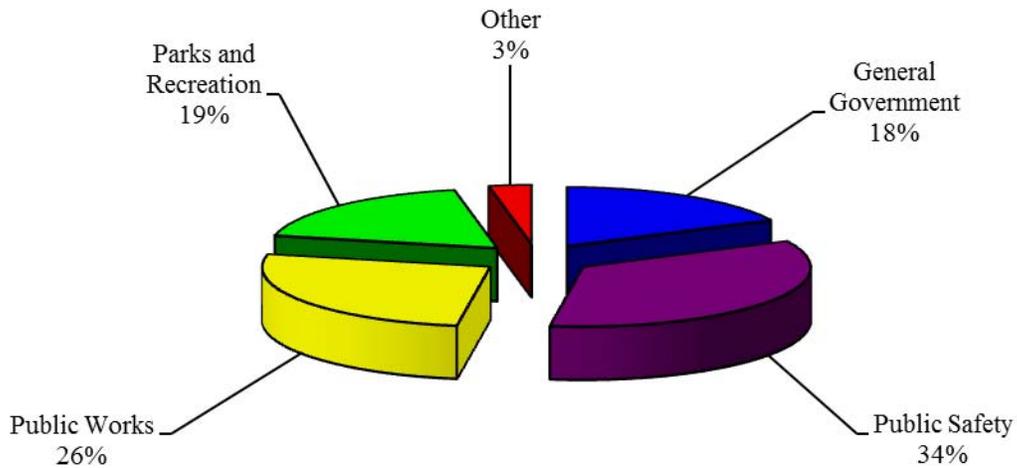
2014 Revenues by Source – Governmental Activities



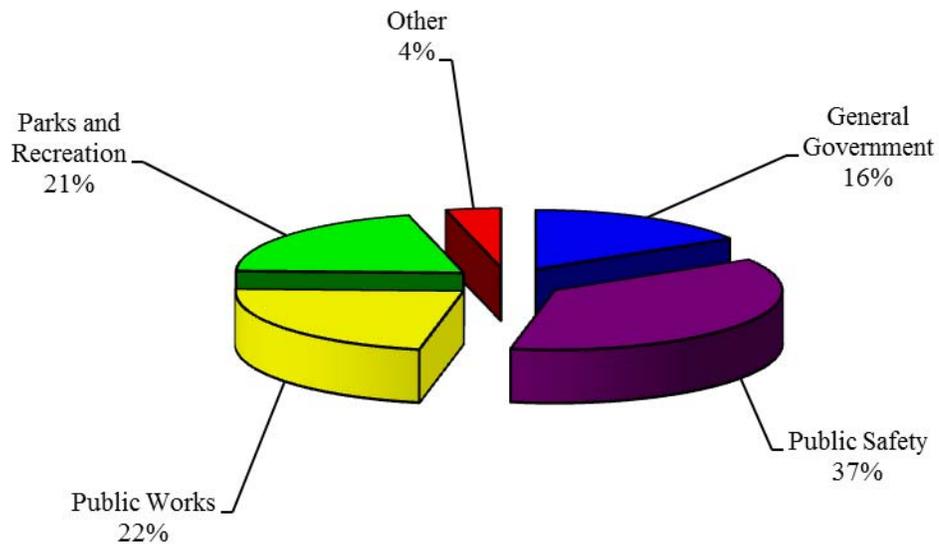
2013 Revenues by Source – Governmental Activities



2014 Expenses – Governmental Activities



2013 Expenses – Governmental Activities

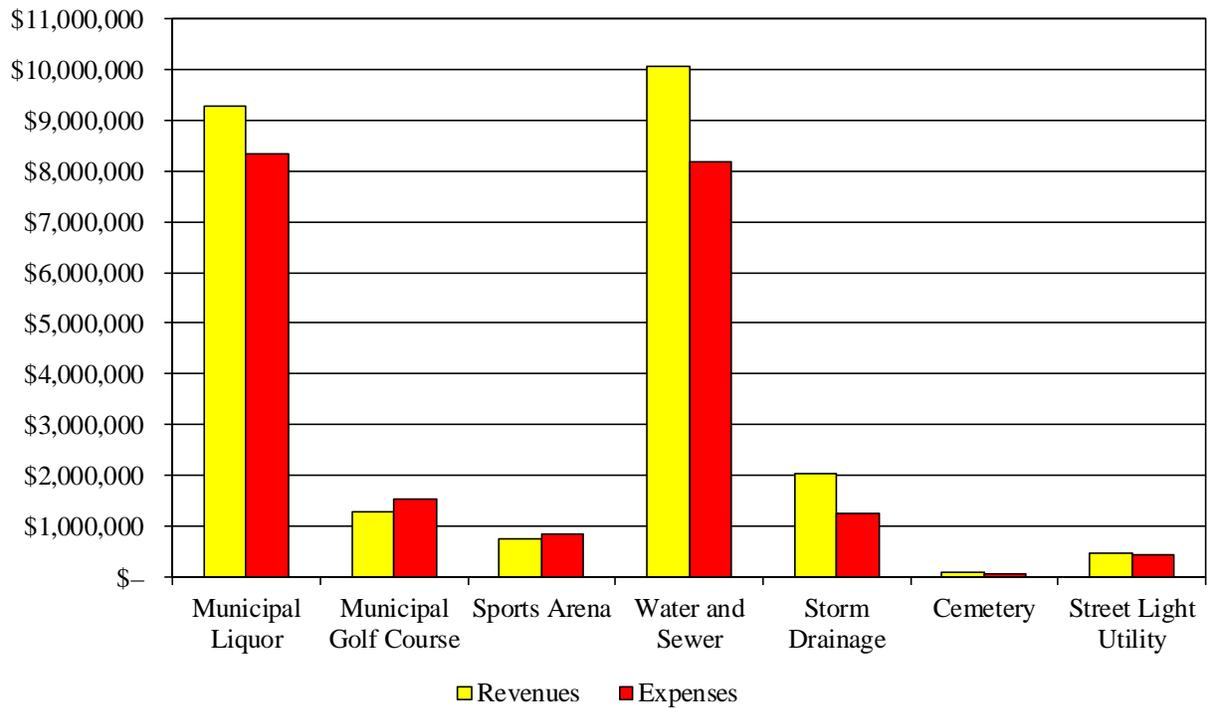


The expenses in the graph above for governmental activities show the amounts spent on different activities for 2014 and 2013. In 2014, public safety makes up 34 percent, public works 26 percent, parks and recreation 19 percent, and general government 18 percent. Other includes debt service interest and fiscal charges in governmental activities.

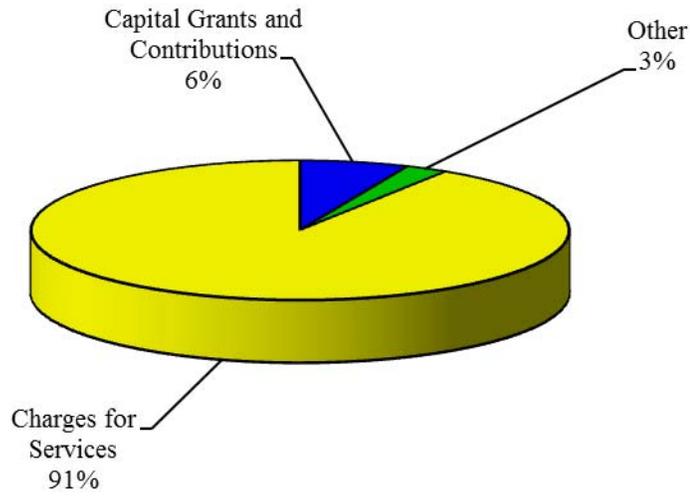
Business-Type Activities – Business-type activities increased the City’s total net position by \$3,477,639. Key elements of the business-type activities are as follows:

- Charges for services for business-type activities include sales for municipal liquor, municipal golf course, and sports arena and charges for water and sewer, storm drainage, cemetery, and street light utility operations. The following graph shows the relationship between the revenues and expenses for the various activities.
- About 80 percent of all business-type activity expenses are from the municipal liquor and water and sewer operations.
- Overall, business-type activities generated an increase in net position before capital contributions and transfers of \$2,372,883. After considering capital grants and contributions of \$1,612,392 and net transfers out to governmental activities totaling \$507,636, net position increased by \$3,477,639.

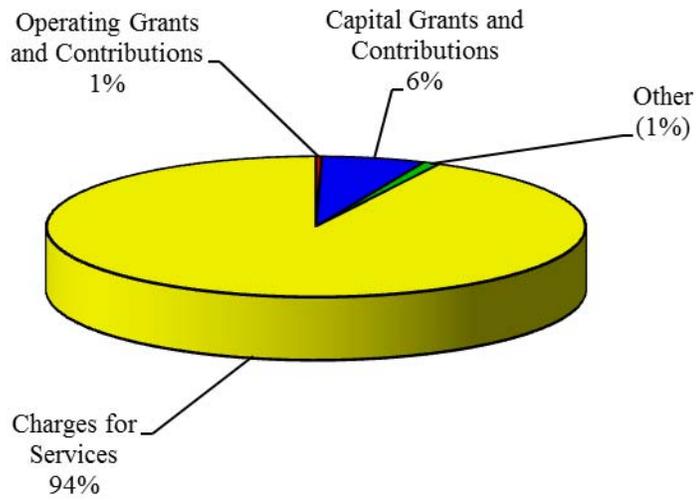
Revenues and Expenses – Business-Type Activities



2014 Revenues by Source – Business-Type Activities



2013 Revenues by Source – Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of currently available resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government'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 \$53,434,502, an increase of \$1,588,008 in comparison with the prior year.

The City has six major governmental funds: the General Fund, the Closed Bond Issues Fund, the 2001/2008B Refunding Improvement Bonds, the Construction Projects Fund, the Road Improvements Fund, and the Future Capital Projects Fund.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was \$15,155,450. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 50.6 percent of subsequent year budget expenditures.

Total fund balance for the City's General Fund increased by \$929,066 during 2014. Key factors in this increase are as follows:

- The City adopted a balanced budget prior to the start of the current year.
- Development-related revenues were approximately \$720,000 over budget and are an increase of \$503,000 over the prior year.
- Investment earnings were \$137,000 over the budgeted amounts and are an increase of \$419,000 over the prior year.
- Savings in personal services of \$673,000 were experienced during 2014.
- The total fund balance increase of \$929,066 is after transferring \$1,320,000 out of the General Fund to the Future Capital Projects Fund in accordance with the City's fund balance policy.

Closed Bond Issues Fund – Debt Service Fund

The Closed Bond Issues Fund accumulates resources remaining from retired debt service funds. The fund balance at the end of 2014 is \$8,679,253, which increased \$1,517,885 from the prior year. The increase results mainly from special assessment collections.

2001/2008B Refunding Improvement Bonds Fund – Debt Service Fund

The 2001/2008B Refunding Improvement Bonds Fund accounts for the debt service activity and special assessment collections for bond retirement. The fund balance at the end of 2014 is negative \$2,742,739. The fund balance decreased \$242,138 from the prior year resulting from debt service costs exceeding the special assessment collections in the current year.

Construction Projects Fund – Capital Projects Fund

The Construction Projects Capital Projects Fund accounts for various construction projects within the City. The fund balance at the end of 2014 is negative \$2,346,317, a decrease of \$2,193,635 from the prior year. This decrease results from expenditures made for development infrastructure that will be assessed to the developers in the coming year.

Road Improvements – Capital Projects Fund

The Road Improvements Capital Projects Funds receives transfers from other funds. These resources are used to finance street overlays and reconstruction projects per the City's pavement management plan. The fund balance at the end of 2014 is negative \$4,169,438, which is a decrease of \$661,694 from the prior year resulting from a shortfall in revenues in addition to a planned reduction in fund balance.

Future Capital Projects Fund – Capital Projects Fund

The Future Capital Projects Fund accumulates resources according to the City Council's adopted Fund Balance Policy. This policy calls for amounts in the General Fund that exceed a maximum level to be transferred to the Future Capital Projects Fund. The fund balance at the end of 2014 is \$13,528,740, which is an increase of \$376,826 from the prior year. A transfer from the General Fund was received in 2014 in the amount of \$1,320,000 in accordance with the fund balance policy. Transfers out in the amount of \$1,337,468 were recorded in 2014 and were used to fund a number of one-time expenditures: \$346,450 was transferred to the Capital Building Fund to fund energy and roof improvements at a number of city facilities; \$31,018 funded a refrigeration project at the Ice Arena facility; and \$960,000 was used to replace the 2014 property levy for the 2012 Park Refunding Bonds. The reduction of the park bond levy provided levy capacity to add to the annual road improvement levy.

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

The total net position of all enterprise funds totals \$135,513,932, \$120,092,250 of which is capital assets net of related debt and in total is an increase of \$3,519,949 over the prior year; much of this increase results from capital contributions through the public and private improvement process. The total unrestricted net position for all proprietary funds for the year was \$15,092,515, an increase of \$1,812,986. The increase is related to the increase in the amount of capital contributions in the Water and Sewer Fund and the Storm Drainage Fund.

Municipal Liquor Fund

The increase in net position in the Municipal Liquor Fund of \$462,650 reflects continued positive operations of the City's liquor stores after transferring \$600,000 to the General Fund in support of public safety and parks and recreation activities. The increase in the Liquor Fund comes from an improvement in the gross profit margins for 2014.

Valleywood Municipal Golf Course Fund

The Valleywood Municipal Golf Course Fund operations posted a decrease in net position of \$231,378, which can be attributed to a shortened golf season due to the late arrival of spring.

Sports Arena Fund

The Sports Arena Fund posted an increase in net position of \$177,761, which results from capital contributions and a transfer in from the general government activities.

Water and Sewer Fund

The Water and Sewer Fund is the City's largest proprietary fund. Unrestricted net position at the end of the year amounted to \$11,021,697, an increase of \$732,974. This increase results from positive operating income and increased investment earnings. Current year operations posted a \$1,679,556 increase in net position, resulting from continued positive operations. Operating revenues were down \$38,590 for the year, which resulted from a late, wet spring resulting in lower sales offset by a 3 percent increase in utility rates. Total net investment in capital assets totals \$76,117,493, an increase of \$946,582, which reflects an increase related to the capital contributions of privately installed infrastructure.

Storm Drainage Utility Fund

The Storm Drainage Utility Fund increased its net position by \$1,317,099, which results from the capital contributions through the public improvement process, the special assessments of improvements, or the contribution of infrastructure improvements by developers constructing subdivisions.

Cemetery Fund

The Cemetery Fund increased its net position by \$72,002, which results from lot sales during the year.

Street Light Utility Fund

The Street Light Utility Fund increased its net position by \$42,259, which reflects an increase in sales and reduction in operating expenses for the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The most significant amendment to the 2014 General Fund budget was related to a change in the accounting for the property tax levy for the Road Maintenance Program. For 2014, the General Fund budget was amended to include \$2,855,000 in the General Fund property tax levy, which added to the 2014 budgeted transfers out to the Road Improvement Fund. In addition, amendments were made to provide for projects that were carried over from 2013 to 2014 and to offset additional snowplowing overtime costs attributed to the snowy spring of 2014.

During the year, the total revenues exceeded the final amended budgetary estimates by \$1,326,061, which can be attributed to licensing and permits exceeding the budget by \$719,963 and intergovernmental revenue exceeding the budget by \$173,092, of which \$76,348 was additional fire relief aid received from the state of Minnesota. Investment earnings exceeded budgeted amounts by \$136,986.

Total actual expenditures were \$1,138,416 less than the budgetary estimates. General Fund budget performance can be attributed to curtailing spending where possible, position vacancies during the year, and conservative budgeting practices. Personal services in the General Fund ended the year \$643,000 under budget and included actual employer insurance costs of approximately \$153,000, in addition to \$200,716 of 2014 projects or purchases that were not completed in 2014 and will be carried over to 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2014 amounts to \$233,684,051 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, construction in progress, buildings, other improvements, furniture and equipment, and infrastructure. The total increase in the City’s investment in capital assets for the current fiscal year was \$13,556,853, or approximately 6.2 percent. Total depreciation charged in 2014 was \$7,835,771.

City of Apple Valley’s Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital assets						
Land and land improvements	\$ 3,885,715	\$ 3,885,715	\$ 6,432,094	\$ 6,167,679	\$ 10,317,809	\$ 10,053,394
Construction in progress	98,393	1,768,121	15,604,693	7,747,883	15,703,086	9,516,004
Buildings	29,064,762	27,471,940	18,187,708	18,207,976	47,252,470	45,679,916
Other improvements	24,746,668	24,490,922	134,386,474	131,377,004	159,133,142	155,867,926
Furniture and equipment	16,967,000	16,084,044	4,873,815	4,834,489	21,840,815	20,918,533
Infrastructure	90,973,859	83,392,335	–	–	90,973,859	83,392,335
Less accumulated depreciation	(63,563,030)	(59,713,536)	(47,974,100)	(45,587,374)	(111,537,130)	(105,300,910)
Total capital assets, net of depreciation	<u>\$ 102,173,367</u>	<u>\$ 97,379,541</u>	<u>\$ 131,510,684</u>	<u>\$ 122,747,657</u>	<u>\$ 233,684,051</u>	<u>\$ 220,127,198</u>

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

- Street improvement projects totaling approximately \$6.3 million, including the following significant projects: 132nd Street Improvements (\$2,519,624), Glazier and Garrett Avenues Street Improvements (\$826,434), Cedar Isle Street Improvements (\$883,724), 144nd Street Improvements (\$221,973), and Sherman Heights Street Improvements (\$291,596), along with other 2014 street and trail improvements totaling \$1,535,450.
- Utility improvements, including increases related to the water treatment plant expansion of \$6,823,395, and water and sewer infrastructure improvements totaled \$736,325.

Additional information on the City’s capital assets can be found in Note 4 of the notes to basic financial statements.

Long-Term Debt – At the end of the current fiscal year, the City had total debt outstanding of \$50,951,686. Of this amount, \$27,885,000 is backed by the full faith and credit of the City and \$4,935,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The revenue bonds and capital lease are backed by the revenues of the enterprise funds.

City of Apple Valley’s Debt

Table 4 Outstanding Debt						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$27,885,000	\$29,350,000	\$ –	\$ –	\$27,885,000	\$29,350,000
General obligation improvement bonds	4,935,000	6,205,000	–	–	4,935,000	6,205,000
General obligation revenue bonds	–	–	10,550,000	2,395,000	10,550,000	2,395,000
Revenue bonds	–	–	2,480,000	2,630,000	2,480,000	2,630,000
Capital lease	–	–	138,799	190,645	138,799	190,645
Unamortized premium	361,555	375,351	179,567	19,929	541,122	395,280
Net OPEB obligation	1,099,236	959,650	190,676	165,734	1,289,912	1,125,384
Compensated absences	2,661,104	2,584,733	470,749	439,882	3,131,853	3,024,615
Total	<u>\$36,941,895</u>	<u>\$39,474,734</u>	<u>\$14,009,791</u>	<u>\$ 5,841,190</u>	<u>\$50,951,686</u>	<u>\$45,315,924</u>

The City’s total bonded debt increased by \$5,270,000 during 2014. The increase resulted from the issuance of \$9,510,000 General Obligation Bonds, which were offset by scheduled debt payments during the year. Of the 2014A General Obligation Bonds, \$8,830,000 was to finance portions of the costs associated with the water treatment plant expansion and \$680,000 was equipment certificates.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total market valuation. A complete calculation of the City’s legal debt margin can be found in the statistical section of this report.

Additional information on the City’s long-term debt can be found in Note 5 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property taxes provide the largest source, approximately 76 percent, of the resources needed to support the General Fund activities. Minnesota cities are not subject to levy limits for 2015.
- Property values in the City are increasing as they are in other locations. The increase in the median valued residential property for the 2015 budget year will be approximately 8.1 percent, compared to an increase of 3.5 percent for the 2014 budget year. The preliminary county data for 2016 shows a 4.9 percent increase in the median valued home.
- The total property tax levy increased 1.8 percent for 2015.
- The taxes paid by the median valued home increased for 2015 to \$893 from \$867 in 2014, approximately 3.0 percent.
- Contract settlements with all of the City's unions have been reached for 2015.
- A 3 percent increase in water utility rates was enacted each year from 2012 to 2015 to fund the expansion of the City's water treatment plant. Utility rates for the sewer, storm water, and street light utilities each also increased by 3 percent for 2015.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

REQUESTS FOR INFORMATION

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF APPLE VALLEY

Statement of Net Position
as of December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 40,704,099	\$ 16,685,824	\$ 57,389,923
Receivables			
Accounts and interest	1,310,633	3,007,190	4,317,823
Delinquent taxes	215,151	-	215,151
Special assessments	7,114,503	329,319	7,443,822
Due from other governmental units	4,075,629	7,334	4,082,963
Internal balances	2,013,506	(2,013,506)	-
Prepays	449,658	226,767	676,425
Inventory	31,434	1,659,425	1,690,859
Land held for resale	3,026,198	-	3,026,198
Restricted assets			
Cash and investments for debt service	8,625,433	329,167	8,954,600
Interest receivable	11,840	-	11,840
Capital assets			
Not depreciated	3,984,108	22,036,787	26,020,895
Depreciated, net of accumulated depreciation	98,189,259	109,473,897	207,663,156
	<u>\$ 169,751,451</u>	<u>\$ 151,742,204</u>	<u>\$ 321,493,655</u>
Liabilities			
Accrued salaries payable	\$ 1,003,004	\$ 181,177	\$ 1,184,181
Accounts payable	1,179,031	715,572	1,894,603
Contracts payable	805,475	1,179,670	1,985,145
Interest payable	48,532	20,820	69,352
Due to other governmental units	57,915	214,824	272,739
Claims incurred, but not reported	7,376	-	7,376
Long-term liabilities			
Due within one year	5,187,500	947,963	6,135,463
Due in more than one year	31,754,395	13,061,828	44,816,223
Total long-term liabilities	<u>36,941,895</u>	<u>14,009,791</u>	<u>50,951,686</u>
	40,043,228	16,321,854	56,365,082
Net position			
Net investment in capital assets	78,398,734	120,092,250	198,490,984
Restricted for			
Debt service	6,013,712	329,167	6,342,879
Tax increment financing	4,301,616	-	4,301,616
Economic development	1,361,411	-	1,361,411
Police forfeiture	123,900	-	123,900
Capital acquisition	3,089,566	-	3,089,566
Other purposes	362,837	-	362,837
Unrestricted	36,056,447	14,998,933	51,055,380
Total net position	<u>129,708,223</u>	<u>135,420,350</u>	<u>265,128,573</u>
	<u>\$ 169,751,451</u>	<u>\$ 151,742,204</u>	<u>\$ 321,493,655</u>

See notes to basic financial statements

CITY OF APPLE VALLEY

Statement of Activities
Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 6,107,245	\$ 2,828,709	\$ 6,029	\$ 13,291
Public safety	11,946,671	541,947	831,734	–
Public works	9,011,324	1,001,148	–	1,883,790
Parks and recreation	6,403,907	2,030,716	–	–
Interest and fiscal charges	1,037,527	–	–	–
Total governmental activities	<u>34,506,674</u>	<u>6,402,520</u>	<u>837,763</u>	<u>1,897,081</u>
Business-type activities				
Municipal liquor	8,332,921	9,292,269	–	–
Municipal golf course	1,526,108	1,289,089	–	–
Sports arena	853,315	746,351	–	–
Water and sewer	8,186,262	8,913,191	–	1,141,271
Storm drainage	1,257,566	1,567,066	–	471,121
Cemetery	51,646	104,128	–	–
Street light utility	424,670	465,584	–	–
Total business-type activities	<u>20,632,488</u>	<u>22,377,678</u>	<u>–</u>	<u>1,612,392</u>
Total governmental and business-type activities	<u>\$ 55,139,162</u>	<u>\$ 28,780,198</u>	<u>\$ 837,763</u>	<u>\$ 3,509,473</u>

General revenues
 Property taxes
 Other taxes
 Franchise taxes
 Grants and contributions not restricted to specific programs
 Other general revenues
 Investment earnings
 Transfers
 Total general revenues and transfers

 Change in net position

 Net position – beginning

 Net position – ending

See notes to basic financial statements

Net (Expenses)
Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,259,216)	\$ —	\$ (3,259,216)
(10,572,990)	—	(10,572,990)
(6,126,386)	—	(6,126,386)
(4,373,191)	—	(4,373,191)
(1,037,527)	—	(1,037,527)
<u>(25,369,310)</u>	<u>—</u>	<u>(25,369,310)</u>
—	959,348	959,348
—	(237,019)	(237,019)
—	(106,964)	(106,964)
—	1,868,200	1,868,200
—	780,621	780,621
—	52,482	52,482
—	40,914	40,914
<u>—</u>	<u>3,357,582</u>	<u>3,357,582</u>
(25,369,310)	3,357,582	(22,011,728)
23,626,279	121,000	23,747,279
193,018	—	193,018
1,272,428	—	1,272,428
36,710	—	36,710
78,478	—	78,478
1,562,329	506,693	2,069,022
507,636	(507,636)	—
<u>27,276,878</u>	<u>120,057</u>	<u>27,396,935</u>
1,907,568	3,477,639	5,385,207
<u>127,800,655</u>	<u>131,942,711</u>	<u>259,743,366</u>
<u>\$ 129,708,223</u>	<u>\$ 135,420,350</u>	<u>\$ 265,128,573</u>

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FUND FINANCIAL STATEMENTS

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CITY OF APPLE VALLEY

Balance Sheet
Governmental Funds
as of December 31, 2014

	Debt Service			Capital Projects
	General Fund (1000)	Closed Bond Issues (3205)	2001/2008B Refunding Improvement Bonds (3285)	Construction Projects (4500)
Assets				
Cash and investments	\$ 11,476,467	\$ 2,284,524	\$ -	\$ -
Restricted cash with fiscal agent	-	-	-	-
Receivables				
Accounts	254,356	-	-	-
Taxes – delinquent	215,031	-	-	-
Special assessments				
Current	4,486	279,987	58,420	27,127
Delinquent	13,534	61,072	4,499	-
Deferred	-	2,158,472	525,763	325,523
Interest	353,836	-	-	-
Due from other governmental units	4,029,184	44,967	-	-
Due from other funds	-	2,835,064	-	-
Advances to other funds	-	488,500	-	-
Prepays	306,130	-	-	-
Inventory	31,434	-	-	-
Land held for resale	-	3,026,198	-	-
	<u>\$ 16,684,458</u>	<u>\$ 11,178,784</u>	<u>\$ 588,682</u>	<u>\$ 352,650</u>
Liabilities				
Accrued salaries payable	\$ 993,965	\$ -	\$ -	\$ -
Accounts payable	245,265	-	-	670,037
Contracts payable	3,946	-	-	78,243
Due to other governmental units	52,781	-	-	-
Due to other funds	-	-	2,742,739	1,598,037
Advances from other funds	-	-	-	-
Total liabilities	<u>1,295,957</u>	<u>-</u>	<u>2,742,739</u>	<u>2,346,317</u>
Deferred inflows of resources				
Unavailable revenue – property taxes	215,031	-	-	-
Unavailable revenue – special assessments	18,020	2,499,531	588,682	352,650
Total deferred inflows of resources	<u>233,051</u>	<u>2,499,531</u>	<u>588,682</u>	<u>352,650</u>
Fund balances (deficit)				
Nonspendable	337,564	-	-	-
Restricted	-	-	-	-
Committed	146,300	-	-	-
Assigned	54,416	8,679,253	-	-
Unassigned	14,617,170	-	(2,742,739)	(2,346,317)
Total fund balances (deficit)	<u>15,155,450</u>	<u>8,679,253</u>	<u>(2,742,739)</u>	<u>(2,346,317)</u>
	<u>\$ 16,684,458</u>	<u>\$ 11,178,784</u>	<u>\$ 588,682</u>	<u>\$ 352,650</u>
Total liabilities, deferred inflows of resources, and fund balances				

See notes to basic financial statements

Road Improvements (2025)	Future Capital Projects (4930)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,764,227	\$ 18,633,694	\$ 37,158,912
-	-	8,625,433	8,625,433
548,690	-	152,153	955,199
-	-	120	215,151
57,965	-	454,015	882,000
-	-	109,352	188,457
585,016	-	2,449,272	6,044,046
-	-	11,840	365,676
-	-	1,478	4,075,629
-	6,739,333	-	9,574,397
-	2,025,180	47,111	2,560,791
-	-	-	306,130
-	-	-	31,434
-	-	-	3,026,198
<u>\$ 1,191,671</u>	<u>\$ 13,528,740</u>	<u>\$ 30,484,468</u>	<u>\$ 74,009,453</u>
\$ -	\$ -	\$ 9,039	\$ 1,003,004
22,109	-	226,228	1,163,639
632,405	-	90,881	805,475
-	-	5,134	57,915
3,911,247	-	1,322,374	9,574,397
152,367	-	488,500	640,867
<u>4,718,128</u>	<u>-</u>	<u>2,142,156</u>	<u>13,245,297</u>
-	-	120	215,151
642,981	-	3,012,639	7,114,503
<u>642,981</u>	<u>-</u>	<u>3,012,759</u>	<u>7,329,654</u>
-	-	-	337,564
-	-	21,772,784	21,772,784
-	-	-	146,300
-	13,528,740	5,406,627	27,669,036
(4,169,438)	-	(1,849,858)	3,508,818
<u>(4,169,438)</u>	<u>13,528,740</u>	<u>25,329,553</u>	<u>53,434,502</u>
<u>\$ 1,191,671</u>	<u>\$ 13,528,740</u>	<u>\$ 30,484,468</u>	<u>\$ 74,009,453</u>

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CITY OF APPLE VALLEY

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
December 31, 2014

Total fund balances – governmental funds	\$ 53,434,502
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	160,994,935
Less accumulated depreciation	(60,671,254)
Long-term liabilities, including bonds payable, are not due or payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable	(32,820,000)
Net OPEB obligation	(1,099,236)
Due to availability, certain revenues are not recognized under the governmental fund statements until received; however, under full accrual in the government-wide Statement of Activities, revenues are recorded when earned regardless of when received.	7,329,654
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(48,532)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
Internal service balances included in governmental activities	2,856,127
Add internal services balances allocated to business-type activities	93,582
Governmental funds report debt premiums as other financing sources at the time of issuance. Premiums are reported as liabilities in the Statement of Net Position.	<u>(361,555)</u>
Total net position – governmental activities	<u><u>\$ 129,708,223</u></u>

See notes to basic financial statements

CITY OF APPLE VALLEY

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2014

	Debt Service			
	General Fund (1000)	Closed Bond Issues (3205)	2001/2008B Refunding Improvement Bonds (3285)	Construction Projects (4500)
Revenue				
Taxes	\$ 21,635,155	\$ 12,504	\$ -	\$ -
Other taxes	103,159	-	-	-
Franchise taxes	450,000	-	-	-
Special assessments	11,417	1,391,634	181,793	46,116
Licenses and permits	1,644,338	-	-	-
Intergovernmental	874,473	-	-	-
Charges for services	2,533,940	-	-	-
Fines and forfeits	236,943	-	-	-
Investment earnings	296,986	128,501	-	-
Other	741,678	-	-	321,250
Total revenue	<u>28,528,089</u>	<u>1,532,639</u>	<u>181,793</u>	<u>367,366</u>
Expenditures				
Current				
General government	4,469,501	-	-	-
Public safety	11,017,535	-	-	-
Public works	3,915,694	-	-	-
Parks and recreation	4,807,140	-	-	-
Capital outlay	432,842	-	-	2,561,001
Debt service				
Principal	-	-	395,000	-
Interest and fiscal charges	-	14,754	28,931	-
Total expenditures	<u>24,642,712</u>	<u>14,754</u>	<u>423,931</u>	<u>2,561,001</u>
Excess (deficiency) of revenue over expenditures	3,885,377	1,517,885	(242,138)	(2,193,635)
Other financing sources (uses)				
Sale of capital assets	46,527	-	-	-
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Transfers in	1,200,000	-	-	-
Transfers (out)	(4,202,838)	-	-	-
Total other financing sources (uses)	<u>(2,956,311)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	929,066	1,517,885	(242,138)	(2,193,635)
Fund balances (deficit)				
Beginning of year	<u>14,226,384</u>	<u>7,161,368</u>	<u>(2,500,601)</u>	<u>(152,682)</u>
End of year	<u>\$ 15,155,450</u>	<u>\$ 8,679,253</u>	<u>\$ (2,742,739)</u>	<u>\$ (2,346,317)</u>

See notes to basic financial statements

Capital Projects

Road Improvements (2025)	Future Capital Projects (4930)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,125,127	\$ 23,772,786
-	-	89,859	193,018
-	-	822,428	1,272,428
96,438	-	3,730,561	5,457,959
-	-	-	1,644,338
1,957,312	-	627,800	3,459,585
-	-	-	2,533,940
-	-	-	236,943
-	369,939	666,339	1,461,765
1,040	24,355	1,399,648	2,487,971
<u>2,054,790</u>	<u>394,294</u>	<u>9,461,762</u>	<u>42,520,733</u>
-	-	1,185,981	5,655,482
-	-	100,733	11,118,268
-	-	94,645	4,010,339
-	-	328,433	5,135,573
6,553,172	-	3,906,610	13,453,625
-	-	3,020,000	3,415,000
-	-	1,029,162	1,072,847
<u>6,553,172</u>	<u>-</u>	<u>9,665,564</u>	<u>43,861,134</u>
(4,498,382)	394,294	(203,802)	(1,340,401)
-	-	121,707	168,234
-	-	680,000	680,000
-	-	25,505	25,505
3,836,688	1,320,000	3,443,905	9,800,593
-	(1,337,468)	(2,205,617)	(7,745,923)
<u>3,836,688</u>	<u>(17,468)</u>	<u>2,065,500</u>	<u>2,928,409</u>
(661,694)	376,826	1,861,698	1,588,008
<u>(3,507,744)</u>	<u>13,151,914</u>	<u>23,467,855</u>	<u>51,846,494</u>
<u>\$ (4,169,438)</u>	<u>\$ 13,528,740</u>	<u>\$ 25,329,553</u>	<u>\$ 53,434,502</u>

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CITY OF APPLE VALLEY

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2014

Total net change in fund balances – governmental funds \$ 1,588,008

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

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

Capital outlay	9,520,676
Capital contributions	378,172
Depreciation expense	(4,840,435)

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

(81,071)

Contributions of capital assets to enterprise funds are not a use of current financial resources and, therefore, not reported in governmental funds.

(126,964)

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

(680,000)

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

3,415,000

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

(139,586)

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

(3,981)

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

13,796

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

(7,161,963)

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

Internal service fund activity included in governmental activities	1,889,844
Net book value of capital assets transferred from governmental activities to internal service funds	(1,906,238)
Add back internal service fund activity allocated to business-type activities	42,310

Change in net position – governmental activities

\$ 1,907,568

See notes to basic financial statements

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CITY OF APPLE VALLEY

Statement of Revenue, Expenditures, and Changes in Fund Balances
 General Fund – Budget and Actual
 Year Ended December 31, 2014

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenue				
Taxes	\$ 18,572,496	\$ 21,427,496	\$ 21,635,155	\$ 207,659
Other taxes	90,019	90,019	103,159	13,140
Franchise fees	450,000	450,000	450,000	–
Special assessments	14,000	14,000	11,417	(2,583)
Licenses and permits	838,875	924,375	1,644,338	719,963
Intergovernmental	701,381	701,381	874,473	173,092
Charges for services	2,595,176	2,595,176	2,533,940	(61,236)
Fines and forfeits	284,000	284,000	236,943	(47,057)
Investment earnings (net of market value adjustment)	160,000	160,000	296,986	136,986
Other	555,581	555,581	741,678	186,097
Total revenue	<u>24,261,528</u>	<u>27,202,028</u>	<u>28,528,089</u>	<u>1,326,061</u>
Expenditures				
Current				
General government	4,753,081	4,816,081	4,469,501	(346,580)
Public safety	11,246,908	11,324,508	11,017,535	(306,973)
Public works	3,989,791	4,038,791	3,915,694	(123,097)
Parks and recreation	5,014,098	5,023,098	4,807,140	(215,958)
Capital outlay				
General government	155,900	136,900	107,207	(29,693)
Public safety	–	69,000	40,403	(28,597)
Public works	79,750	79,750	71,033	(8,717)
Parks and recreation	242,000	293,000	214,199	(78,801)
Total expenditures	<u>25,481,528</u>	<u>25,781,128</u>	<u>24,642,712</u>	<u>(1,138,416)</u>
Excess (deficiency) of revenue over expenditures	(1,220,000)	1,420,900	3,885,377	2,464,477
Other financing sources (uses)				
Sale of capital assets	20,000	20,000	46,527	26,527
Transfers in	1,200,000	1,200,000	1,200,000	–
Transfers (out)	–	(2,855,000)	(4,202,838)	(1,347,838)
Total other financing sources (uses)	<u>1,220,000</u>	<u>(1,635,000)</u>	<u>(2,956,311)</u>	<u>(1,321,311)</u>
Net change in fund balances	<u>\$ –</u>	<u>\$ (214,100)</u>	929,066	<u>\$ 1,143,166</u>
Fund balances				
Beginning of year			<u>14,226,384</u>	
End of year			<u>\$ 15,155,450</u>	

See notes to basic financial statements

CITY OF APPLE VALLEY

Statement of Net Position
 Proprietary Funds
 as of December 31, 2014

	Business-Type Activities – Enterprise Funds			
	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Assets				
Current assets				
Cash and investments	\$ 2,756,065	\$ –	\$ –	10,865,636
Receivables				
Special assessments				
Current	–	–	–	297,491
Delinquent	–	–	–	22,037
Accounts	–	2,340	370,147	2,110,972
Interest	1,953	–	–	–
Due from other governmental units	–	–	–	–
Prepays	14,603	1,678	90	210,396
Inventory	1,491,116	72,214	–	96,095
Total current assets	<u>4,263,737</u>	<u>76,232</u>	<u>370,237</u>	<u>13,602,627</u>
Noncurrent assets				
Restricted cash with fiscal agent	329,167	–	–	–
Deferred special assessment receivable	–	–	–	–
Advance to other funds	–	–	–	1,186,180
Capital assets				
Land and land improvements	1,177,683	991,179	2,000	1,864,917
Construction in progress	13,050	–	168,981	14,753,335
Buildings	3,418,969	3,190,504	3,308,602	8,269,633
Other improvements	25,000	570,998	40,594	86,573,423
Furniture and equipment	326,988	918,454	252,146	3,258,052
Less accumulated depreciation	(1,224,613)	(1,264,564)	(2,332,984)	(31,860,628)
Total capital assets (net of accumulated depreciation)	<u>3,737,077</u>	<u>4,406,571</u>	<u>1,439,339</u>	<u>82,858,732</u>
Total noncurrent assets	<u>4,066,244</u>	<u>4,406,571</u>	<u>1,439,339</u>	<u>84,044,912</u>
Total assets	<u>\$ 8,329,981</u>	<u>\$ 4,482,803</u>	<u>\$ 1,809,576</u>	<u>\$ 97,647,539</u>

See notes to basic financial statements

<u>Storm Drainage (5500, 5550)</u>	<u>Cemetery (5600, 5700)</u>	<u>Street Light Utility (5800)</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
\$ 2,230,610	\$ 766,899	\$ 66,614	\$ 16,685,824	\$ 3,545,187
1,224	—	—	298,715	—
—	—	—	22,037	—
401,293	—	120,485	3,005,237	1,598
—	—	—	1,953	—
6,365	—	969	7,334	—
—	—	—	226,767	143,528
—	—	—	1,659,425	—
<u>2,639,492</u>	<u>766,899</u>	<u>188,068</u>	<u>21,907,292</u>	<u>3,690,313</u>
—	—	—	329,167	—
8,567	—	—	8,567	—
—	—	—	1,186,180	—
1,882,755	513,560	—	6,432,094	—
669,327	—	—	15,604,693	—
—	—	—	18,187,708	—
46,520,785	655,674	—	134,386,474	—
118,175	—	—	4,873,815	4,741,462
<u>(11,116,767)</u>	<u>(174,544)</u>	<u>—</u>	<u>(47,974,100)</u>	<u>(2,891,776)</u>
<u>38,074,275</u>	<u>994,690</u>	<u>—</u>	<u>131,510,684</u>	<u>1,849,686</u>
<u>38,082,842</u>	<u>994,690</u>	<u>—</u>	<u>133,034,598</u>	<u>1,849,686</u>
<u>\$ 40,722,334</u>	<u>\$ 1,761,589</u>	<u>\$ 188,068</u>	<u>\$ 154,941,890</u>	<u>\$ 5,539,999</u>

(continued)

CITY OF APPLE VALLEY

Statement of Net Position
 Proprietary Funds (continued)
 as of December 31, 2014

	Business-Type Activities – Enterprise Funds			
	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Liabilities and Net Position				
Current liabilities				
Accrued salaries payable	\$ 51,981	\$ 24,283	\$ 20,546	76,765
Accounts payable	467,827	9,589	17,752	171,821
Contracts payable	–	–	33,634	1,144,967
Interest payable	8,871	669	–	8,964
Due to other governmental units	88,662	870	39,391	77,051
Claims incurred, but not reported	–	–	–	–
Accrued compensated absences	46,500	19,800	9,625	155,600
Capital lease payable	–	41,038	–	–
Bonds payable	155,000	–	–	365,000
Total current liabilities	<u>818,841</u>	<u>96,249</u>	<u>120,948</u>	<u>2,000,168</u>
Noncurrent liabilities				
Accrued compensated absences	58,236	58,204	12,579	101,825
Net OPEB obligation	49,444	23,572	16,091	100,185
Capital lease payable	–	97,761	–	–
Advance from other fund	–	2,410,588	695,516	–
Bonds payable	2,325,000	–	–	8,306,171
Total noncurrent liabilities	<u>2,432,680</u>	<u>2,590,125</u>	<u>724,186</u>	<u>8,508,181</u>
Total liabilities	3,251,521	2,686,374	845,134	10,508,349
Net position (deficit)				
Net investment in capital assets	1,257,077	4,267,772	1,439,339	76,117,493
Restricted for debt service	329,167	–	–	–
Unrestricted	3,492,216	(2,471,343)	(474,897)	11,021,697
Total net position	<u>5,078,460</u>	<u>1,796,429</u>	<u>964,442</u>	<u>87,139,190</u>
Total liabilities and net position	<u>\$ 8,329,981</u>	<u>\$ 4,482,803</u>	<u>\$ 1,809,576</u>	<u>\$ 97,647,539</u>

See notes to basic financial statements

<u>Storm Drainage (5500, 5550)</u>	<u>Cemetery (5600, 5700)</u>	<u>Street Light Utility (5800)</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Fund</u>
7,460	\$ 142	\$ -	\$ 181,177	\$ -
13,132	472	34,979	715,572	15,392
1,069	-	-	1,179,670	-
2,316	-	-	20,820	-
7,864	-	986	214,824	-
-	-	-	-	7,376
5,400	-	-	236,925	1,612,500
-	-	-	41,038	-
150,000	-	-	670,000	-
<u>187,241</u>	<u>614</u>	<u>35,965</u>	<u>3,260,026</u>	<u>1,635,268</u>
2,980	-	-	233,824	1,048,604
1,384	-	-	190,676	-
-	-	-	97,761	-
-	-	-	3,106,104	-
1,908,396	-	-	12,539,567	-
<u>1,912,760</u>	<u>-</u>	<u>-</u>	<u>16,167,932</u>	<u>1,048,604</u>
2,100,001	614	35,965	19,427,958	2,683,872
36,015,879	994,690	-	120,092,250	1,849,686
-	-	-	329,167	-
2,606,454	766,285	152,103	15,092,515	1,006,441
<u>38,622,333</u>	<u>1,760,975</u>	<u>152,103</u>	<u>135,513,932</u>	<u>2,856,127</u>
<u>\$ 40,722,334</u>	<u>\$ 1,761,589</u>	<u>\$ 188,068</u>	<u>\$ 154,941,890</u>	<u>\$ 5,539,999</u>
Total net position – enterprise funds			\$ 135,513,932	
Adjustment to reflect the consolidation of internal service fund activity related to enterprise funds			<u>(93,582)</u>	
Net position – business-type activities			<u>\$ 135,420,350</u>	

CITY OF APPLE VALLEY

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2014

	Business-Type Activities – Enterprise Funds			
	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Operating revenue				
Sales and rentals	\$ 9,292,224	\$ 1,289,089	\$ 714,351	\$ –
Charges for services	–	–	–	8,911,018
Total operating revenue	<u>9,292,224</u>	<u>1,289,089</u>	<u>714,351</u>	<u>8,911,018</u>
Cost of goods sold	<u>6,600,147</u>	<u>210,461</u>	<u>971</u>	<u>–</u>
Gross profit	2,692,077	1,078,628	713,380	8,911,018
Operating expenses				
Personal services	960,916	795,783	389,866	1,565,735
Contractual services	28,354	44,393	45,901	357,380
Other charges	337,877	35,302	8,430	642,849
Supplies and repairs	41,358	166,705	92,040	650,283
Insurance	50,500	37,000	11,800	150,000
Utilities	60,091	56,734	148,746	362,195
Depreciation	133,075	175,518	148,980	1,609,340
Sewer charges	–	–	–	2,660,017
Total operating expenses	<u>1,612,171</u>	<u>1,311,435</u>	<u>845,763</u>	<u>7,997,799</u>
Operating income (loss)	1,079,906	(232,807)	(132,383)	913,219
Nonoperating revenue (expense)				
Taxes	–	–	121,000	–
Investment earnings	94,840	–	2,922	306,291
Other income	45	–	32,000	2,173
Gain (loss) on sale of capital assets	(246)	20,544	1,300	13,363
Interest expense	(111,895)	(19,115)	(5,060)	(179,261)
Total nonoperating revenue (expense)	<u>(17,256)</u>	<u>1,429</u>	<u>152,162</u>	<u>142,566</u>
Income (loss) before capital contributions and transfers	1,062,650	(231,378)	19,779	1,055,785
Capital contributions	–	–	126,964	1,426,406
Capital contributions – connection fees	–	–	–	664,944
Transfers in	–	–	31,018	–
Transfers (out)	<u>(600,000)</u>	<u>–</u>	<u>–</u>	<u>(1,467,579)</u>
Change in net position	462,650	(231,378)	177,761	1,679,556
Net position				
Beginning of year	<u>4,615,810</u>	<u>2,027,807</u>	<u>786,681</u>	<u>85,459,634</u>
End of year	<u>\$ 5,078,460</u>	<u>\$ 1,796,429</u>	<u>\$ 964,442</u>	<u>\$ 87,139,190</u>

See notes to basic financial statements

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
\$ -	\$ -	\$ -	\$ 11,295,664	\$ -
1,562,067	104,128	465,584	11,042,797	1,743,129
<u>1,562,067</u>	<u>104,128</u>	<u>465,584</u>	<u>22,338,461</u>	<u>1,743,129</u>
-	-	-	6,811,579	-
1,562,067	104,128	465,584	15,526,882	1,743,129
170,639	2,945	-	3,885,884	840,358
67,441	11,805	12,433	567,707	23,498
316,248	7,117	593	1,348,416	752,746
75,249	9,119	-	1,034,754	-
5,300	-	1,900	256,500	-
60,464	1,596	409,744	1,099,570	-
500,774	19,064	-	2,586,751	408,585
-	-	-	2,660,017	-
<u>1,196,115</u>	<u>51,646</u>	<u>424,670</u>	<u>13,439,599</u>	<u>2,025,187</u>
365,952	52,482	40,914	2,087,283	(282,058)
-	-	-	121,000	-
81,775	19,520	1,345	506,693	100,564
4,999	-	-	39,217	69,100
-	-	-	34,961	-
(58,630)	-	-	(373,961)	-
<u>28,144</u>	<u>19,520</u>	<u>1,345</u>	<u>327,910</u>	<u>169,664</u>
394,096	72,002	42,259	2,415,193	(112,394)
821,069	-	-	2,374,439	1,906,238
216,043	-	-	880,987	-
-	-	-	31,018	96,000
<u>(114,109)</u>	<u>-</u>	<u>-</u>	<u>(2,181,688)</u>	<u>-</u>
1,317,099	72,002	42,259	3,519,949	1,889,844
<u>37,305,234</u>	<u>1,688,973</u>	<u>109,844</u>	<u>131,993,983</u>	<u>966,283</u>
<u>\$ 38,622,333</u>	<u>\$ 1,760,975</u>	<u>\$ 152,103</u>	<u>\$ 135,513,932</u>	<u>\$ 2,856,127</u>

Change in net position – enterprise funds \$ 3,519,949

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds (42,310)

Change in net position – business-type activities \$ 3,477,639

CITY OF APPLE VALLEY

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2014

	Business-Type Activities – Enterprise Funds			
	Municipal Liquor (5000, 5030)	Municipal Golf Course (1500)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Cash flows from operating activities				
Cash received from customers	\$ 9,293,240	\$ 1,292,273	\$ 750,028	\$ 8,821,590
Cash receipts on interfund services provided	–	–	–	–
Cash payments to suppliers	(7,236,402)	(619,351)	(257,828)	(5,635,677)
Cash payments to employees for services	(947,550)	(781,543)	(408,390)	(1,517,734)
Net cash flows from operating activities	<u>1,109,288</u>	<u>(108,621)</u>	<u>83,810</u>	<u>1,668,179</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(13,050)	(34,310)	(141,703)	(7,870,755)
Connection fees received	–	–	–	664,944
Proceeds from sale of capital assets	1,256	22,999	1,300	13,363
Proceeds from issuance of revenue bonds	–	–	–	8,830,000
Payment on debt	(150,000)	(51,846)	(115,000)	(320,000)
Interest paid	(112,345)	(18,964)	(5,520)	(9,126)
Net cash flows from capital and related financing activities	<u>(274,139)</u>	<u>(82,121)</u>	<u>(260,923)</u>	<u>1,308,426</u>
Cash flows from investing activities				
Interest received on investments	94,847	–	2,922	306,291
Cash flows from noncapital financing activities				
Taxes	–	–	121,000	–
Cash received from (paid to) other funds	–	190,742	22,173	(270,344)
Transfers in	–	–	31,018	–
Transfers (out)	(600,000)	–	–	(1,467,579)
Net cash flows from noncapital financing activities	<u>(600,000)</u>	<u>190,742</u>	<u>174,191</u>	<u>(1,737,923)</u>
Net increase (decrease) in cash and cash equivalents	329,996	–	–	1,544,973
Cash and cash equivalents				
Beginning of year	<u>2,755,236</u>	<u>–</u>	<u>–</u>	<u>9,320,663</u>
End of year	<u>\$ 3,085,232</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 10,865,636</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 1,079,906	\$ (232,807)	\$ (132,383)	\$ 913,219
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	133,075	175,518	148,980	1,609,340
Other	45	–	32,000	2,173
Change in assets and liabilities				
Receivables				
Special assessments	–	–	–	(24,118)
Accounts	971	3,184	3,677	(72,748)
Due from other governmental units	–	–	–	5,265
Inventory	(126,159)	(7,122)	–	(20,568)
Prepays	1,116	(1,678)	(90)	5,662
Accounts payable	18,796	(59,980)	(22,692)	(796,912)
Contracts payable	–	–	33,634	(3,863)
Accrued salaries payable	(634)	4,984	(109)	6,751
Claims incurred, but not reported	–	–	–	–
Net OPEB obligation	5,414	3,362	2,036	12,792
Accrued compensated absences	8,586	5,894	(20,451)	28,458
Due to other governmental units	(11,828)	24	39,208	2,728
Net cash flows from operating activities	<u>\$ 1,109,288</u>	<u>\$ (108,621)</u>	<u>\$ 83,810</u>	<u>\$ 1,668,179</u>
Noncash capital activities				
Capital contributions	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 126,964</u>	<u>\$ 1,426,406</u>
Gain (loss) on sale of capital assets	<u>\$ (246)</u>	<u>\$ 20,544</u>	<u>\$ 1,300</u>	<u>\$ 13,363</u>

See notes to basic financial statements

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
\$ 1,551,351	\$ 104,128	\$ 460,041	\$ 22,272,651	\$ -
-	-	-	-	1,812,019
(525,697)	(34,398)	(426,613)	(14,735,966)	(1,482,772)
(153,461)	(3,398)	-	(3,812,076)	(152,118)
<u>872,193</u>	<u>66,332</u>	<u>33,428</u>	<u>3,724,609</u>	<u>177,129</u>
(919,478)	-	-	(8,979,296)	(352,033)
216,043	-	-	880,987	-
-	-	-	38,918	-
-	-	-	8,830,000	-
(240,000)	-	-	(876,846)	-
(60,403)	-	-	(206,358)	-
<u>(1,003,838)</u>	<u>-</u>	<u>-</u>	<u>(312,595)</u>	<u>(352,033)</u>
81,775	19,520	1,345	506,700	100,564
-	-	-	121,000	-
-	-	-	(57,429)	-
-	-	-	31,018	96,000
(114,109)	-	-	(2,181,688)	-
<u>(114,109)</u>	<u>-</u>	<u>-</u>	<u>(2,087,099)</u>	<u>96,000</u>
(163,979)	85,852	34,773	1,831,615	21,660
<u>2,394,589</u>	<u>681,047</u>	<u>31,841</u>	<u>15,183,376</u>	<u>3,523,527</u>
<u>\$ 2,230,610</u>	<u>\$ 766,899</u>	<u>\$ 66,614</u>	<u>\$ 17,014,991</u>	<u>\$ 3,545,187</u>
\$ 365,952	\$ 52,482	\$ 40,914	\$ 2,087,283	\$ (282,058)
500,774	19,064	-	2,586,751	408,585
4,999	-	-	39,217	69,100
1,224	-	-	(22,894)	-
(17,114)	-	(4,574)	(86,604)	(210)
175	-	(969)	4,471	-
-	-	-	(153,849)	-
-	-	-	5,010	(32,678)
(2,980)	(4,761)	(1,823)	(870,352)	(67,673)
547	(453)	-	29,865	-
7,460	-	-	18,452	-
-	-	-	-	5,833
1,338	-	-	24,942	-
8,380	-	-	30,867	76,371
1,438	-	(120)	31,450	(141)
<u>\$ 872,193</u>	<u>\$ 66,332</u>	<u>\$ 33,428</u>	<u>\$ 3,724,609</u>	<u>\$ 177,129</u>
<u>\$ 821,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,374,439</u>	<u>\$ 1,906,238</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,961</u>	<u>\$ -</u>

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CITY OF APPLE VALLEY

Notes to Basic Financial Statements
December 31, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

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

B. Reporting Entity

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

The Apple Valley Economic Development Authority (EDA) was established to provide economic development services to the City. Although a legally separate entity, the Apple Valley EDA is reported as if it were part of the primary government because it provides services exclusively for the City. The Apple Valley EDA governing body is substantially the same as the governing body of the primary government because five of the Apple Valley EDA board members are City Council members and the two other members are appointed by the City Council. Management of the primary government also has operational responsibility for the Apple Valley EDA. The Apple Valley EDA is a blended component unit and reported as the Economic Development Debt Service Fund and the EDA Operations Special Revenue Fund.

C. Government-Wide Financial Statement Presentation

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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

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

D. Fund Financial Statement Presentation

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

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

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

Description of Funds

The City reports the following major governmental funds:

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

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

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

Construction Projects Capital Projects Fund (4500) – This fund accounts for development projects, the costs of which will be recovered through the development process, including specially assessing the benefiting properties.

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

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

The City reports the following major enterprise funds:

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Additionally, the City reports the following fund types:

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

E. Cash and Investments

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

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

F. Receivables

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

G. Interfund Receivables and Payables

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

H. Land Held for Resale

Land held for resale represents various property purchases made by the City with the intent to sell in order to increase tax base or to attract new businesses. These assets are stated at the lower of cost or net realizable value. During the year ended December 31, 2014, management has reviewed the cost value reported for these assets and has indicated the properties are fairly presented for financial reporting purposes.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

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

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

J. Special Assessments

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

K. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

L. Inventories

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

M. Capital Assets

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The estimated useful lives are as follows:

Assets	Years
Buildings	7–40
Improvements other than buildings	5–40
Furniture and equipment	3–50
Infrastructure	25–50

N. Compensated Absences

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

O. Long-Term Liabilities

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Inflows of Resources

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

Q. Budgets and Budgetary Accounting

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

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution by the City Council.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the fund level. No fund's budget can be increased without City Council approval. The City Council may authorize transfers of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General Fund, Cable TV Special Revenue Fund, and EDA Operations Special Revenue Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted for most Capital Projects Funds. In 2014, the City also adopted formal annual appropriated budget for the Road Improvements Capital Projects, Future Capital Projects, and Equipment Certificate Capital Projects Funds.
7. The Finance Director/Treasurer presents monthly reports to the City Council.
8. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditures appropriates lapse at year-end.

R. Statement of Cash Flows

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position and Flow Assumptions

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

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

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

T. Fund Balance Classifications and Flow Assumptions

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverage. LMCIT operates as a common risk management and insurance program for a large number of cities in Minnesota. The City pays an annual premium to LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The City also carries commercial insurance for certain other risks of loss. Settled claims resulting from these risks did not exceed insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage in 2014.

The City uses its Insurance Internal Service Fund to account for and finance its self-insured risk of loss for an employee dental plan. The dental plan is funded by the City, employee contributions, and investment earnings. The claims liability of \$7,376 is included in the liabilities of the Insurance Fund at December 31, 2014 and is based on the requirement that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred on the date of the financial statements and the loss can be reasonably estimated.

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

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2013	\$ –	\$ 189,377	\$ 187,834	\$ 1,543
2014	\$ 1,543	\$ 219,936	\$ 214,103	\$ 7,376

V. Restricted Assets

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

W. Use of Estimates

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

X. Comparative Data/Reclassifications

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

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 5,522,053
Investments	60,801,674
Petty cash	20,796
	<hr/>
Total	\$ 66,344,523
	<hr/> <hr/>

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

Statement of Net Position	
Cash and investments	\$ 57,389,923
Restricted assets	
Cash and investments for debt service	8,954,600
	<hr/>
Total	\$ 66,344,523
	<hr/> <hr/>

B. Deposits

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

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

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

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

At year-end, the carrying amount of the City’s deposits was \$5,522,053, while the balance on the bank records was \$7,688,112. At December 31, 2014, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years				Total
	Rating	Agency	Less	1 to 5	6 to 10	Greater	
			Than 1			Than 10	
U.S. agency securities	AA	S&P	\$ 92,846	\$ 15,610,042	\$ 7,376,360	\$ –	\$ 23,079,248
State and local bonds	AAA	S&P	–	5,970,103	–	–	5,970,103
State and local bonds	AAA	Moody’s	541,923	912,284	–	–	1,454,207
State and local bonds	AA	S&P	–	11,093,057	2,397,068	315,967	13,806,092
State and local bonds	AA	Moody’s	257,110	5,970,924	2,393,241	–	8,621,275
State and local bonds	A	S&P	–	746,565	–	–	746,565
State and local bonds	A	Moody’s	576,173	1,126,454	–	–	1,702,627
Negotiable certificates of deposit	N/R	N/A	–	5,342,867	–	–	5,342,867
			<u>\$ 1,468,052</u>	<u>\$ 46,772,296</u>	<u>\$ 12,166,669</u>	<u>\$ 315,967</u>	60,722,984
Investment pools/mutual funds							
Federated treasury cash series	AAA	S&P					33,505
Dreyfus cash management	AAA	S&P					16,232
Wells Fargo Advantage Heritage	AAA	S&P					28,953
Total investments							<u>\$ 60,801,674</u>

N/A – Not Applicable

N/R – Not Rated

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

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy states the City may not invest in securities that are both uninsured and not registered in the name of the City and are held by either the counterparty or the counterparty’s trust department or agent, but not in the name of the City.

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policy states no more than 5 percent of the overall portfolio may be invested in the securities of a single issuer, except for the securities of the U.S. government or an external investment pool. As of December 31, 2014, the City’s investment portfolio includes the Federal National Mortgage Association at 14.1 percent.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policy does include specific limits on investment maturities as a means of managing its exposure to fair value arising from increasing interest rates. It also states investments should not be purchased that are considered to be highly sensitive to interest rate changes.

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due To and Due From Other Funds

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

Due To Other Funds	Due From Other Funds		
	Governmental		Total
	Closed Bond Issues	Future Capital Projects	
Governmental			
2001/2008B Refunding Improvement Bonds	\$ 2,742,739	\$ –	\$ 2,742,739
Construction Projects	–	1,598,037	1,598,037
Road Improvements	–	3,911,247	3,911,247
Nonmajor	92,325	1,230,049	1,322,374
Total	\$ 2,835,064	\$ 6,739,333	\$ 9,574,397

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

B. Advance From and Advance To Other Funds

Borrowing at year-end was as follows:

Advance From Other Funds	Advance To Other Funds				Total
	Governmental		Nonmajor	Enterprise	
	Closed Bond Issues	Future Capital Projects		Water and Sewer	
Governmental					
Road Improvements	\$ –	\$ 152,367	\$ –	\$ –	\$ 152,367
Nonmajor	488,500	–	–	–	488,500
Enterprise					
Municipal Golf Course	–	1,872,813	47,111	490,664	2,410,588
Sports Arena	–	–	–	695,516	695,516
Total	\$ 488,500	\$ 2,025,180	\$ 47,111	\$ 1,186,180	\$ 3,746,971

Advances are utilized to cover operations and capital improvements.

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

C. Interfund Transfers

Transfers Out	Transfers In						Total
	Governmental			Proprietary			
	General Fund	Road Improvements	Future Capital Projects	Nonmajor	Sports Arena	Vehicle, Equipment Replacement	
Governmental							
General Fund	\$ -	\$ 2,855,000	\$ 1,320,000	\$ 27,838	\$ -	\$ -	\$ 4,202,838
Future Capital Projects	-	-	-	1,306,450	31,018	-	1,337,468
Nonmajor	-	-	-	2,109,617	-	96,000	2,205,617
Enterprise							
Municipal Liquor	600,000	-	-	-	-	-	600,000
Water and Sewer	600,000	867,579	-	-	-	-	1,467,579
Storm Drainage	-	114,109	-	-	-	-	114,109
Total	\$ 1,200,000	\$ 3,836,688	\$ 1,320,000	\$ 3,443,905	\$ 31,018	\$ 96,000	\$ 9,927,611

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

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Beginning of Year	Additions	Deletions	Transfers and Completed Construction	End of Year
Capital assets, not depreciated					
Land and land improvements	\$ 3,885,715	\$ -	\$ -	\$ -	\$ 3,885,715
Construction in progress	1,768,121	8,460,135	-	(10,129,863)	98,393
Total capital assets, not depreciated	5,653,836	8,460,135	-	(10,129,863)	3,984,108
Capital assets, depreciated					
Buildings	27,471,940	-	-	1,592,822	29,064,762
Other improvements	24,490,922	136,483	-	119,263	24,746,668
Furniture and equipment	16,084,044	1,867,609	(1,480,597)	495,944	16,967,000
Infrastructure	83,392,335	1,302,724	-	6,278,800	90,973,859
Total capital assets, depreciated	151,439,241	3,306,816	(1,480,597)	8,486,829	161,752,289
Less accumulated depreciation on					
Buildings	10,202,907	750,942	-	-	10,953,849
Other improvements	7,339,192	806,591	-	-	8,145,783
Furniture and equipment	10,946,876	1,110,828	(1,399,526)	-	10,658,178
Infrastructure	31,224,561	2,580,659	-	-	33,805,220
Total accumulated depreciation	59,713,536	5,249,020	(1,399,526)	-	63,563,030
Net capital assets, depreciated	91,725,705	(1,942,204)	(81,071)	8,486,829	98,189,259
Total capital assets, net	\$ 97,379,541	\$ 6,517,931	\$ (81,071)	\$ (1,643,034)	\$ 102,173,367

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

	Beginning of Year	Additions	Deletions	Transfers and Completed Construction	Adjustments	End of Year
Capital assets, not depreciated						
Land and land improvements	\$ 6,167,679	\$ 265,915	\$ (1,500)	\$ –	\$ –	\$ 6,432,094
Construction in progress	7,747,883	7,156,748	–	700,062	–	15,604,693
Total capital assets, not depreciated	13,915,562	7,422,663	(1,500)	700,062	–	22,036,787
Capital assets, depreciated						
Buildings	18,207,976	–	(20,268)	–	–	18,187,708
Other improvements	131,377,004	2,080,454	(13,956)	942,972	–	134,386,474
Furniture and equipment	4,834,489	207,584	(226,724)	–	58,466	4,873,815
Total capital assets, depreciated	154,419,469	2,288,038	(260,948)	942,972	58,466	157,447,997
Less accumulated depreciation on						
Buildings	7,732,129	522,602	(20,268)	–	–	8,234,463
Other improvements	34,359,117	1,784,433	(13,956)	–	–	36,129,594
Furniture and equipment	3,496,128	279,716	(224,267)	–	58,466	3,610,043
Total accumulated depreciation	45,587,374	2,586,751	(258,491)	–	58,466	47,974,100
Net capital assets, depreciated	108,832,095	(298,713)	(2,457)	942,972	–	109,473,897
Total capital assets, net	\$ 122,747,657	\$ 7,123,950	\$ (3,957)	\$ 1,643,034	\$ –	\$ 131,510,684

C. Depreciation Expense by Function

Depreciation expense for the year ended December 31, 2014 was charged to the following functions:

Governmental activities	
General government	\$ 380,839
Public safety	298,190
Public works	2,951,667
Parks and recreation	1,209,739
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	408,585
Total depreciation expense – governmental activities	<u>\$ 5,249,020</u>
Business-type activities	
Municipal liquor	\$ 133,075
Municipal golf course	175,518
Sports arena	148,980
Water and sewer	1,609,340
Storm drainage	500,774
Cemetery	19,064
Total depreciation expense – business-type activities	<u>\$ 2,586,751</u>

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Debt

	Original Issue	Interest Rate	Final Maturity	Balance – End of Year
Governmental activities				
General obligation bonds				
G.O. Park Bonds 2007A	\$ 6,400,000	3.40–4.40%	12/15/2032	\$ 5,785,000
G.O. Park Bonds 2008D	\$ 6,685,000	2.40–4.20%	12/15/2032	6,045,000
G.O. State-Aid Road Refunding Bonds 2009A	\$ 2,775,000	2.00–3.00%	12/01/2016	1,185,000
G.O. Refunding Improvement Bonds 2010A	\$ 435,000	1.50–2.00%	12/01/2015	115,000
G.O. Park Bonds 2011A	\$ 1,345,000	2.00–4.10%	12/15/2032	1,220,000
G.O. Equipment Certificate Bonds 2012A	\$ 1,305,000	2.00%	12/15/2021	975,000
G.O. Park Refunding Bonds 2012A	\$ 4,550,000	2.00%	12/15/2017	2,880,000
G.O. Crossover Refunding Bonds 2013A	\$ 9,000,000	1.75–2.35%	12/15/2031	9,000,000
G.O. Equipment Bonds 2014A	\$ 680,000	2.00%	12/15/2020	680,000
Total general obligation bonds				<u>27,885,000</u>
General obligation improvement bonds				
G.O. Improvement Bonds 2007B	\$ 3,600,000	3.35–4.10%	12/15/2023	2,025,000
G.O. Improvement Refunding Bonds 2008B	\$ 2,415,000	3.25–4.00%	12/01/2015	390,000
G.O. Improvement Refunding Bonds 2010A	\$ 2,135,000	1.50–2.15%	12/01/2019	1,300,000
G.O. Improvement Refunding Bonds 2010A	\$ 1,395,000	1.50–2.00%	12/01/2015	325,000
G.O. Improvement Bonds 2012A	\$ 920,000	2.00%	12/15/2022	895,000
Total general obligation improvement bonds				<u>4,935,000</u>
Total governmental activities bonds				<u>32,820,000</u>
Unamortized premium				361,555
Net OPEB obligation				1,099,236
Compensated absences				<u>2,661,104</u>
Total governmental activities				<u>\$ 36,941,895</u>
Business-type activities				
General obligation revenue bonds				
G.O. Storm Water Bonds 2011A	\$ 2,600,000	2.00–3.60%	12/15/2026	\$ 2,040,000
G.O. Water Revenue Bonds 2014A	\$ 8,830,000	2.00–3.00%	12/15/2033	8,510,000
Total general obligation revenue bonds				<u>10,550,000</u>
Revenue bonds				
Liquor Store Revenue Bonds 2008C	\$ 3,295,000	2.60–4.60%	12/01/2025	2,480,000
Total business-type activities bonds				<u>13,030,000</u>
Capital lease				138,799
Unamortized premium				179,567
Net OPEB obligation				190,676
Compensated absences				<u>470,749</u>
Total business-type activities				<u>\$ 14,009,791</u>

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Debt

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 29,350,000	\$ 680,000	\$ 2,145,000	\$ 27,885,000	\$ 2,275,000
General obligation improvement bonds	6,205,000	–	1,270,000	4,935,000	1,300,000
Unamortized premium	375,351	25,505	39,301	361,555	–
Net OPEB obligation	959,650	195,086	55,500	1,099,236	–
Compensated absences	2,584,733	1,688,590	1,612,219	2,661,104	1,612,500
Total governmental activities	39,474,734	2,589,181	5,122,020	36,941,895	5,187,500
Business-type activities					
General obligation revenue bonds	2,395,000	8,830,000	675,000	10,550,000	515,000
Revenue bonds	2,630,000	–	150,000	2,480,000	155,000
Capital lease	190,645	–	51,846	138,799	41,038
Unamortized premium	19,929	166,013	6,375	179,567	–
Net OPEB obligation	165,734	33,839	8,897	190,676	–
Compensated absences	439,882	296,511	265,644	470,749	236,925
Total business-type activities	5,841,190	9,326,363	1,157,762	14,009,791	947,963
Total government-wide	\$ 45,315,924	\$ 11,915,544	\$ 6,279,782	\$ 50,951,686	\$ 6,135,463

C. Minimum Debt Payments

Minimum annual payments required to retire bonds are as follows:

Governmental Activities

Year Ending December 31,	General Obligation Bonds		General Obligation Improvement Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,275,000	\$ 835,750	\$ 1,300,000	\$ 146,700	\$ 3,575,000	\$ 982,450
2016	2,200,000	779,808	600,000	108,400	2,800,000	888,208
2017	10,000,000	724,632	595,000	92,348	10,595,000	816,980
2018	810,000	333,585	590,000	76,288	1,400,000	409,873
2019	885,000	310,934	590,000	60,213	1,475,000	371,147
2020–2024	4,335,000	1,162,792	1,260,000	105,975	5,595,000	1,268,767
2025–2029	4,980,000	639,608	–	–	4,980,000	639,608
2030–2032	2,400,000	97,995	–	–	2,400,000	97,995
	\$ 27,885,000	\$ 4,885,104	\$ 4,935,000	\$ 589,924	\$ 32,820,000	\$ 5,475,028

Business-Type Activities

Year Ending December 31,	General Obligation Revenue Bonds		Revenue Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 515,000	\$ 270,708	\$ 155,000	\$ 106,450	\$ 41,038	\$ 1,780	\$ 711,038	\$ 378,938
2016	525,000	260,408	160,000	100,560	97,761	1,321	782,761	362,289
2017	540,000	249,908	170,000	94,320	–	–	710,000	344,228
2018	550,000	239,108	180,000	87,520	–	–	730,000	326,628
2019	560,000	227,778	190,000	80,320	–	–	750,000	308,098
2020–2024	3,005,000	945,698	1,100,000	272,250	–	–	4,105,000	1,217,948
2025–2029	2,205,000	547,474	525,000	24,150	–	–	2,730,000	571,624
2030–2033	2,650,000	163,500	–	–	–	–	2,650,000	163,500
	\$ 10,550,000	\$ 2,904,582	\$ 2,480,000	\$ 765,570	\$ 138,799	\$ 3,101	\$ 13,168,799	\$ 3,673,253

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Description of Long-Term Debt

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

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

- **General Obligation Revenue Bonds and Revenue Bonds** – The City issues revenue bonds to provide financing for its enterprise funds. The City issued revenue bonds for the liquor store and G.O. revenue bonds for the arena, water and sewer, and storm drainage activity. Debt service is covered through the revenue producing activities of these funds.
- **Capital Lease** – The City entered into lease agreements for financing the acquisition of equipment for the municipal golf course. These lease agreements mature in November 2016 and carry interest rates ranging from 0.24–6.69 percent. As of December 31, 2014, these assets had a capitalized value of \$273,438 with accumulated depreciation of \$85,416. Revenues from the Municipal Golf Course Fund financed these leases.
- **Net OPEB Obligation** – This liability represents the City’s OPEB obligation as further described later in these notes. The General Fund, Municipal Liquor, Municipal Golf Course, Sports Arena, Water and Sewer, and Storm Drainage Funds will be used to liquidate this liability.
- **Compensated Absences** – This liability represents vested benefits earned by employees through the end of the year, which will be paid or used in future periods. The Compensated Absences Internal Service Fund, Municipal Liquor, Municipal Golf Course, Sports Arena, Water and Sewer, and Storm Drainage Funds will be used to liquidate this liability.

E. Revenue Pledged

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Liquor Store Revenue Bonds 2008C	Site improvements	Liquor sales	100%	2008–2025	\$ 3,245,570	\$ 261,850	\$ 9,292,224
G.O. Storm Water Bonds 2011A	Utility improvements	Utility charges	100%	2011–2026	\$ 2,447,253	\$ 203,483	\$ 1,562,067
G.O. Water Revenue Bonds 2014A	Utility improvements	Utility charges	100%	2014–2033	\$ 11,007,327	\$ 449,223	\$ 8,911,018

NOTE 5 – LONG-TERM DEBT (CONTINUED)

F. Arbitrage Rebate

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

G. Conduit Debt Obligations

At times, the City has issued various types of revenue bonds to provide financial assistance to private sector, nonprofit, or governmental entities to finance the acquisition or construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the City's financial statements. As of December 31, 2014, the following conduit debt issues were outstanding:

Augustana Care		
Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2011A	\$	1,335,000
Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2011B		1,545,000
Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2012		1,000,000
Ecumen		
Housing and Health Care Revenue Bonds (The Seasons at Apple Valley Project), Series 2010		5,255,000
Lifeworks services		
Educational Facilities Revenue Note, Series 2011		<u>2,113,432</u>
Total conduit debt obligations	\$	<u><u>11,248,432</u></u>

NOTE 6 – JOINT POWERS COMMITMENT

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

Information regarding the DCC can be obtained from the website www.mn-dcc.org/about-the-dcc/statistics/ or by contacting the City of Lakeville, 20195 Holyoke Avenue, Lakeville, MN 55044-9177.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

GERF members belong to either the Coordinated 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 five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

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

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

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2 percent of their annual covered salary in 2014. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.25 percent for Coordinated Plan members, and 15.3 percent for PEPFF members. The City’s contributions for the past three years ending December 31, which were equal to the contractually required contributions for each year as set by state statutes, were as follows:

	<u>GERP</u>	<u>PEPFF</u>
2012	\$ 645,052	\$ 610,304
2013	\$ 680,030	\$ 652,792
2014	\$ 698,875	\$ 715,435

Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5 percent for members and 7.5 percent for employers) and the PEPFF (10.8 percent for members and 16.2 percent for employers).

NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN – STATE-WIDE

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

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

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

B. Pension Benefits

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

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

C. Funding Policy

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

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

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

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

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

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

D. Three-Year Trend Information

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

E. Schedule of Funding Progress

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

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

The Schedule of Funding Progress immediately following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

A. Plan Description

The City provides post-employment benefits to certain eligible employees and their spouses through the City's Other Post-Employment Benefits (OPEB) Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

Post-Employment Insurance Benefits – All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

B. Funding Policy

The required contributions are based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the City.

C. Annual OPEB Cost and Net OPEB Obligation

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

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

ARC	\$ 220,770
Interest on net OPEB obligation	50,642
Adjustment to ARC	(42,486)
Annual OPEB cost (expense)	<u>228,926</u>
Contributions made	<u>64,398</u>
Increase in net OPEB obligation	164,528
Net OPEB obligation – beginning of year	<u>1,125,384</u>
Net OPEB obligation – end of year	<u>\$ 1,289,912</u>

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

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

<u>Fiscal Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 231,418	\$ 48,640	21%	\$ 953,947
2013	\$ 239,979	\$ 68,542	29%	\$ 1,125,384
2014	\$ 228,926	\$ 64,398	28%	\$ 1,289,912

D. Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits and unfunded actuarial accrued liability (UAAL) were both \$2,145,589, as the plan was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$12,506,433 and the ratio of the UAAL to the covered payroll was 17 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the January 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the City's own investments; an annual payroll growth rate of 3.75 percent; an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 12 years for medical insurance; and a general inflation rate of 3.0 percent. The UAAL is amortized on a level dollar basis over an open 30-year period.

NOTE 11 – STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balances

The following funds have a deficit fund balance at December 31, 2014:

	<u>Amount</u>
Governmental	
2001/2008B Refunding Improvement Bonds	\$ 2,742,739
Construction Projects	\$ 2,346,317
Road Improvements	\$ 4,169,438
Nonmajor funds	
1998/2008 Improvement Bonds	\$ 92,324
Dakota County Construction Projects	\$ 130,040
1999 Improvement Construction	\$ 48,807
2000 Improvement Construction	\$ 18,621
2008 Construction Projects	\$ 78,282
Engineer Developer Review Nonreimbursable	\$ 38,133
2003 Improvement Construction	\$ 955,151
TIF District Parkside Village	\$ 488,500

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

B. Expenditures Exceeding Appropriations

	<u>Expenditures</u>	<u>Appropriations</u>
Cable TV Special Revenue Fund	\$ 216,770	\$ 196,885
Road Improvements Capital Projects Fund	\$ 6,553,172	\$ 6,518,000
Equipment Certificate Capital Projects Fund	\$ 1,148,286	\$ 813,500

NOTE 12 – FUND BALANCES

A. Classifications

At December 31, 2014, the City had the following governmental fund balances:

	Debt Service			Capital Projects			Nonmajor Governmental Funds	Total
	General Fund	Closed Bond Issues	2001/2008 Refunding Improvement Bonds	Construction Projects	Road Improvements	Future Capital Projects		
Nonspendable								
Inventory	\$ 31,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,434
Prepaid items	306,130	-	-	-	-	-	-	306,130
Total nonspendable	337,564	-	-	-	-	-	-	337,564
Restricted for								
Debt service	-	-	-	-	-	-	12,200,043	12,200,043
Economic development	-	-	-	-	-	-	1,361,411	1,361,411
Tax increment financing	-	-	-	-	-	-	4,301,496	4,301,496
Police forfeiture	-	-	-	-	-	-	123,900	123,900
Capital acquisition								
911 system	-	-	-	-	-	-	159,540	159,540
Cable capital equipment	-	-	-	-	-	-	330,894	330,894
Park improvements	-	-	-	-	-	-	333,531	333,531
Park dedication	-	-	-	-	-	-	524,208	524,208
Electric projects	-	-	-	-	-	-	2,156,655	2,156,655
Cable TV	-	-	-	-	-	-	108,946	108,946
Other purposes								
Energy grant	-	-	-	-	-	-	10,725	10,725
Solid waste grant	-	-	-	-	-	-	60,515	60,515
Lodging tax	-	-	-	-	-	-	100,920	100,920
Total restricted	-	-	-	-	-	-	21,772,784	21,772,784
Committed to								
Technology improvements	24,000	-	-	-	-	-	-	24,000
HR consultant	10,000	-	-	-	-	-	-	10,000
Home improvement guide	20,000	-	-	-	-	-	-	20,000
Community center floor replenish	15,000	-	-	-	-	-	-	15,000
Aquatic center pool painting	35,000	-	-	-	-	-	-	35,000
A/P automation project	40,000	-	-	-	-	-	-	40,000
Fire equipment	2,300	-	-	-	-	-	-	2,300
Total committed	146,300	-	-	-	-	-	-	146,300
Assigned to								
MS license	47,800	-	-	-	-	-	-	47,800
Fiber locates	6,616	-	-	-	-	-	-	6,616
Debt service	-	8,679,253	-	-	-	-	2,155,514	10,834,767
Other capital projects	-	-	-	-	-	13,528,740	511,223	14,039,963
Equipment	-	-	-	-	-	-	336,280	336,280
Police special projects	-	-	-	-	-	-	220,992	220,992
Tree preservation	-	-	-	-	-	-	357,142	357,142
Ponds	-	-	-	-	-	-	238,638	238,638
Pathways and sidewalks	-	-	-	-	-	-	229,436	229,436
Dodd Road	-	-	-	-	-	-	231,941	231,941
Former City Hall building	-	-	-	-	-	-	672,499	672,499
Capital building	-	-	-	-	-	-	262,304	262,304
Park improvement development	-	-	-	-	-	-	2,380	2,380
Physical improvement	-	-	-	-	-	-	156,343	156,343
Fire capital purchases	-	-	-	-	-	-	31,935	31,935
Total assigned	54,416	8,679,253	-	-	-	13,528,740	5,406,627	27,669,036
Unassigned								
	14,617,170	-	(2,742,739)	(2,346,317)	(4,169,438)	-	(1,849,858)	3,508,818
Total	\$15,155,450	\$ 8,679,253	\$ (2,742,739)	\$ (2,346,317)	\$ (4,169,438)	\$13,528,740	\$25,329,553	\$53,434,502

NOTE 12 – FUND BALANCES (CONTINUED)

B. Minimum Fund Balance Policy

The City Council has formally adopted a fund balance policy. The policy establishes the City will strive to maintain a minimum unassigned General Fund balance of 50 percent of the subsequent year's budgeted amount for property taxes for working capital in addition to an amount equal to six months of operating expenditures. At December 31, 2014, the unassigned fund balance of the General Fund was 50.6 percent of the subsequent year's budgeted expenditures, including transfers.

NOTE 13 – JOINT POWERS AGREEMENT WITH DAKOTA COUNTY

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

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

B. Federal and State Funding

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

C. Tax Increment Districts

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

D. Construction Commitments

At December 31, 2014, the City is committed to various construction contracts for the improvement of city property. The City's remaining commitment under these contracts is approximately \$2.5 million.

E. Operating Lease

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

On December 13, 2012 the City entered into an agreement to extend the lease for an additional term of three years commencing February 1, 2013, and ending January 31, 2016 at a base rent of \$10,500 per month. Lease expenditures for the year ending December 31, 2014 were \$126,000. The following is a schedule by years of future minimum payments required under the leases as of December 31, 2014:

Year Ending December 31,	Amount
2015	\$ 126,000
2016	10,500
Total	<u>\$ 136,500</u>

NOTE 15 – SUBSEQUENT EVENTS

On May 14, 2015, the City Council approved the issuance and sale of \$1,785,000 Liquor Store Revenue Refunding Bonds, Series 2015A with interest rates ranging from 0.50 to 2.15 percent with a final maturity date of December 1, 2021. The 2015A bonds were issued to refund a portion of the 2008C Liquor Revenue Bonds.

On May 14, 2015, the City Council approved the issuance and sale of \$5,860,000 General Obligation Bonds, Series 2015B with interest rates ranging from 2.00 to 2.75 percent with a final maturity date of December 15, 2029. A portion of the 2015B bonds were issued to advance refund portions of the General Obligation Bonds of 2007A, 2008D, and 2011A. In addition, \$595,000 of the issue was to fund equipment purchases.

NOTE 16 – FUTURE CHANGE IN ACCOUNTING STANDARDS

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF APPLE VALLEY

Required Supplementary Information

Schedule of Funding Progress
Other Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
January 1, 2014	\$ 2,145,589	\$ -	\$ 2,145,589	- %	\$ 12,506,433	17.2%
January 1, 2012	\$ 2,131,117	\$ -	\$ 2,131,117	- %	\$ 11,616,482	18.3%
January 1, 2010	\$ 2,236,253	\$ -	\$ 2,236,253	- %	\$ 11,655,388	19.2%

Schedule of Funding Progress
Apple Valley Firefighters' Relief Association

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

SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF APPLE VALLEY

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of December 31, 2014

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and investments	\$ 1,647,357	\$ 7,111,266	\$ 9,875,071	\$ 18,633,694
Restricted cash with fiscal agent	-	8,625,433	-	8,625,433
Receivables				
Accounts	21,920	4,000	126,233	152,153
Taxes – delinquent	-	-	120	120
Special assessments				
Current	-	454,015	-	454,015
Delinquent	-	109,352	-	109,352
Deferred	-	2,449,272	-	2,449,272
Interest	-	11,840	-	11,840
Due from other governmental units	1,353	-	125	1,478
Advances to other funds	-	-	47,111	47,111
	<u>1,670,630</u>	<u>18,765,178</u>	<u>10,048,660</u>	<u>30,484,468</u>
Total assets	\$ 1,670,630	\$ 18,765,178	\$ 10,048,660	\$ 30,484,468
Liabilities				
Accrued salaries payable	\$ 9,039	\$ -	\$ -	\$ 9,039
Accounts payable	7,455	1,717	217,056	226,228
Contracts payable	-	-	90,881	90,881
Due to other governmental units	-	-	5,134	5,134
Due to other funds	-	92,324	1,230,050	1,322,374
Advances from other funds	-	-	488,500	488,500
Total liabilities	16,494	94,041	2,031,621	2,142,156
Deferred inflows of resources				
Unavailable revenue – property taxes	-	-	120	120
Unavailable revenue – special assessments	-	3,012,639	-	3,012,639
Total deferred inflows of resources	-	3,012,639	120	3,012,759
Fund balances (deficit)				
Restricted	1,654,136	13,595,308	6,523,340	21,772,784
Assigned	-	2,155,514	3,251,113	5,406,627
Unassigned	-	(92,324)	(1,757,534)	(1,849,858)
Total fund balances	1,654,136	15,658,498	8,016,919	25,329,553
	<u>\$ 1,670,630</u>	<u>\$ 18,765,178</u>	<u>\$ 10,048,660</u>	<u>\$ 30,484,468</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,670,630	\$ 18,765,178	\$ 10,048,660	\$ 30,484,468

CITY OF APPLE VALLEY

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2014

	Special Revenue	Debt Service	Capital Projects	Total
Revenues				
Taxes	\$ 334,465	\$ 1,171,345	\$ 619,317	\$ 2,125,127
Other taxes	89,859	-	-	89,859
Franchise fees	64,030	-	758,398	822,428
Special assessments	-	3,730,561	-	3,730,561
Intergovernmental	-	627,800	-	627,800
Investment earnings	34,680	415,394	216,265	666,339
Other	122,461	-	1,277,187	1,399,648
Total revenues	<u>645,495</u>	<u>5,945,100</u>	<u>2,871,167</u>	<u>9,461,762</u>
Expenditures				
Current				
General government	19,792	406,683	759,506	1,185,981
Public safety	16,893	-	83,840	100,733
Public works	10,526	-	84,119	94,645
Parks and recreation	287,014	-	41,419	328,433
Capital outlay	17,395	478,781	3,410,434	3,906,610
Debt service				
Principal	-	3,020,000	-	3,020,000
Interest and fiscal charges	-	1,029,162	-	1,029,162
Total expenditures	<u>351,620</u>	<u>4,934,626</u>	<u>4,379,318</u>	<u>9,665,564</u>
Excess (deficiency) of revenues over expenditures	293,875	1,010,474	(1,508,151)	(203,802)
Other financing sources (uses)				
Sale of capital assets	33,242	-	88,465	121,707
Bonds issued	-	17,317	662,683	680,000
Premium on bonds issued	-	-	25,505	25,505
Transfers in	27,838	960,000	2,456,067	3,443,905
Transfers (out)	-	(2,205,617)	-	(2,205,617)
Total other financing sources (uses)	<u>61,080</u>	<u>(1,228,300)</u>	<u>3,232,720</u>	<u>2,065,500</u>
Net change in fund balances	354,955	(217,826)	1,724,569	1,861,698
Fund balances				
Beginning of year	<u>1,299,181</u>	<u>15,876,324</u>	<u>6,292,350</u>	<u>23,467,855</u>
End of year	<u>\$ 1,654,136</u>	<u>\$ 15,658,498</u>	<u>\$ 8,016,919</u>	<u>\$ 25,329,553</u>

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NONMAJOR SPECIAL REVENUE FUNDS

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

Nonmajor special revenue funds presently established are as follows:

- **Cable TV Fund** – Accounts for the operating costs of the cable TV functions funded by cable franchise fees.
- **Solid Waste Grant Fund** – Accounts for the expenses related to recycling activities and the semi-annual cleanup day funded by grants from Dakota County.
- **Police Forfeiture Fund** – Administers the resources received through court ordered forfeitures.
- **EDA Operations Fund** – Accounts for the operating activities of the Apple Valley Economic Development Authority.
- **Lodging Tax Fund** – Administers the resources received from the Lodging Tax process.

CITY OF APPLE VALLEY

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2014

	Cable TV (2010)	Solid Waste Grant (2040)	Police Forfeiture (2060)
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 102,481	\$ 60,515	\$ 123,900
Receivables			
Accounts	15,648	-	-
Due from other governmental units	<u>1,353</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 119,482</u>	<u>\$ 60,515</u>	<u>\$ 123,900</u>
Liabilities			
Accrued salaries payable	\$ 9,039	\$ -	\$ -
Accounts payable	<u>1,497</u>	<u>-</u>	<u>-</u>
Total liabilities	10,536	-	-
Fund balances			
Restricted	<u>108,946</u>	<u>60,515</u>	<u>123,900</u>
Total liabilities and fund balances	<u>\$ 119,482</u>	<u>\$ 60,515</u>	<u>\$ 123,900</u>

EDA Operations (3210)	Lodging Tax (7000)	Totals
\$ 1,259,855	\$ 100,606	\$ 1,647,357
-	6,272	21,920
<u>-</u>	<u>-</u>	<u>1,353</u>
<u>\$ 1,259,855</u>	<u>\$ 106,878</u>	<u>\$ 1,670,630</u>
\$ -	\$ -	\$ 9,039
<u>-</u>	<u>5,958</u>	<u>7,455</u>
<u>-</u>	<u>5,958</u>	<u>16,494</u>
<u>1,259,855</u>	<u>100,920</u>	<u>1,654,136</u>
<u>\$ 1,259,855</u>	<u>\$ 106,878</u>	<u>\$ 1,670,630</u>

CITY OF APPLE VALLEY

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2014

	Cable TV (2010)	Solid Waste Grant (2040)	Police Forfeiture (2060)
Revenue			
Taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Franchise fees	64,030	-	-
Investment earnings	2,488	1,760	3,048
Other revenue			
Miscellaneous	109,648	7,414	5,399
Total revenue	<u>176,166</u>	<u>9,174</u>	<u>8,447</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	16,893
Public works	-	10,526	-
Parks and recreation	209,140	-	-
Capital outlay	7,630	-	9,765
Total expenditures	<u>216,770</u>	<u>10,526</u>	<u>26,658</u>
Excess (deficiency) of revenue over expenditures	(40,604)	(1,352)	(18,211)
Other financing sources			
Sale of capital assets	-	-	33,242
Transfers in	27,838	-	-
Total other financing sources	<u>27,838</u>	<u>-</u>	<u>33,242</u>
Net change in fund balances	(12,766)	(1,352)	15,031
Fund balances			
Beginning of year	<u>121,712</u>	<u>61,867</u>	<u>108,869</u>
End of year	<u>\$ 108,946</u>	<u>\$ 60,515</u>	<u>\$ 123,900</u>

EDA Operations (3210)	Lodging Tax (7000)	Totals
\$ 334,465	\$ -	\$ 334,465
-	89,859	89,859
-	-	64,030
24,888	2,496	34,680
-	-	122,461
<u>359,353</u>	<u>92,355</u>	<u>645,495</u>
19,792	-	19,792
-	-	16,893
-	-	10,526
-	77,874	287,014
-	-	17,395
<u>19,792</u>	<u>77,874</u>	<u>351,620</u>
339,561	14,481	293,875
-	-	33,242
-	-	27,838
<u>-</u>	<u>-</u>	<u>61,080</u>
339,561	14,481	354,955
920,294	86,439	1,299,181
<u>\$ 1,259,855</u>	<u>\$ 100,920</u>	<u>\$ 1,654,136</u>

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NONMAJOR DEBT SERVICE FUNDS

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

CITY OF APPLE VALLEY

Nonmajor Debt Service Funds
 Combining Balance Sheet
 as of December 31, 2014

	G.O. Closed Bond Issues (3075)	Improvement Bonds of 2006 (3330)	Improvement Bonds of 2007 (3340)	1998/2008 Improvement Bonds (3195)	2003/2009A Refunding Improvement Bonds (3305)
Assets					
Cash and investments	\$ 2,155,514	\$ 23,891	\$ 1,131,572	\$ -	\$ 711,200
Restricted cash with fiscal agent	-	-	-	-	-
Receivables					
Special assessments					
Current	-	174,931	41,821	77,047	-
Delinquent	-	100,133	71	-	-
Deferred	-	1,101,113	307,294	-	-
Accounts	-	-	-	-	-
Interest	-	-	-	-	-
Total assets	\$ 2,155,514	\$ 1,400,068	\$ 1,480,758	\$ 77,047	\$ 711,200
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	92,324	-
Total liabilities	-	-	-	92,324	-
Deferred inflows of resources					
Unavailable revenue – special assessments	-	1,376,177	349,186	77,047	-
Fund balances (deficit)					
Restricted	-	23,891	1,131,572	-	711,200
Assigned	2,155,514	-	-	-	-
Unassigned	-	-	-	(92,324)	-
Total fund balances (deficit)	2,155,514	23,891	1,131,572	(92,324)	711,200
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,155,514	\$ 1,400,068	\$ 1,480,758	\$ 77,047	\$ 711,200

Improvement Bonds of 2010 (3320)	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 Refunding Bonds of 1985-1992A (3220)	Tax Increment Fischer Marketplace (3275)
\$ 985,316	\$ 60,699	\$ 101,556	\$ 200,619	\$ 1,072,995	\$ 21,812	\$ -
-	-	-	-	-	-	-
30,216	-	-	-	-	-	-
9,148	-	-	-	-	-	-
120,865	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,145,545</u>	<u>\$ 60,699</u>	<u>\$ 101,556</u>	<u>\$ 200,619</u>	<u>\$ 1,072,995</u>	<u>\$ 21,812</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 247	\$ -	\$ 1,470	\$ -
-	-	-	-	-	-	-
-	-	-	247	-	1,470	-
160,229	-	-	-	-	-	-
985,316	60,699	101,556	200,372	1,072,995	20,342	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>985,316</u>	<u>60,699</u>	<u>101,556</u>	<u>200,372</u>	<u>1,072,995</u>	<u>20,342</u>	<u>-</u>
<u>\$ 1,145,545</u>	<u>\$ 60,699</u>	<u>\$ 101,556</u>	<u>\$ 200,619</u>	<u>\$ 1,072,995</u>	<u>\$ 21,812</u>	<u>\$ -</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Debt Service Funds
 Combining Balance Sheet (continued)
 as of December 31, 2014

	G.O. Park Bonds of 2007 (3345)	G.O. Park Bonds of 2008 (3355)	G.O. Park Bonds of 2011 (3360)	G.O. Equipment Certificates of 2012 (3370)	G.O. Refunding Bonds of 2012 (3375)
Assets					
Cash and investments	\$ 128,488	\$ 149,359	\$ 36,565	\$ 891	\$ 290,717
Restricted cash with fiscal agent	-	-	-	-	-
Receivables					
Special assessments					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts	-	4,000	-	-	-
Interest	-	-	-	-	-
Total assets	\$ 128,488	\$ 153,359	\$ 36,565	\$ 891	\$ 290,717
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Deferred inflows of resources					
Unavailable revenue – special assessments	-	-	-	-	-
Fund balances (deficit)					
Restricted	128,488	153,359	36,565	891	290,717
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	128,488	153,359	36,565	891	290,717
Total liabilities, deferred inflows of resources, and fund balances	\$ 128,488	\$ 153,359	\$ 36,565	\$ 891	\$ 290,717

Improvement Bonds of 2012 (3380)	G.O. Refunding Bonds of 2013 (3385)	G.O. Equipment Certificates of 2014 (3390)	Total
\$ 13,387	\$ 17,001	\$ 9,684	\$ 7,111,266
-	8,625,433	-	8,625,433
130,000	-	-	454,015
-	-	-	109,352
920,000	-	-	2,449,272
-	-	-	4,000
-	11,840	-	11,840
<u>\$ 1,063,387</u>	<u>\$ 8,654,274</u>	<u>\$ 9,684</u>	<u>\$ 18,765,178</u>
\$ -	\$ -	\$ -	\$ 1,717
-	-	-	92,324
-	-	-	94,041
1,050,000	-	-	3,012,639
13,387	8,654,274	9,684	13,595,308
-	-	-	2,155,514
-	-	-	(92,324)
<u>13,387</u>	<u>8,654,274</u>	<u>9,684</u>	<u>15,658,498</u>
<u>\$ 1,063,387</u>	<u>\$ 8,654,274</u>	<u>\$ 9,684</u>	<u>\$ 18,765,178</u>

CITY OF APPLE VALLEY

Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2014

	G.O. Closed Bond Issues (3075)	Improvement Bonds of 2006 (3330)	Improvement Bonds of 2007 (3340)	1998/2008 Improvement Bonds (3195)	2003/2009A Refunding Improvement Bonds (3305)
Revenues					
Taxes (abatements)	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	1,053,562	2,398,373	139,429	-
Intergovernmental	-	-	-	-	627,800
Investment earnings	58,487	-	31,437	-	19,061
Total revenues	58,487	1,053,562	2,429,810	139,429	646,861
Expenditures					
Current					
General government	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	350,000	225,000	-	575,000
Interest and fiscal charges	-	11,750	88,425	-	53,295
Total expenditures	-	361,750	313,425	-	628,295
Excess (deficiency) of revenue over expenditures	58,487	691,812	2,116,385	139,429	18,566
Other financing sources (uses)					
Bonds issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	(355,617)	-	-	-	-
Total other financing sources (uses)	(355,617)	-	-	-	-
Net change in fund balances	(297,130)	691,812	2,116,385	139,429	18,566
Fund balances (deficit)					
Beginning of year	2,452,644	(667,921)	(984,813)	(231,753)	692,634
End of year	\$ 2,155,514	\$ 23,891	\$ 1,131,572	\$ (92,324)	\$ 711,200

Improvement Bonds of 2010 (3320)	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 Refunding Bonds of 1985-1992A (3220)	Tax Increment Fischer Marketplace (3275)
\$ -	\$ 117,000	\$ -	\$ -	\$ -	\$ -	\$ (7,655)
109,197	-	-	-	-	-	-
-	-	-	-	-	-	-
30,624	3,179	2,722	5,489	28,750	61,207	9,685
<u>139,821</u>	<u>120,179</u>	<u>2,722</u>	<u>5,489</u>	<u>28,750</u>	<u>61,207</u>	<u>2,030</u>
-	-	43	-	-	19,626	387,014
-	-	-	6,771	-	472,010	-
275,000	110,000	-	-	-	-	-
30,500	3,950	-	-	-	-	-
<u>305,500</u>	<u>113,950</u>	<u>43</u>	<u>6,771</u>	<u>-</u>	<u>491,636</u>	<u>387,014</u>
(165,679)	6,229	2,679	(1,282)	28,750	(430,429)	(384,984)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(1,850,000)	-
-	-	-	-	-	(1,850,000)	-
(165,679)	6,229	2,679	(1,282)	28,750	(2,280,429)	(384,984)
1,150,995	54,470	98,877	201,654	1,044,245	2,300,771	384,984
<u>\$ 985,316</u>	<u>\$ 60,699</u>	<u>\$ 101,556</u>	<u>\$ 200,372</u>	<u>\$ 1,072,995</u>	<u>\$ 20,342</u>	<u>\$ -</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Year Ended December 31, 2014

	G.O. Park Bonds of 2007 (3345)	G.O. Park Bonds of 2008 (3355)	G.O. Park Bonds of 2011 (3360)	G.O. Equipment Certificates of 2012 (3370)	G.O. Refunding Bonds of 2012 (3375)
Revenues					
Taxes	\$ 405,000	\$ 390,000	\$ 89,000	\$ 178,000	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment earnings	3,451	7,540	1,115	-	4,600
Total revenues	408,451	397,540	90,115	178,000	4,600
Expenditures					
Current					
General government	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	135,000	265,000	45,000	160,000	855,000
Interest and fiscal charges	247,925	245,008	41,163	22,700	74,700
Total expenditures	382,925	510,008	86,163	182,700	929,700
Excess (deficiency) of revenue over expenditures	25,526	(112,468)	3,952	(4,700)	(925,100)
Other financing sources (uses)					
Bonds issued	-	-	-	-	-
Transfers in	-	-	-	-	960,000
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	960,000
Net change in fund balances	25,526	(112,468)	3,952	(4,700)	34,900
Fund balances (deficit)					
Beginning of year	102,962	265,827	32,613	5,591	255,817
End of year	\$ 128,488	\$ 153,359	\$ 36,565	\$ 891	\$ 290,717

Improvement Bonds of 2012 (3380)	G.O. Refunding Bonds of 2013 (3385)	G.O. Equipment Certificates of 2014 (3390)	Total
\$ -	\$ -	\$ -	\$ 1,171,345
30,000	-	-	3,730,561
-	-	-	627,800
513	147,234	300	415,394
<u>30,513</u>	<u>147,234</u>	<u>300</u>	<u>5,945,100</u>
-	-	-	406,683
-	-	-	478,781
25,000	-	-	3,020,000
18,400	183,413	7,933	1,029,162
<u>43,400</u>	<u>183,413</u>	<u>7,933</u>	<u>4,934,626</u>
(12,887)	(36,179)	(7,633)	1,010,474
-	-	17,317	17,317
-	-	-	960,000
-	-	-	(2,205,617)
<u>-</u>	<u>-</u>	<u>17,317</u>	<u>(1,228,300)</u>
(12,887)	(36,179)	9,684	(217,826)
26,274	8,690,453	-	15,876,324
<u>\$ 13,387</u>	<u>\$ 8,654,274</u>	<u>\$ 9,684</u>	<u>\$ 15,658,498</u>

NONMAJOR CAPITAL PROJECTS FUNDS

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

Nonmajor capital projects funds presently established are as follows:

- **Equipment Certificates Fund** – Accounts for purchases of equipment financed with the issuance of equipment certificates.
- **Park Dedication Fund** – Accounts for expenditures for the expansion of the City’s park facilities funded by the collection of park dedication fees charged to developing property.
- **Energy Grant Fund** – Accounts for the expenditures for energy improvement projects funded by a federal grant.
- **Police Special Projects Fund** – Accounts for police department projects funded with specific funding sources.
- **Police 911 Fund** – Accounts for costs funded by the fees received from the 911 system.
- **Tree Preservation Fund** – Accounts for the amounts received in the development process related to tree preservation efforts.
- **Pond Fund** – Accounts for the amounts received in the development process related to ponding efforts on privately-developed projects.
- **Pathways and Sidewalks Fund** – Accounts for the amounts received in the development process related to pathways and sidewalk development efforts.
- **Dodd Road Fund** – Accounts for the amounts received from the development process on Dodd Road.
- **Former City Hall Building Fund** – Accounts for the costs and revenues associated with the use of the former city hall building.
- **Capital Building Fund** – Accounts for the cost of the construction of the municipal center and other city facilities.
- **Park Improvement Development Fund** – Accounted for park improvement costs in the development process.
- **Dakota County Construction Projects Fund** – Accounts for county construction projects that the City shares in the costs.
- **C.I.P. Development Fund** – Accounts for the proceeds from and expenses related to the Fraser land sale.
- **1999 Improvement Construction Fund** – Accounts for the improvements funded with the 1999 General Obligation Bonds.
- **2000 Improvement Construction Fund** – Accounts for the improvements funded with the 2000 General Obligation Bonds.
- **2008 Construction Projects Fund** – Accounted for the improvements funded with the 2008 General Obligation Bonds.
- **Engineer Developer Review Nonreimbursable Fund** – Accounts for engineer review costs that will not be reimbursed through the development process.
- **2012 Improvement Construction Fund** – Accounted for the improvements initiated in 2012 to be funded with development charges or developer reimbursements.
- **Cable Capital Equipment Fund** – Accounts for capital equipment needs of the cable TV function funded with portions of the cable franchise fees.
- **Physical Improvement Fund** – Accounts for developer projects funded by developers.
- **Future Improvement Fund** – Accounts for costs of pipeline lowering costs which a developer funded in prior years.

NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)

- **Private Development Fund** – Accounts for developer projects funded by developers.
- **2003 Improvement Construction Fund** – Accounts for the improvements funded with the 2003 General Obligation Bonds.
- **TIF District No. 13 Fund** – Accounts for project costs included in within TIF District 13-Fischer Marketplace.
- **TIF District No. 7 Fund** – Accounts for project costs included in within TIF District 7.
- **Electric Franchise Fee Fund** – Accounts for project costs and revenues associated with the electric franchise fee.
- **2007 Park Bond Fund** – Accounts for the improvements funded with the Park Bonds of 2007 and 2008.
- **Fire Grants Project Fund** –Accounts for Fire Department projects funded with specific funding sources.
- **TIF District No. 1 Fund** – Accounts for project costs included in within TIF District No.1.
- **TIF District Parkside Village Fund** – Accounts for project costs included in within TIF District 15-Parkside Village.
- **TIF District No. 14 Business Campus Fund** – Accounts for project costs included in within TIF District 14-Apple Valley Business Campus.

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Balance Sheet
 as of December 31, 2014

	Equipment Certificates (2005)	Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)	Police 911 (2065)
Assets					
Cash and investments	\$ 295,667	\$ 524,208	\$ 10,725	\$ 220,992	\$ 159,540
Receivables					
Accounts	-	-	-	-	-
Taxes – delinquent	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Advances to other funds	47,111	-	-	-	-
	<u>342,778</u>	<u>524,208</u>	<u>10,725</u>	<u>220,992</u>	<u>159,540</u>
Total assets	<u>\$ 342,778</u>	<u>\$ 524,208</u>	<u>\$ 10,725</u>	<u>\$ 220,992</u>	<u>\$ 159,540</u>
Liabilities					
Accounts payable	\$ 6,498	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-	-
Due to other governmental units	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	<u>6,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources					
Unavailable revenue – property taxes	-	-	-	-	-
Fund balances (deficit)					
Restricted	-	524,208	10,725	-	159,540
Assigned	336,280	-	-	220,992	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>336,280</u>	<u>524,208</u>	<u>10,725</u>	<u>220,992</u>	<u>159,540</u>
	<u>\$ 342,778</u>	<u>\$ 524,208</u>	<u>\$ 10,725</u>	<u>\$ 220,992</u>	<u>\$ 159,540</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 342,778</u>	<u>\$ 524,208</u>	<u>\$ 10,725</u>	<u>\$ 220,992</u>	<u>\$ 159,540</u>

Tree Preservation (2070)	Pond (2075)	Pathways and Sidewalks (2080)	Dodd Road (2085)	Former City Hall Building (2090)	Capital Building (4000)	Park Improvement Development (4010)
\$ 357,142	\$ 238,638	\$ 229,436	\$ 231,941	\$ 682,432	\$ 360,166	\$ 2,380
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	125	-	-
-	-	-	-	-	-	-
<u>\$ 357,142</u>	<u>\$ 238,638</u>	<u>\$ 229,436</u>	<u>\$ 231,941</u>	<u>\$ 682,557</u>	<u>\$ 360,166</u>	<u>\$ 2,380</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,058	\$ 6,981	\$ -
-	-	-	-	-	90,881	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	10,058	97,862	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
357,142	238,638	229,436	231,941	672,499	262,304	2,380
-	-	-	-	-	-	-
<u>357,142</u>	<u>238,638</u>	<u>229,436</u>	<u>231,941</u>	<u>672,499</u>	<u>262,304</u>	<u>2,380</u>
<u>\$ 357,142</u>	<u>\$ 238,638</u>	<u>\$ 229,436</u>	<u>\$ 231,941</u>	<u>\$ 682,557</u>	<u>\$ 360,166</u>	<u>\$ 2,380</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Balance Sheet (continued)
 as of December 31, 2014

	Dakota County Construction Projects (4030)	C.I.P. Development (4045)	1999 Improvement Construction (4225)	2000 Improvement Construction (4245)	2008 Construction Projects (4400)
Assets					
Cash and investments	\$ -	\$ 256,920	\$ -	\$ -	\$ -
Receivables					
Accounts	-	-	-	-	-
Taxes – delinquent	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ -	\$ 256,920	\$ -	\$ -	\$ -
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 10,750	\$ -
Contracts payable	-	-	-	-	-
Due to other governmental units	-	-	-	-	-
Due to other funds	130,040	-	48,807	7,871	78,282
Advances from other funds	-	-	-	-	-
Total liabilities	130,040	-	48,807	18,621	78,282
Deferred inflows of resources					
Unavailable revenue – property taxes	-	-	-	-	-
Fund balances (deficit)					
Restricted	-	-	-	-	-
Assigned	-	256,920	-	-	-
Unassigned	(130,040)	-	(48,807)	(18,621)	(78,282)
Total fund balances (deficit)	(130,040)	256,920	(48,807)	(18,621)	(78,282)
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 256,920	\$ -	\$ -	\$ -

Engineer Developer Review Nonreimbursable (4600)	2012 Improvement Construction (4715)	Cable Capital Equipment (4800)	Physical Improvement (4900)	Future Improvement (4910)	Private Development (4920)	2003 Improvement Construction (4300)
\$ -	\$ 158,673	\$ 399,404	\$ 208,764	\$ 5,134	\$ 125,795	\$ -
-	-	-	-	-	-	3,439
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 158,673</u>	<u>\$ 399,404</u>	<u>\$ 208,764</u>	<u>\$ 5,134</u>	<u>\$ 125,795</u>	<u>\$ 3,439</u>
\$ 6,730	\$ 30,165	\$ 68,510	\$ 52,421	\$ -	\$ -	\$ 24,943
-	-	-	-	-	-	-
-	-	-	-	5,134	-	-
31,403	-	-	-	-	-	933,647
-	-	-	-	-	-	-
<u>38,133</u>	<u>30,165</u>	<u>68,510</u>	<u>52,421</u>	<u>5,134</u>	<u>-</u>	<u>958,590</u>
-	-	-	-	-	-	-
-	-	330,894	-	-	-	-
-	128,508	-	156,343	-	125,795	-
(38,133)	-	-	-	-	-	(955,151)
<u>(38,133)</u>	<u>128,508</u>	<u>330,894</u>	<u>156,343</u>	<u>-</u>	<u>125,795</u>	<u>(955,151)</u>
<u>\$ -</u>	<u>\$ 158,673</u>	<u>\$ 399,404</u>	<u>\$ 208,764</u>	<u>\$ 5,134</u>	<u>\$ 125,795</u>	<u>\$ 3,439</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Balance Sheet (continued)
 as of December 31, 2014

	TIF District No. 13 (4700)	TIF District No. 7 (4710)	Electric Franchise Fee (4750)	2007 Park Bond (4935)	Fire Grants Project (7600)
Assets					
Cash and investments	\$ -	\$ 1,373,437	\$ 2,033,861	\$ 333,531	\$ 31,935
Receivables					
Accounts	-	-	122,794	-	-
Taxes – delinquent	120	-	-	-	-
Due from other governmental units	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 120	\$ 1,373,437	\$ 2,156,655	\$ 333,531	\$ 31,935
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-	-
Due to other governmental units	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Deferred inflows of resources					
Unavailable revenue – property taxes	120	-	-	-	-
Fund balances (deficit)					
Restricted	-	1,373,437	2,156,655	333,531	-
Assigned	-	-	-	-	31,935
Unassigned	-	-	-	-	-
Total fund balances (deficit)	-	1,373,437	2,156,655	333,531	31,935
Total liabilities, deferred inflows of resources, and fund balances	\$ 120	\$ 1,373,437	\$ 2,156,655	\$ 333,531	\$ 31,935

TIF District No. 1 (4730)	TIF District Parkside Village (4740)	TIF District No. 14 Business Campus (4735)	Total
\$ 1,608,704	\$ -	\$ 25,646	\$ 9,875,071
-	-	-	126,233
-	-	-	120
-	-	-	125
-	-	-	47,111
<u>\$ 1,608,704</u>	<u>\$ -</u>	<u>\$ 25,646</u>	<u>\$ 10,048,660</u>
\$ -	\$ -	\$ -	\$ 217,056
-	-	-	90,881
-	-	-	5,134
-	-	-	1,230,050
-	488,500	-	488,500
-	488,500	-	2,031,621
-	-	-	120
1,608,704	-	25,646	6,523,340
-	-	-	3,251,113
-	(488,500)	-	(1,757,534)
<u>1,608,704</u>	<u>(488,500)</u>	<u>25,646</u>	<u>8,016,919</u>
<u>\$ 1,608,704</u>	<u>\$ -</u>	<u>\$ 25,646</u>	<u>\$ 10,048,660</u>

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2014

	Equipment Certificates (2005)	Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)	Police 911 (2065)
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-	-
Investment earnings	19,120	812	287	5,457	6,322
Other revenue					
Contributions	-	-	-	2,000	-
Rentals	-	-	-	-	-
Refunds and reimbursements	-	-	-	32,631	-
Miscellaneous	-	806,561	-	1,194	-
Total revenues	<u>19,120</u>	<u>807,373</u>	<u>287</u>	<u>41,282</u>	<u>6,322</u>
Expenditures					
Current					
General government	20,761	-	-	-	-
Public safety	-	-	-	7,440	76,400
Public works	-	-	-	-	-
Parks and recreation	-	36,773	-	-	-
Capital outlay	1,127,525	-	-	-	-
Total expenditures	<u>1,148,286</u>	<u>36,773</u>	<u>-</u>	<u>7,440</u>	<u>76,400</u>
Excess (deficiency) of revenue over expenditures	(1,129,166)	770,600	287	33,842	(70,078)
Other financing sources					
Bonds issued	662,683	-	-	-	-
Premium on bonds issued	25,505	-	-	-	-
Sale of capital assets	88,465	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources	<u>776,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(352,513)	770,600	287	33,842	(70,078)
Fund balances (deficit)					
Beginning of year	<u>688,793</u>	<u>(246,392)</u>	<u>10,438</u>	<u>187,150</u>	<u>229,618</u>
End of year	<u>\$ 336,280</u>	<u>\$ 524,208</u>	<u>\$ 10,725</u>	<u>\$ 220,992</u>	<u>\$ 159,540</u>

Tree Preservation (2070)	Pond (2075)	Pathways and Sidewalks (2080)	Dodd Road (2085)	Former City Hall Building (2090)	Capital Building (4000)	Park Improvement Development (4010)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
9,685	6,329	5,957	6,215	17,733	5,388	785
-	-	-	-	-	-	-
-	-	-	-	139,750	-	-
-	-	-	-	-	13,608	-
-	-	18,550	-	-	-	-
9,685	6,329	24,507	6,215	157,483	18,996	785
-	-	-	-	116,231	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,646	-	-	-	-	-	-
-	-	-	-	-	694,443	-
4,646	-	-	-	116,231	694,443	-
5,039	6,329	24,507	6,215	41,252	(675,447)	785
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	606,067	-
-	-	-	-	-	606,067	-
5,039	6,329	24,507	6,215	41,252	(69,380)	785
352,103	232,309	204,929	225,726	631,247	331,684	1,595
\$ 357,142	\$ 238,638	\$ 229,436	\$ 231,941	\$ 672,499	\$ 262,304	\$ 2,380

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Year Ended December 31, 2014

	Dakota County Construction Projects (4030)	C.I.P. Development (4045)	1999 Improvement Construction (4225)	2000 Improvement Construction (4245)	2008 Construction Projects (4400)
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-	-
Investment earnings	-	6,883	-	-	-
Other revenue					
Contributions	-	-	-	-	-
Rentals	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	6,883	-	-	-
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	734
Parks and recreation	-	-	-	-	-
Capital outlay					
Total expenditures	-	-	-	-	734
Excess (deficiency) of revenue over expenditures	-	6,883	-	-	(734)
Other financing sources					
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balances	-	6,883	-	-	(734)
Fund balances (deficit)					
Beginning of year	(130,040)	250,037	(48,807)	(18,621)	(77,548)
End of year	\$ (130,040)	\$ 256,920	\$ (48,807)	\$ (18,621)	\$ (78,282)

Engineer Developer Review Nonreimbursable (4600)	2012 Improvement Construction (4715)	Cable Capital Equipment (4800)	Physical Improvement (4900)	Future Improvement (4910)	Private Development (4920)	2003 Improvement Construction (4300)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	206,269	-	-	-	-
-	1,594	7,768	5,733	-	3,245	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
918	170,082	-	-	-	-	-
<u>918</u>	<u>171,676</u>	<u>214,037</u>	<u>5,733</u>	<u>-</u>	<u>3,245</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	66,305	868	16,212	-	-	-
-	-	-	-	-	-	-
-	-	223,501	-	-	-	-
<u>-</u>	<u>66,305</u>	<u>224,369</u>	<u>16,212</u>	<u>-</u>	<u>-</u>	<u>-</u>
918	105,371	(10,332)	(10,479)	-	3,245	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
918	105,371	(10,332)	(10,479)	-	3,245	-
<u>(39,051)</u>	<u>23,137</u>	<u>341,226</u>	<u>166,822</u>	<u>-</u>	<u>122,550</u>	<u>(955,151)</u>
<u>\$ (38,133)</u>	<u>\$ 128,508</u>	<u>\$ 330,894</u>	<u>\$ 156,343</u>	<u>\$ -</u>	<u>\$ 125,795</u>	<u>\$ (955,151)</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Year Ended December 31, 2014

	TIF District No. 13 (4700)	TIF District No. 7 (4710)	Electric Franchise Fee (4750)	2007 Park Bond (4935)	Fire Grants Project (7600)
Revenues					
Taxes	\$ -	\$ 549,438	\$ -	\$ -	\$ -
Franchise fees	-	-	552,129	-	-
Investment earnings	24,824	25,585	47,396	7,694	856
Other revenue					
Contributions	-	-	-	-	-
Rentals	-	-	-	-	-
Refunds and reimbursements	-	91,893	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>24,824</u>	<u>666,916</u>	<u>599,525</u>	<u>7,694</u>	<u>856</u>
Expenditures					
Current					
General government	-	-	38,979	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	1,062,605	-	-	111,269	-
Total expenditures	<u>1,062,605</u>	<u>-</u>	<u>38,979</u>	<u>111,269</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	(1,037,781)	666,916	560,546	(103,575)	856
Other financing sources					
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,037,781)	666,916	560,546	(103,575)	856
Fund balances (deficit)					
Beginning of year	<u>1,037,781</u>	<u>706,521</u>	<u>1,596,109</u>	<u>437,106</u>	<u>31,079</u>
End of year	<u>\$ -</u>	<u>\$ 1,373,437</u>	<u>\$ 2,156,655</u>	<u>\$ 333,531</u>	<u>\$ 31,935</u>

TIF District No. 1 (4730)	TIF District Parkside Village (4740)	TIF District No. 14 Business Campus (4735)	Total
\$ -	\$ -	\$ 69,879	\$ 619,317
-	-	-	758,398
-	-	597	216,265
-	-	-	2,000
-	-	-	139,750
-	-	-	138,132
-	-	-	997,305
-	-	70,476	2,871,167
50,205	488,500	44,830	759,506
-	-	-	83,840
-	-	-	84,119
-	-	-	41,419
191,091	-	-	3,410,434
241,296	488,500	44,830	4,379,318
(241,296)	(488,500)	25,646	(1,508,151)
-	-	-	662,683
-	-	-	25,505
-	-	-	88,465
1,850,000	-	-	2,456,067
1,850,000	-	-	3,232,720
1,608,704	(488,500)	25,646	1,724,569
-	-	-	6,292,350
\$ 1,608,704	\$ (488,500)	\$ 25,646	\$ 8,016,919

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual
 Year Ended December 31, 2014

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenue				
Taxes				
Current	\$ 18,372,496	\$ 21,227,496	\$ 21,376,451	\$ 148,955
Delinquent	200,000	200,000	258,704	58,704
Total taxes	<u>18,572,496</u>	<u>21,427,496</u>	<u>21,635,155</u>	<u>207,659</u>
Other taxes	90,019	90,019	103,159	13,140
Franchise fees	450,000	450,000	450,000	–
Special assessments	14,000	14,000	11,417	(2,583)
Licenses and permits				
General government	162,275	162,275	166,970	4,695
Public safety	5,000	5,000	10,044	5,044
Public works	671,600	757,100	1,467,324	710,224
Total licenses and permits	<u>838,875</u>	<u>924,375</u>	<u>1,644,338</u>	<u>719,963</u>
Intergovernmental				
Federal grants				
General government	26,400	26,400	6,029	(20,371)
Public safety	–	–	178,014	178,014
State grants				
PERA aid	36,000	36,000	36,710	710
Fire relief aid – public safety	183,481	183,481	259,829	76,348
Police relief aid – public safety	330,000	330,000	360,490	30,490
Other – public safety	125,500	125,500	33,401	(92,099)
Total intergovernmental	<u>701,381</u>	<u>701,381</u>	<u>874,473</u>	<u>173,092</u>
Charges for services				
Administration charges – general government				
Construction funds	40,000	40,000	–	(40,000)
Enterprise funds	670,000	670,000	670,000	–
Investment charges – general government	100,000	100,000	100,000	–
Engineering charges – public works – construction	595,000	595,000	595,693	693
General government	20,000	20,000	26,827	6,827
Public safety	220,176	220,176	181,256	(38,920)
Public works	–	–	28,628	28,628
Parks and recreation	950,000	950,000	931,536	(18,464)
Total charges for services	<u>2,595,176</u>	<u>2,595,176</u>	<u>2,533,940</u>	<u>(61,236)</u>
Fines and forfeitures	284,000	284,000	236,943	(47,057)
Investment earnings (net of market value adjustment)	160,000	160,000	296,986	136,986
Other				
Rentals	475,600	475,600	634,614	159,014
Refunds and reimbursements	60,000	60,000	64,386	4,386
Donations	–	–	11,176	11,176
Miscellaneous	19,981	19,981	31,502	11,521
Total other	<u>555,581</u>	<u>555,581</u>	<u>741,678</u>	<u>186,097</u>
Total revenue	24,261,528	27,202,028	28,528,089	1,326,061

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2014

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures				
General government				
Mayor and City Council				
Personal services	110,498	110,498	110,797	299
Supplies	530	530	479	(51)
Other current expenditures	23,315	23,315	21,646	(1,669)
Total Mayor and City Council	134,343	134,343	132,922	(1,421)
Administration				
Personal services	395,434	395,434	388,961	(6,473)
Supplies	260	260	261	1
Other current expenditures	15,030	15,030	13,732	(1,298)
Total administration	410,724	410,724	402,954	(7,770)
Finance and data processing				
Personal services	520,391	520,391	446,102	(74,289)
Supplies	9,970	9,970	7,214	(2,756)
Other current expenditures	254,639	288,639	247,987	(40,652)
Capital outlay	–	6,000	–	(6,000)
Total finance and data processing	785,000	825,000	701,303	(123,697)
Information technology				
Personal services	384,217	384,217	357,064	(27,153)
Supplies	11,500	11,500	10,135	(1,365)
Other current expenditures	195,464	195,464	204,049	8,585
Capital outlay	112,900	136,900	89,680	(47,220)
Total information technology	704,081	728,081	660,928	(67,153)
Human resources				
Personal services	438,653	438,653	411,043	(27,610)
Supplies	225	225	993	768
Other current expenditures	54,818	64,818	31,522	(33,296)
Total human resources	493,696	503,696	443,558	(60,138)
City clerk/elections				
Personal services	199,233	199,233	181,436	(17,797)
Supplies	2,800	2,800	2,208	(592)
Other current expenditures	142,702	142,702	126,467	(16,235)
Total city clerk/elections	344,735	344,735	310,111	(34,624)
Legal				
Other current expenditures	484,000	484,000	495,492	11,492
General government buildings				
Personal services	163,077	163,077	171,815	8,738
Supplies	20,675	20,675	18,080	(2,595)
Other current expenditures	160,035	160,035	170,754	10,719
Total general government buildings	343,787	343,787	360,649	16,862

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2014

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures (continued)				
General government (continued)				
Community development				
Personal services	556,809	556,809	559,875	3,066
Supplies	900	900	933	33
Other current expenditures	54,975	54,975	47,178	(7,797)
Total community development	612,684	612,684	607,986	(4,698)
Code enforcement				
Personal services	184,856	184,856	160,905	(23,951)
Supplies	4,720	4,720	2,004	(2,716)
Other current expenditures	14,165	14,165	7,307	(6,858)
Capital outlay	–	19,000	17,527	(1,473)
Total code enforcement	203,741	222,741	187,743	(34,998)
Unallocated				
Personal services	6,000	6,000	5,924	(76)
Other current expenditures	386,190	337,190	267,138	(70,052)
Total unallocated	392,190	343,190	273,062	(70,128)
Total general government	4,908,981	4,952,981	4,576,708	(376,273)
Public safety				
Police protection				
Personal services	6,767,363	6,663,363	6,538,366	(124,997)
Supplies	262,320	260,320	225,715	(34,605)
Other current expenditures	1,336,799	1,373,799	1,283,973	(89,826)
Capital outlay	–	69,000	40,403	(28,597)
Total police protection	8,366,482	8,366,482	8,088,457	(278,025)
Fire protection				
Personal services	1,085,587	1,085,587	1,015,075	(70,512)
Supplies	99,584	103,884	97,521	(6,363)
Other current expenditures	532,845	589,645	595,432	5,787
Total fire protection	1,718,016	1,779,116	1,708,028	(71,088)
Fire relief				
Other current expenditures	449,869	449,869	526,217	76,348
Civil defense				
Supplies	2,000	2,000	1,046	(954)
Other current expenditures	19,560	19,560	16,505	(3,055)
Total civil defense	21,560	21,560	17,551	(4,009)
Animal control				
Personal services	115,089	115,089	72,578	(42,511)
Supplies	6,825	6,825	7,949	1,124
Other current expenditures	10,450	10,450	6,748	(3,702)
Total animal control	132,364	132,364	87,275	(45,089)

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2014

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures (continued)				
Public safety (continued)				
Building inspection				
Personal services	455,867	541,017	505,228	(35,789)
Supplies	10,350	10,350	11,733	1,383
Other current expenditures	92,400	92,750	113,449	20,699
Total building inspection	<u>558,617</u>	<u>644,117</u>	<u>630,410</u>	<u>(13,707)</u>
Total public safety	11,246,908	11,393,508	11,057,938	(335,570)
Public works				
Public works administration				
Personal services	391,269	391,269	343,919	(47,350)
Supplies	11,650	11,650	14,121	2,471
Other current expenditures	65,857	55,857	53,186	(2,671)
Total public works administration	<u>468,776</u>	<u>458,776</u>	<u>411,226</u>	<u>(47,550)</u>
Central maintenance facility				
Personal services	445,883	445,883	434,374	(11,509)
Supplies	35,275	30,275	26,137	(4,138)
Other current expenditures	127,314	127,314	157,354	30,040
Capital outlay	65,000	65,000	65,000	–
Total central maintenance facility	<u>673,472</u>	<u>668,472</u>	<u>682,865</u>	<u>14,393</u>
Streets				
Personal services	1,488,968	1,536,968	1,465,716	(71,252)
Supplies	484,750	520,750	564,563	43,813
Other current expenditures	362,950	342,950	285,381	(57,569)
Capital outlay	14,400	14,400	6,033	(8,367)
Total streets	<u>2,351,068</u>	<u>2,415,068</u>	<u>2,321,693</u>	<u>(93,375)</u>
Engineering				
Personal services	510,185	510,185	509,424	(761)
Supplies	11,305	11,305	11,125	(180)
Other current expenditures	54,385	54,385	50,394	(3,991)
Capital outlay	350	350	–	(350)
Total engineering	<u>576,225</u>	<u>576,225</u>	<u>570,943</u>	<u>(5,282)</u>
Total public works	4,069,541	4,118,541	3,986,727	(131,814)
Parks and recreation				
Parks and recreation administration				
Personal services	721,802	721,802	713,102	(8,700)
Supplies	4,700	4,700	1,816	(2,884)
Other current expenditures	148,750	148,750	132,395	(16,355)
Total parks and recreation administration	<u>875,252</u>	<u>875,252</u>	<u>847,313</u>	<u>(27,939)</u>

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2014

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures (continued)				
Parks and recreation (continued)				
Recreation programs				
Personal services	218,168	218,168	204,264	(13,904)
Supplies	50,100	50,100	47,234	(2,866)
Other current expenditures	129,800	129,800	121,124	(8,676)
Total recreation programs	<u>398,068</u>	<u>398,068</u>	<u>372,622</u>	<u>(25,446)</u>
Parks maintenance				
Personal services	1,520,590	1,520,590	1,491,938	(28,652)
Supplies	304,300	304,300	305,223	923
Other current expenditures	575,400	575,400	457,643	(117,757)
Capital outlay	107,000	167,000	139,736	(27,264)
Total parks maintenance	<u>2,507,290</u>	<u>2,567,290</u>	<u>2,394,540</u>	<u>(172,750)</u>
Redwood pool				
Personal services	64,193	64,193	63,164	(1,029)
Supplies	6,500	6,500	8,015	1,515
Other current expenditures	36,900	36,900	41,250	4,350
Capital outlay	9,000	9,000	6,957	(2,043)
Total Redwood pool	<u>116,593</u>	<u>116,593</u>	<u>119,386</u>	<u>2,793</u>
Aquatic swim center				
Personal services	308,767	308,767	287,169	(21,598)
Supplies	32,900	32,900	31,448	(1,452)
Other current expenditures	275,300	275,300	255,446	(19,854)
Capital outlay	55,000	55,000	5,287	(49,713)
Total aquatic swim center	<u>671,967</u>	<u>671,967</u>	<u>579,350</u>	<u>(92,617)</u>
Apple Valley Community Center				
Personal services	198,093	198,093	182,795	(15,298)
Supplies	19,000	19,000	18,205	(795)
Other current expenditures	93,275	93,275	90,107	(3,168)
Capital outlay	66,000	66,000	59,819	(6,181)
Total Apple Valley Community Center	<u>376,368</u>	<u>376,368</u>	<u>350,926</u>	<u>(25,442)</u>
Apple Valley Senior Center				
Personal services	243,160	243,160	271,001	27,841
Supplies	13,800	13,800	14,010	210
Other current expenditures	48,600	48,600	69,791	21,191
Capital outlay	5,000	5,000	2,400	(2,600)
Total Apple Valley Senior Center	<u>310,560</u>	<u>310,560</u>	<u>357,202</u>	<u>46,642</u>
Total parks and recreation	<u>5,256,098</u>	<u>5,316,098</u>	<u>5,021,339</u>	<u>(294,759)</u>
Total expenditures	<u>25,481,528</u>	<u>25,781,128</u>	<u>24,642,712</u>	<u>(1,138,416)</u>
Excess (deficiency) of revenues over expenditures	(1,220,000)	1,420,900	3,885,377	2,464,477

(continued)

CITY OF APPLE VALLEY

General Fund

Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2014

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other financing sources (uses)				
Sale of capital assets	20,000	20,000	46,527	26,527
Transfers in	1,200,000	1,200,000	1,200,000	–
Transfers (out)	–	(2,855,000)	(4,202,838)	(1,347,838)
Total other financing sources (uses)	<u>1,220,000</u>	<u>(1,635,000)</u>	<u>(2,956,311)</u>	<u>(1,321,311)</u>
Net change in fund balances	<u>\$ –</u>	<u>\$ (214,100)</u>	929,066	<u>\$ 1,143,166</u>
Fund balances				
Beginning of year			<u>14,226,384</u>	
End of year			<u>\$ 15,155,450</u>	

CITY OF APPLE VALLEY

Road Improvements Capital Projects Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Special assessments	\$ –	\$ 96,438	\$ 96,438
Intergovernmental	2,090,000	1,957,312	(132,688)
Other	<u>–</u>	<u>1,040</u>	<u>1,040</u>
Total revenue	2,090,000	2,054,790	(35,210)
Expenditures			
Capital outlay			
Public works	<u>6,518,000</u>	<u>6,553,172</u>	<u>35,172</u>
Excess (deficiency) of revenue over expenditures	(4,428,000)	(4,498,382)	(70,382)
Other financing sources			
Transfers in	<u>4,080,000</u>	<u>3,836,688</u>	<u>(243,312)</u>
Net change in fund balances	<u>\$ (348,000)</u>	<u>(661,694)</u>	<u>\$ (313,694)</u>
Fund balances (deficit)			
Beginning of year		<u>(3,507,744)</u>	
End of year		<u>\$ (4,169,438)</u>	

CITY OF APPLE VALLEY

Future Capital Projects Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Investment earnings	\$ 224,200	\$ 369,939	\$ 145,739
Other	–	24,355	24,355
Total revenue	<u>224,200</u>	<u>394,294</u>	<u>170,094</u>
Other financing sources (uses)			
Transfers in	–	1,320,000	1,320,000
Transfers out	(960,000)	(1,337,468)	(377,468)
Total financing sources (uses)	<u>(960,000)</u>	<u>(17,468)</u>	<u>942,532</u>
Net change in fund balances	<u>\$ (735,800)</u>	376,826	<u>\$ 1,112,626</u>
Fund balances			
Beginning of year		<u>13,151,914</u>	
End of year		<u>\$ 13,528,740</u>	

CITY OF APPLE VALLEY

Cable TV Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Franchise fees	\$ 71,000	\$ 64,030	\$ (6,970)
Intergovernmental	90,868	–	(90,868)
Investment earnings	2,000	2,488	488
Other			
Miscellaneous	20,217	109,648	89,431
Total revenue	<u>184,085</u>	<u>176,166</u>	<u>(7,919)</u>
Expenditures			
Current			
Parks and recreation	196,885	209,140	12,255
Capital outlay	–	7,630	7,630
Total expenditures	<u>196,885</u>	<u>216,770</u>	<u>19,885</u>
Excess (deficiency) of revenue over expenditures	(12,800)	(40,604)	(27,804)
Other financing sources			
Transfers in	<u>12,800</u>	<u>27,838</u>	<u>15,038</u>
Net change in fund balances	<u>\$ –</u>	<u>(12,766)</u>	<u>\$ (12,766)</u>
Fund balances			
Beginning of year		<u>121,712</u>	
End of year		<u>\$ 108,946</u>	

CITY OF APPLE VALLEY

EDA Operations Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Taxes	\$ –	\$ 334,465	\$ 334,465
Investment earnings	<u>14,200</u>	<u>24,888</u>	<u>10,688</u>
Total revenue	14,200	359,353	345,153
Expenditures			
Current			
General government	<u>57,500</u>	<u>19,792</u>	<u>(37,708)</u>
Net change in fund balances	<u>\$ (43,300)</u>	339,561	<u>\$ 382,861</u>
Fund balances			
Beginning of year		<u>920,294</u>	
End of year		<u>\$ 1,259,855</u>	

CITY OF APPLE VALLEY

Equipment Certificate Capital Projects Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Investment earnings	\$ 3,900	\$ 19,120	\$ 15,220
Expenditures			
Current			
General government	–	20,761	20,761
Capital outlay	<u>813,500</u>	<u>1,127,525</u>	<u>314,025</u>
Total expenditures	<u>813,500</u>	<u>1,148,286</u>	<u>334,786</u>
Excess (deficiency) of revenue over expenditures	(809,600)	(1,129,166)	(319,566)
Other financing sources			
Bonds issued	691,000	662,683	(28,317)
Premium on bonds issued	–	25,505	25,505
Sale of capital assets	<u>122,000</u>	<u>88,465</u>	<u>(33,535)</u>
Total other financing sources	<u>813,000</u>	<u>776,653</u>	<u>(36,347)</u>
Net change in fund balances	<u>\$ 3,400</u>	(352,513)	<u>\$ (355,913)</u>
Fund balances			
Beginning of year		<u>688,793</u>	
End of year		<u>\$ 336,280</u>	

INTERNAL SERVICE FUNDS

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

CITY OF APPLE VALLEY

Internal Service Funds
 Combining Statement of Net Position
 as of December 31, 2014

	Insurance (7100)	Compensated Absences (7200)	Vehicle Equipment Replacement (7400 - 7430)	Totals
Assets				
Current assets				
Cash and investments	\$ 4,909	\$ 3,232,252	\$ 308,026	\$ 3,545,187
Receivables				
Accounts	-	1,598	-	1,598
Prepays	-	143,528	-	143,528
Total current assets	<u>4,909</u>	<u>3,377,378</u>	<u>308,026</u>	<u>3,690,313</u>
Noncurrent assets				
Capital assets				
Furniture and equipment	-	-	4,741,462	4,741,462
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>(2,891,776)</u>	<u>(2,891,776)</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,849,686</u>	<u>1,849,686</u>
 Total assets	 <u>\$ 4,909</u>	 <u>\$ 3,377,378</u>	 <u>\$ 2,157,712</u>	 <u>\$ 5,539,999</u>
Liabilities and Net Position				
Current liabilities				
Accounts payable	\$ 1,643	\$ 8,663	\$ 5,086	\$ 15,392
Claims incurred, but not reported	7,376	-	-	7,376
Accrued compensated absences	<u>-</u>	<u>1,612,500</u>	<u>-</u>	<u>1,612,500</u>
Total current liabilities	9,019	1,621,163	5,086	1,635,268
Noncurrent liabilities				
Accrued compensated absences	<u>-</u>	<u>1,048,604</u>	<u>-</u>	<u>1,048,604</u>
 Total liabilities	 9,019	 2,669,767	 5,086	 2,683,872
Net position				
Net investment in capital assets	-	-	1,849,686	1,849,686
Unrestricted	<u>(4,110)</u>	<u>707,611</u>	<u>302,940</u>	<u>1,006,441</u>
Total net position	<u>(4,110)</u>	<u>707,611</u>	<u>2,152,626</u>	<u>2,856,127</u>
 Total liabilities and net position	 <u>\$ 4,909</u>	 <u>\$ 3,377,378</u>	 <u>\$ 2,157,712</u>	 <u>\$ 5,539,999</u>

CITY OF APPLE VALLEY

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended December 31, 2014

	Insurance (7100)	Compensated Absences (7200)	Vehicle Equipment Replacement (7400 - 7430)	Totals
Operating revenue				
Charges to other funds	\$ 182,160	\$ 1,087,497	\$ 473,472	\$ 1,743,129
Operating expenses				
Personal services	219,936	620,422	-	840,358
Contractual services	-	23,498	-	23,498
Other charges	-	750,401	2,345	752,746
Depreciation	-	-	408,585	408,585
Total operating expenses	<u>219,936</u>	<u>1,394,321</u>	<u>410,930</u>	<u>2,025,187</u>
Operating income (loss)	(37,776)	(306,824)	62,542	(282,058)
Nonoperating revenue				
Investment earnings	582	94,181	5,801	100,564
Other	-	-	69,100	69,100
Total nonoperating revenue	<u>582</u>	<u>94,181</u>	<u>74,901</u>	<u>169,664</u>
Income (loss) before capital contributions and transfers	(37,194)	(212,643)	137,443	(112,394)
Capital contributions	-	-	1,906,238	1,906,238
Transfer in	-	-	96,000	96,000
Change in net position	(37,194)	(212,643)	2,139,681	1,889,844
Net position				
Beginning of year	<u>33,084</u>	<u>920,254</u>	<u>12,945</u>	<u>966,283</u>
End of year	<u>\$ (4,110)</u>	<u>\$ 707,611</u>	<u>\$ 2,152,626</u>	<u>\$ 2,856,127</u>

CITY OF APPLE VALLEY

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended December 31, 2014

	Insurance (7100)	Compensated Absences (7200)	Vehicle Equipment Replacement (7400 - 7430)	Totals
Cash flows from operating activities				
Cash receipts on interfund services provided	\$ 182,160	\$ 1,087,287	\$ 542,572	\$ 1,812,019
Cash payments to suppliers	(214,900)	(1,270,613)	2,741	(1,482,772)
Cash payments to employees for services	-	(152,118)	-	(152,118)
Net cash flows from operating activities	<u>(32,740)</u>	<u>(335,444)</u>	<u>545,313</u>	<u>177,129</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	-	(352,033)	(352,033)
Cash flows from investing activities				
Interest received on investments	582	94,181	5,801	100,564
Cash flows from noncapital financing activities				
Transfer in	<u>-</u>	<u>-</u>	<u>96,000</u>	<u>96,000</u>
Net increase (decrease) in cash and cash equivalents	(32,158)	(241,263)	295,081	21,660
Cash and investments				
Beginning of year	<u>37,067</u>	<u>3,473,515</u>	<u>12,945</u>	<u>3,523,527</u>
End of year	<u>\$ 4,909</u>	<u>\$ 3,232,252</u>	<u>\$ 308,026</u>	<u>\$ 3,545,187</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (37,776)	\$ (306,824)	\$ 62,542	\$ (282,058)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	-	-	408,585	408,585
Other nonoperating revenue	-	-	69,100	69,100
Change in assets and liabilities				
Receivables				
Accounts	-	(210)	-	(210)
Prepays	-	(32,678)	-	(32,678)
Accounts payable	(797)	(71,962)	5,086	(67,673)
Claims incurred, but not reported	5,833	-	-	5,833
Accrued compensated absences	-	76,371	-	76,371
Due to other governmental units	-	(141)	-	(141)
Net cash flows from operating activities	<u>\$ (32,740)</u>	<u>\$ (335,444)</u>	<u>\$ 545,313</u>	<u>\$ 177,129</u>
Noncash capital activities				
Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,906,238</u>	<u>\$ 1,906,238</u>

STATISTICAL SECTION

STATISTICAL SECTION (UNAUDITED)

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

Page

Contents:

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 111

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant revenue source, including the property tax and utility revenue. 121

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 128

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 137

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides, and the activities it performs. 139

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

CITY OF APPLE VALLEY, MINNESOTA

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 28,694,282	\$ 37,570,960	\$ 34,412,008	\$ 41,867,201
Restricted	44,147,505	37,773,983	44,173,435	30,525,737
Unrestricted	11,253,973	10,819,067	12,745,088	30,010,778
Total governmental activities net assets	<u>\$ 84,095,760</u>	<u>\$ 86,164,010</u>	<u>\$ 91,330,531</u>	<u>\$ 102,403,716</u>
Business-type activities				
Net investment in capital assets	\$ 90,562,608	\$ 93,728,440	\$ 97,927,988	\$ 100,280,579
Restricted	-	-	-	275,000
Unrestricted	16,490,064	18,078,297	19,088,334	17,998,903
Total business-type activities net assets	<u>\$ 107,052,672</u>	<u>\$ 111,806,737</u>	<u>\$ 117,016,322</u>	<u>\$ 118,554,482</u>
Primary government				
Net investment in capital assets	\$ 119,256,890	\$ 131,299,400	\$ 132,339,996	\$ 142,147,780
Restricted	44,147,505	37,773,983	44,173,435	30,800,737
Unrestricted	27,744,037	28,897,364	31,833,422	48,009,681
Total primary government net assets	<u>\$ 191,148,432</u>	<u>\$ 197,970,747</u>	<u>\$ 208,346,853</u>	<u>\$ 220,958,198</u>

Source: Audited financial statements for fiscal years ending December 31, 2005–2014

Table 1

2009	2010	2011	2012	2013	2014
\$ 43,981,788	\$ 45,477,393	\$ 54,928,735	\$ 64,226,520	\$ 70,526,658	\$ 78,398,734
24,664,257	24,656,491	21,580,777	17,001,111	18,619,396	15,253,042
36,290,872	38,798,761	42,115,459	43,609,670	38,654,601	36,056,447
<u>\$ 104,936,917</u>	<u>\$ 108,932,645</u>	<u>\$ 118,624,971</u>	<u>\$ 124,837,301</u>	<u>\$ 127,800,655</u>	<u>\$ 129,708,223</u>
\$ 101,447,457	\$ 102,320,160	\$ 104,198,009	\$ 110,376,210	\$ 118,410,631	\$ 120,092,250
289,049	291,591	309,518	319,582	303,823	329,167
19,100,650	20,094,976	19,431,679	19,030,882	13,228,257	14,998,933
<u>\$ 120,837,156</u>	<u>\$ 122,706,727</u>	<u>\$ 123,939,206</u>	<u>\$ 129,726,674</u>	<u>\$ 131,942,711</u>	<u>\$ 135,420,350</u>
\$ 145,429,245	\$ 147,797,553	\$ 159,126,744	\$ 174,602,730	\$ 188,937,289	\$ 198,490,984
24,953,306	24,948,082	21,890,295	17,320,693	18,923,219	15,582,209
55,391,522	58,893,737	61,547,138	62,640,552	51,882,858	51,055,380
<u>\$ 225,774,073</u>	<u>\$ 231,639,372</u>	<u>\$ 242,564,177</u>	<u>\$ 254,563,975</u>	<u>\$ 259,743,366</u>	<u>\$ 265,128,573</u>

CITY OF APPLE VALLEY, MINNESOTA

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

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities				
General government	\$ 6,829,322	\$ 6,632,165	\$ 7,856,220	\$ 8,147,712
Public safety	8,735,679	8,731,171	9,543,225	10,223,407
Public works	8,811,532	6,128,560	6,212,755	7,349,899
Park and recreation	4,182,048	4,417,497	5,235,779	5,011,287
Interest on long-term debt	1,884,397	1,881,814	1,540,980	2,102,579
Total governmental activities expenses	\$ 30,442,978	\$ 27,791,207	\$ 30,388,959	\$ 32,834,884
Business-type activities				
Municipal Liquor	\$ 5,895,443	\$ 6,144,064	\$ 6,247,330	\$ 6,985,584
Municipal Golf Course	1,034,341	961,616	886,143	1,047,254
Sports Arena	654,391	727,323	714,437	755,102
Water and Sewer	6,909,465	7,093,682	7,265,384	7,983,126
Storm Drainage	851,910	937,185	1,228,726	926,799
Cemetery	-	33,361	46,284	45,882
Street Light Utility	-	-	-	-
Total business-type activities	15,345,550	15,897,231	16,388,304	17,743,747
Total primary government expenses	\$ 45,788,528	\$ 43,688,438	\$ 46,777,263	\$ 50,578,631
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 4,001,566	\$ 3,300,137	\$ 3,520,909	\$ 3,470,858
Public safety	232,373	507,185	565,351	647,651
Public works	809,598	259,375	211,770	112,651
Park and recreation	1,118,859	1,185,441	1,027,078	1,027,675
Operating grants and contributions	654,077	680,177	1,028,408	1,153,964
Capital grants and contributions	4,309,470	3,272,979	5,926,863	10,345,742
Total governmental activities program revenues	\$ 11,125,943	\$ 9,205,294	\$ 12,280,379	\$ 16,758,541

Table 2

	2009	2010	2011	2012	2013	2014
\$	8,685,487	\$ 10,081,345	\$ 7,086,321	\$ 7,398,895	\$ 5,012,638	\$ 6,107,245
	10,306,540	10,092,977	10,548,223	11,101,520	11,336,972	11,946,671
	8,393,981	7,008,886	5,744,780	6,382,138	6,905,011	9,011,324
	5,754,969	6,261,801	6,169,552	6,166,397	6,345,937	6,403,907
	1,773,863	1,556,130	1,459,728	1,235,352	1,194,974	1,037,527
\$	<u>34,914,840</u>	<u>\$ 35,001,139</u>	<u>\$ 31,008,604</u>	<u>\$ 32,284,302</u>	<u>\$ 30,795,532</u>	<u>\$ 34,506,674</u>
\$	8,062,876	\$ 8,285,841	\$ 8,177,679	\$ 8,377,991	\$ 8,419,472	\$ 8,332,921
	1,011,443	1,057,715	1,051,605	1,292,371	1,507,451	1,526,108
	771,198	748,541	799,993	778,931	759,930	853,315
	7,226,393	7,302,254	7,309,277	7,194,007	7,794,274	8,186,262
	869,376	846,743	917,054	1,001,140	1,052,087	1,257,566
	56,518	68,868	69,004	69,376	51,472	51,646
	–	410,787	398,114	447,954	444,106	424,670
	<u>17,997,804</u>	<u>18,720,749</u>	<u>18,722,726</u>	<u>19,161,770</u>	<u>20,028,792</u>	<u>20,632,488</u>
\$	<u>52,912,644</u>	<u>\$ 53,721,888</u>	<u>\$ 49,731,330</u>	<u>\$ 51,446,072</u>	<u>\$ 50,824,324</u>	<u>\$ 55,139,162</u>
\$	2,363,002	\$ 2,423,051	\$ 2,435,834	\$ 2,413,190	\$ 2,315,613	\$ 2,828,709
	603,425	755,339	587,486	554,820	549,371	541,947
	457,516	1,046,007	1,055,995	1,543,446	892,267	1,001,148
	1,259,959	1,721,486	1,314,377	1,504,546	1,271,031	2,030,716
	1,577,419	1,872,316	534,041	579,675	900,223	837,763
	2,451,327	3,271,761	4,398,403	4,445,816	3,250,152	1,897,081
\$	<u>8,712,648</u>	<u>\$ 11,089,960</u>	<u>\$ 10,326,136</u>	<u>\$ 11,041,493</u>	<u>\$ 9,178,657</u>	<u>\$ 9,137,364</u>

(continued)

CITY OF APPLE VALLEY, MINNESOTA

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

	2005	2006	2007	Fiscal Year 2008
Program revenues (continued)				
Business-type activities				
Charges for services				
Municipal Liquor	\$ 6,405,618	\$ 6,622,752	\$ 6,974,113	\$ 7,390,696
Municipal Golf Course	812,820	834,872	922,648	1,049,707
Sports Arena	554,609	607,559	555,262	538,694
Water and Sewer	8,060,081	8,145,197	8,635,246	8,670,265
Storm Drainage	1,112,827	1,225,052	1,141,260	1,227,331
Cemetery	-	94,690	93,780	110,175
Street Light Utility	-	-	-	-
Operating grants and contributions	-	4,207	142,686	47,285
Capital grants and contributions	4,095,167	-	-	324,323
Total business-type activities program revenues	<u>21,041,122</u>	<u>17,534,329</u>	<u>18,464,995</u>	<u>19,358,476</u>
Total primary government program revenues	<u>\$ 32,167,065</u>	<u>\$ 26,739,623</u>	<u>\$ 30,745,374</u>	<u>\$ 36,117,017</u>
Net (expense)/revenue				
Governmental activities	\$ (19,317,035)	\$ (18,585,913)	\$ (18,108,580)	\$ (16,076,343)
Business-type activities	<u>5,695,572</u>	<u>1,637,098</u>	<u>2,076,691</u>	<u>1,614,729</u>
Total primary government net expense	<u>\$ (13,621,463)</u>	<u>\$ (16,948,815)</u>	<u>\$ (16,031,889)</u>	<u>\$ (14,461,614)</u>
General revenues and other changes in net position				
Governmental activities				
Property taxes	\$ 16,867,319	\$ 18,051,659	\$ 19,027,159	\$ 19,942,701
Tax increments	1,583,537	1,861,288	1,981,344	2,040,480
Franchise taxes	894,723	941,035	972,270	1,023,368
Lodging tax	36,073	38,955	42,038	65,073
Gravel tax	34,301	64,155	26,378	37,209
Unallocated state and county aids	47,854	67,040	959,190	584,294
Other general revenue	-	54,087	119,010	143,403
Unrestricted investment earnings	1,081,951	1,897,055	2,166,594	1,352,749
Transfers	1,001,911	(1,317,741)	(2,018,882)	955,251
Total governmental activities	<u>\$ 21,547,669</u>	<u>\$ 21,657,533</u>	<u>\$ 23,275,101</u>	<u>\$ 26,144,528</u>
Business-type activities				
Unrestricted investment earnings	\$ 520,324	\$ 720,940	\$ 992,512	\$ 672,485
Property taxes	100,000	123,500	121,500	125,000
Other	2,506	-	-	81,197
Transfers	(1,001,911)	1,317,741	2,018,882	(955,251)
Total business-type activities	<u>(379,081)</u>	<u>2,162,181</u>	<u>3,132,894</u>	<u>(76,569)</u>
Total primary government	<u>\$ 21,168,588</u>	<u>\$ 23,819,714</u>	<u>\$ 26,407,995</u>	<u>\$ 26,067,959</u>
Change in net position				
Governmental activities	\$ 2,230,634	\$ 3,071,620	\$ 5,166,521	\$ 10,068,185
Business-type activities	<u>5,316,491</u>	<u>3,799,279</u>	<u>5,209,585</u>	<u>1,538,160</u>
Total primary government	<u>\$ 7,547,125</u>	<u>\$ 6,870,899</u>	<u>\$ 10,376,106</u>	<u>\$ 11,606,345</u>

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

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

Source: Audited financial statements for fiscal years ending December 31, 2005–2014

Table 2 (continued)

	2009	2010	2011	2012	2013	2014
\$	8,772,571	\$ 9,032,194	\$ 9,005,660	\$ 9,231,890	\$ 9,380,818	\$ 9,292,269
	1,085,429	1,114,395	1,023,866	1,122,791	1,168,154	1,289,089
	627,595	606,262	650,350	647,134	643,855	746,351
	9,250,812	8,439,232	8,361,750	9,256,709	8,951,798	8,913,191
	1,233,346	1,360,483	1,370,348	1,517,090	1,525,136	1,567,066
	95,320	89,695	114,365	127,735	123,197	104,128
	–	465,552	433,464	454,477	449,885	465,584
	25,190	–	10,170	13,890	80,707	–
	316,200	645,427	643,164	3,201,690	1,497,501	1,612,392
	<u>21,406,463</u>	<u>21,753,240</u>	<u>21,613,137</u>	<u>25,573,406</u>	<u>23,821,051</u>	<u>23,990,070</u>
\$	<u>30,119,111</u>	<u>32,843,200</u>	<u>31,939,273</u>	<u>36,614,899</u>	<u>32,999,708</u>	<u>33,127,434</u>
\$	(26,202,192)	\$ (23,911,179)	\$ (20,682,468)	\$ (21,242,809)	\$ (21,616,875)	\$ (25,369,310)
	3,408,659	3,032,491	2,890,411	6,411,636	3,792,259	3,357,582
\$	<u>(22,793,533)</u>	<u>(20,878,688)</u>	<u>(17,792,057)</u>	<u>(14,831,173)</u>	<u>(17,824,616)</u>	<u>(22,011,728)</u>
\$	21,892,939	\$ 21,697,421	\$ 21,460,141	\$ 21,769,647	\$ 22,144,883	\$ 23,067,164
	2,185,762	2,311,405	2,240,269	2,012,281	544,283	611,662
	1,096,578	1,160,771	1,177,715	1,197,288	1,262,393	1,272,428
	56,300	67,311	74,105	75,472	73,504	89,859
	40,692	36,314	38,666	36,439	45,890	50,612
	292,225	95,019	117,000	145,755	40,397	36,710
	433,956	271,622	176,575	116,558	186,872	78,478
	912,413	643,741	2,372,693	1,026,594	(1,056,882)	1,562,329
	1,824,528	1,623,303	2,717,630	1,075,105	1,338,889	507,636
\$	<u>28,735,393</u>	<u>27,906,907</u>	<u>30,374,794</u>	<u>27,455,139</u>	<u>24,580,229</u>	<u>27,276,878</u>
\$	426,300	\$ 320,166	\$ 888,863	\$ 388,923	\$ (358,333)	\$ 506,693
	120,000	125,000	120,000	120,000	121,000	121,000
	152,243	15,217	50,835	43,845	–	–
	(1,824,528)	(1,623,303)	(2,717,630)	(1,075,105)	(1,338,889)	(507,636)
	<u>(1,125,985)</u>	<u>(1,162,920)</u>	<u>(1,657,932)</u>	<u>(522,337)</u>	<u>(1,576,222)</u>	<u>120,057</u>
\$	<u>27,609,408</u>	<u>26,743,987</u>	<u>28,716,862</u>	<u>26,932,802</u>	<u>23,004,007</u>	<u>27,396,935</u>
\$	2,533,201	\$ 3,995,728	\$ 9,692,326	\$ 6,212,330	\$ 2,963,354	\$ 1,907,568
	2,282,674	1,869,571	1,232,479	5,889,299	2,216,037	3,477,639
\$	<u>4,815,875</u>	<u>5,865,299</u>	<u>10,924,805</u>	<u>12,101,629</u>	<u>5,179,391</u>	<u>5,385,207</u>

CITY OF APPLE VALLEY, MINNESOTA

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Reserved	\$ 89,863	\$ 112,094	\$ 161,283	\$ 122,232
Unreserved	11,008,601	13,354,939	11,005,460	11,103,476
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 11,098,464</u>	<u>\$ 13,467,033</u>	<u>\$ 11,166,743</u>	<u>\$ 11,225,708</u>
All other governmental funds				
Reserved reported in				
Special revenue funds	\$ -	\$ -	\$ -	\$ -
Debt service funds	34,213,218	24,664,247	-	-
Capital projects funds	1,809,860	3,475,896	-	-
Unreserved reported in				
Special revenue funds	586,907	295,462	286,647	361,472
Debt service funds	(2,486,434)	(4,618,885)	19,405,845	20,923,916
Capital projects funds	662,127	2,361,571	12,051,437	12,447,954
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 34,785,678</u>	<u>\$ 26,178,291</u>	<u>\$ 31,743,929</u>	<u>\$ 33,733,342</u>
Total all funds	<u>\$ 45,884,142</u>	<u>\$ 39,645,324</u>	<u>\$ 42,910,672</u>	<u>\$ 44,959,050</u>

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

Source: Audited financial statements for fiscal years ending December 31, 2005–2014

Table 3

2009	2010	2011	2012	2013	2014
\$ 40,515	\$ 53,113	\$ -	\$ -	\$ -	\$ -
12,181,208	12,594,013	-	-	-	-
-	-	118,661	239,462	90,745	337,564
-	-	-	-	-	-
-	-	165,872	210,005	154,100	146,300
-	-	278,724	279,973	151,502	54,416
-	-	12,142,496	12,646,076	13,830,037	14,617,170
<u>\$ 12,221,723</u>	<u>\$ 12,647,126</u>	<u>\$ 12,705,753</u>	<u>\$ 13,375,516</u>	<u>\$ 14,226,384</u>	<u>\$ 15,155,450</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
342,464	324,251	-	-	-	-
16,996,037	15,892,926	-	-	-	-
10,965,444	14,011,232	-	-	-	-
-	-	-	1,750	-	-
-	-	15,537,787	11,435,144	20,966,147	21,772,784
-	-	-	-	-	-
-	-	28,795,063	31,538,043	26,215,087	27,614,620
-	-	(13,395,872)	(12,381,234)	(9,561,124)	(11,108,352)
<u>\$ 28,303,945</u>	<u>\$ 30,228,409</u>	<u>\$ 30,936,978</u>	<u>\$ 30,593,703</u>	<u>\$ 37,620,110</u>	<u>\$ 38,279,052</u>
<u>\$ 40,525,668</u>	<u>\$ 42,875,535</u>	<u>\$ 43,642,731</u>	<u>\$ 43,969,219</u>	<u>\$ 51,846,494</u>	<u>\$ 53,434,502</u>

CITY OF APPLE VALLEY, MINNESOTA

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

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
General property taxes	\$ 16,866,020	\$ 18,004,451	\$ 18,994,579	\$ 19,916,783
Tax increments	1,583,537	1,861,288	1,981,344	2,040,480
Other taxes	70,374	103,110	68,416	102,282
Special assessments	2,193,486	1,241,912	2,384,730	1,419,869
Licenses and permits	1,026,657	877,166	1,094,222	561,594
Intergovernmental	4,264,771	1,056,957	2,344,740	1,934,886
Charges for services	1,294,562	1,319,731	1,358,148	1,454,353
Franchise fees	894,723	941,034	972,270	1,023,368
Fines and forfeits	201,365	327,584	339,819	324,461
Investment income	1,056,304	1,852,136	2,102,608	1,256,353
Rentals	227,641	263,907	311,731	271,758
Contributions and donations	16,088	13,444	3,561	11,045
Administrative fees	830,060	931,777	915,543	1,311,479
Other	1,379,689	583,582	218,690	772,437
Refunds and reimbursements	200,238	270,826	235,531	341,756
Total revenues	32,105,515	29,648,905	33,325,932	32,742,904
Expenditures				
Current				
General government	5,613,101	5,381,510	5,961,983	6,310,842
Public safety	7,980,865	8,545,705	8,757,650	9,470,152
Public works	2,688,646	2,517,120	2,812,372	3,355,405
Park and recreation	3,907,903	3,957,320	4,106,632	4,373,278
Miscellaneous	-	-	-	-
Capital outlay	9,758,709	7,128,776	10,615,297	11,666,201
Debt service				
Principal	4,265,000	3,885,000	5,125,000	5,070,000
Interest and fiscal charges	2,061,451	1,891,707	1,468,677	2,001,578
Total expenditures	36,275,675	33,307,138	38,847,611	42,247,456
Excess (deficiency) of revenues over expenditures	(4,170,160)	(3,658,233)	(5,521,679)	(9,504,552)
Other financing sources (uses)				
Transfers in	3,739,019	9,963,636	20,100,223	4,290,930
Transfers out	(2,737,108)	(9,052,561)	(21,303,155)	(2,967,903)
Bonds issued	400,000	6,645,000	10,000,000	11,520,000
Payment of refunded debt	-	(11,340,000)	-	(2,360,000)
Capital lease issued	-	-	-	-
Premium on debt issued	-	6,760	-	54,759
Discount on debt issued	(7,000)	(4,953)	(116,483)	(110,621)
Proceeds from sale of capital assets	-	-	106,442	120,765
Total other financing sources (uses)	1,394,911	(3,782,118)	8,787,027	10,547,930
Net change in fund balances	\$ (2,775,249)	\$ (7,440,351)	\$ 3,265,348	\$ 1,043,378
Debt service as a percentage of noncapital expenditure:	<u>23.9%</u>	<u>22.1%</u>	<u>23.4%</u>	<u>23.1%</u>

Source: Audited financial statements for fiscal years ending December 31, 2005–2014

Table 4

	2009	2010	2011	2012	2013	2014
\$	21,544,567	\$ 21,709,126	\$ 21,408,873	\$ 21,773,048	\$ 22,252,162	\$ 23,161,124
	2,185,762	2,311,405	2,240,269	2,012,281	544,283	611,662
	96,992	103,625	152,020	154,126	169,413	193,018
	2,471,962	2,055,783	2,125,776	4,015,591	4,073,061	5,457,959
	755,444	1,018,847	796,316	1,033,797	1,140,603	1,644,338
	2,429,800	2,996,658	2,407,596	2,642,018	2,388,922	3,459,585
	1,145,890	1,349,123	1,436,256	1,783,390	1,712,660	1,763,940
	1,096,578	1,160,771	1,177,715	1,197,288	1,262,393	1,272,428
	316,324	258,165	288,946	278,913	257,345	236,943
	840,898	593,336	2,232,966	965,333	(991,703)	1,461,765
	444,877	592,831	511,453	559,702	642,422	774,364
	7,150	11,484	2,750	1,801	51,425	13,176
	651,052	778,400	828,999	788,171	785,927	770,000
	509,778	697,054	321,565	338,142	545,994	1,497,913
	165,345	450,972	139,581	127,166	99,024	202,518
	<u>34,662,419</u>	<u>36,087,580</u>	<u>36,071,081</u>	<u>37,670,767</u>	<u>34,933,931</u>	<u>42,520,733</u>
	6,159,832	7,418,012	4,679,394	4,355,811	4,518,602	5,655,482
	9,635,166	9,728,340	9,890,086	9,987,493	10,538,043	11,118,268
	3,501,792	3,593,951	3,675,687	3,674,876	4,031,492	4,010,339
	4,692,052	4,768,656	4,855,184	4,847,194	4,978,896	5,135,573
	-	-	-	-	-	-
	11,727,599	5,879,024	6,370,109	13,266,487	8,716,540	13,453,625
	5,060,000	4,160,000	4,665,000	8,280,000	3,625,000	3,415,000
	1,880,399	1,615,929	1,487,399	1,224,409	1,268,227	1,072,847
	<u>42,656,840</u>	<u>37,163,912</u>	<u>35,622,859</u>	<u>45,636,270</u>	<u>37,676,800</u>	<u>43,861,134</u>
	(7,994,421)	(1,076,332)	448,222	(7,965,503)	(2,742,869)	(1,340,401)
	17,777,689	5,734,691	5,874,339	5,634,873	11,182,608	9,800,593
	(14,701,754)	(3,680,241)	(3,156,709)	(4,559,768)	(9,843,719)	(7,745,923)
	2,775,000	3,965,000	1,345,000	6,775,000	9,000,000	680,000
	(2,400,000)	(2,750,000)	(3,920,000)	-	-	-
	-	-	-	-	-	-
	61,795	47,191	6,568	330,981	81,545	25,505
	-	-	-	-	-	-
	48,309	109,558	169,776	110,905	199,710	168,234
	<u>3,561,039</u>	<u>3,426,199</u>	<u>318,974</u>	<u>8,291,991</u>	<u>10,620,144</u>	<u>2,928,409</u>
\$	<u>(4,433,382)</u>	<u>\$ 2,349,867</u>	<u>\$ 767,196</u>	<u>\$ 326,488</u>	<u>\$ 7,877,275</u>	<u>\$ 1,588,008</u>
	<u>22.4%</u>	<u>18.5%</u>	<u>21.0%</u>	<u>29.4%</u>	<u>16.9%</u>	<u>14.8%</u>

CITY OF APPLE VALLEY, MINNESOTA

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

Payable Year	Residential Property	Commercial Property	Industrial and Utility Property	Agricultural Property	Apartments
2005	\$ 36,407,099	\$ 6,790,699	\$ 964,239	\$ 85,607	\$ 2,188,421
2006	40,330,787	7,647,156	1,044,718	101,422	2,437,262
2007	43,306,059	8,773,678	1,222,863	98,543	2,666,783
2008	44,078,807	9,483,581	1,331,742	113,556	2,639,548
2009	43,107,127	10,171,716	1,225,657	127,972	2,564,523
2010	39,692,580	10,053,775	1,238,900	130,237	2,498,076
2011	36,918,099	9,363,833	1,038,862	130,124	2,319,888
2012	32,937,899	9,210,935	1,004,132	116,719	2,445,781
2013	30,220,442	9,015,644	829,980	92,210	2,704,250
2014	31,239,597	9,045,624	837,008	88,030	2,723,667

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

Source: Dakota County

Table 5

Other	Personal Property	Total Taxable Assessed Value	Total Direct Tax Capacity Rate	Estimated Actual Taxable Market Value	Taxable Assessed Value as a Percentage of Actual Value
\$ 4,204	\$ 644,557	\$ 47,084,826	36.753	\$ 4,245,331,100	1.11 %
4,505	643,081	52,208,931	35.690	4,704,286,700	1.11
4,613	656,378	56,728,917	34.891	5,082,798,800	1.12
4,829	684,166	58,336,229	35.537	5,202,130,200	1.12
4,760	701,073	57,902,828	37.086	5,135,644,200	1.13
4,283	688,202	54,306,053	39.867	4,787,691,200	1.13
3,959	764,694	50,539,459	42.388	4,457,368,700	1.13
2,316	773,692	46,491,474	44.110	4,061,762,557	1.14
2,159	755,422	43,620,107	49.210	3,791,294,766	1.15
2,194	763,784	44,699,904	47.891	3,897,057,902	1.15

CITY OF APPLE VALLEY, MINNESOTA

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

Fiscal Year	City Direct Tax Capacity Rate			Overlapping Tax Capacity Rates		
	General	Debt Service	Total City	Dakota County	School District (1)	Other (2)
2005	36.743	0.010	36.753	28.267	26.251	5.217
2006	35.679	0.011	35.690	26.318	27.554	5.244
2007	34.881	0.010	34.891	25.127	23.607	5.024
2008	35.528	0.009	35.537	25.184	21.136	4.996
2009	37.078	0.008	37.086	25.821	21.109	4.916
2010	39.861	0.006	39.867	27.269	25.391	4.987
2011	42.382	0.006	42.388	29.149	26.959	5.199
2012	44.104	0.006	44.110	31.426	28.440	5.562
2013	49.199	0.011	49.210	33.421	27.956	5.884
2014	47.880	0.011	47.891	31.827	27.606	5.538

Fiscal Year	City Direct Market Value Tax Rate		Overlapping Market Value Tax Rates			Total Direct and Overlapping Tax Rate
	Debt Service	Total City	Dakota County	School District (1)	Total Overlapping	
2005	0.000193	0.000193	0.000067	0.001086	0.001153	0.001346
2006	0.000180	0.000180	0.000059	0.002244	0.002303	0.002483
2007	0.000171	0.000171	0.000052	0.002082	0.002134	0.002305
2008	0.000174	0.000174	0.000047	0.002127	0.002175	0.002348
2009	0.000311	0.000311	0.000047	0.002103	0.002150	0.002461
2010	0.000337	0.000337	0.000050	0.002227	0.002277	0.002614
2011	0.000375	0.000375	0.000054	0.002260	0.002314	0.002689
2012	0.000417	0.000417	0.000055	0.002213	0.002268	0.002685
2013	0.000212	0.000212	–	0.002354	0.002354	0.002566
2014	0.000212	0.000212	–	0.002581	0.002581	0.002793

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

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

(1) Independent School District No. 196

(2) Includes Metropolitan Council, Moquito Control Abatement, Metro Transit, Dakota County CDA, Light Rail, and Vermillion River Watershed

Source: Dakota County

Table 6

<u>Total Overlapping</u>	<u>Total Direct and Overlapping Tax Rate</u>
59.735	96.488
59.116	94.806
53.758	88.649
51.316	86.853
51.846	88.932
57.647	97.514
61.307	103.695
65.428	109.538
67.261	116.471
64.971	112.862

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CITY OF APPLE VALLEY, MINNESOTA

Table 7

Principal Property Taxpayers
Current Fiscal Year and Nine Years Prior

Taxpayer	2014			2005		
	Net Tax Capacity Value	Rank	Percentage of Total City Tax Capacity Value	Net Tax Capacity Value	Rank	Percentage of Total City Tax Capacity Value
Principal Life Insurance Co.	\$ 510,934	1	1.1 %	\$ 547,892	1	1.1 %
Individual	472,934	2	1.0	400,000	2	0.8
CAR Apple Valley Square, LLC	372,974	3	0.8	-	-	-
Centro Bradley Southport Centre, LLC	329,028	4	0.7	-	-	-
Apple Valley Leased Housing Assoc. III	325,237	5	0.7	312,500	5	0.6
Dakota Electric Association	302,468	6	0.6	347,528	4	0.7
Regent at Apple Valley LLC	293,908	7	0.6	-	-	-
Target Corporation	278,290	8	0.6	248,502	8	0.5
Menards	277,134	9	0.6	-	-	-
Wal-Mart	264,752	10	0.6	-	-	-
Apple Valley Tower, LLC	-	-	-	378,948	3	0.7
Bradley Operating Ltd. Partnership	-	-	-	278,896	6	0.5
Wings Financial Federal Credit Union	-	-	-	258,524	7	0.5
Fischer Sand & Aggregate Co.	-	-	-	243,011	9	0.5
Fischer Sand & Aggregate LLP	-	-	-	202,513	10	0.4
Total	\$ 3,427,659		7.1 %	\$ 3,218,314		6.2 %

Source: Dakota County

CITY OF APPLE VALLEY, MINNESOTA

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year			Collected Within the Fiscal Year of Levy	
	Gross Operating Tax Levy	MVHC/ Ag Credit and Fiscal Disparities Received	Total Net Tax Levy	Amount	Percentage of Levy
2005	\$ 17,929,158	\$ (4,046,086)	\$ 13,914,367	\$ 13,751,640	98.83 %
2006	19,030,124	(2,653,509)	16,374,234	16,159,262	98.69
2007	20,094,045	(2,717,715)	17,334,233	17,047,283	98.34
2008	20,998,612	(2,955,499)	18,037,810	17,724,935	98.27
2009	22,627,731	(3,436,931)	19,190,369	18,828,050	98.11
2010	22,839,554	(3,815,622)	19,000,860	18,723,194	98.54
2011	22,700,000	(3,612,353)	19,087,647	18,846,881	98.74
2012	22,025,249	(2,821,637)	19,203,612	18,996,562	98.92
2013	22,410,946	(2,751,166)	19,659,780	19,411,582	98.74
2014	22,727,000	(2,994,265)	19,732,735	19,607,759	99.37

Table 8

Delinquencies Collected as of as of Most Recent Report	Total Collections to Date	
	Amount	Percentage of Levy
\$ 145,493	\$ 13,897,133	99.88 %
211,529	16,370,791	99.98
283,786	17,331,069	99.98
245,947	17,970,882	99.63
290,330	19,118,380	99.62
117,068	18,840,262	99.15
185,378	19,032,259	99.71
80,396	19,076,958	99.34
207,489	19,619,071	99.79
–	19,607,759	99.37

CITY OF APPLE VALLEY, MINNESOTA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities	
	General Obligation Tax Increment Bonds	General Obligation Bonds	Special Assessments Bonds	MSA Road Bonds	Revenue Bonds	Capital Lease
2005	\$ 1,740,000	\$ 26,485,000	\$ 17,945,000	\$ -	\$ 4,185,000	\$ -
2006	1,575,000	17,370,000	18,645,000	-	3,050,000	-
2007	1,405,000	21,940,000	19,120,000	-	2,580,000	-
2008	1,230,000	25,795,000	19,530,000	-	5,405,000	50,505
2009	1,050,000	24,295,000	13,750,000	2,775,000	4,725,000	40,918
2010	865,000	20,535,000	14,750,000	2,775,000	4,075,000	109,211
2011	-	19,925,000	9,000,000	2,760,000	6,100,000	77,975
2012	-	19,845,000	8,015,000	2,320,000	5,510,000	44,884
2013	-	27,590,000	6,205,000	1,760,000	5,025,000	190,645
2014	-	26,700,000	4,935,000	1,185,000	13,030,000	138,799

- Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- (1) See the Demographic and Economic Statistics schedule for personal income and population data.
 - (2) Personal income at the level of the City of Apple Valley not available for years prior to 2007.
 - (3) City of Apple Valley personal income not available for 2014.

Table 9

Total Debt Issuance Premiums/ (Discounts)	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ (40,348)	\$ 50,314,652	N/A (Note 2)	1,027
(35,836)	40,604,164	N/A (Note 2)	831
(32,696)	45,012,304	2.68 %	910
(83,963)	51,926,542	2.81	1,039
(75,771)	46,560,147	2.61	943
(60,584)	43,048,627	2.47	877
(44,759)	37,818,216	2.10	759
352,443	36,087,327	2.00	723
395,280	41,165,925	2.22	818
541,122	46,529,921	N/A (Note 3)	924

CITY OF APPLE VALLEY, MINNESOTA

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Tax Increment Bonds	General Obligation Bonds	Special Assessments Bonds	MSA Road Bonds	Total Debt Issuance Premiums/ (Discounts)	Less Amounts Available in Debt Service Funds
2005	\$ 1,740,000	\$ 26,485,000	\$ 17,945,000	\$ -	\$ (40,348)	\$ 10,400,480
2006	1,575,000	17,370,000	18,645,000	-	(35,836)	9,157,385
2007	1,405,000	21,940,000	19,120,000	-	(32,696)	6,792,199
2008	1,230,000	25,795,000	19,530,000	-	(83,963)	5,355,600
2009	1,050,000	24,295,000	13,750,000	2,775,000	(75,771)	7,239,227
2010	865,000	20,535,000	14,750,000	2,775,000	(60,584)	10,393,064
2011	-	19,925,000	9,000,000	2,760,000	(44,759)	9,455,268
2012	-	19,845,000	8,015,000	2,320,000	352,443	8,176,337
2013	-	27,590,000	6,205,000	1,760,000	395,280	6,635,492
2014	-	26,700,000	4,935,000	1,185,000	541,122	4,955,751

- Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- (1) See the Demographic and Economic Statistics schedule for personal income and population data.
 - (2) Personal income at the level of the City of Apple Valley not available for years prior to 2007.
 - (3) City of Apple Valley personal income not available for 2014.

Table 10

<u>Total</u>	<u>Percentage of Taxable Market Value of Property</u>	<u>Percentage of Personal Income</u>	<u>Per Capita (1)</u>
\$ 35,729,172	0.84 %	N/A (Note 2)	729
28,396,779	0.60	N/A (Note 2)	581
35,640,105	0.70	2.12 %	721
41,115,437	0.79	2.22	823
34,555,002	0.67	1.94	700
28,471,352	0.59	1.64	580
22,184,973	0.50	1.23	445
22,356,106	0.55	1.24	448
29,314,788	0.77	1.58	582
28,405,371	0.73	N/A (Note 3)	564

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CITY OF APPLE VALLEY, MINNESOTA

Table 11

Direct and Overlapping Governmental Activities Debt
December 31, 2014

	Net Debt Outstanding (1)	Percentage of Debt Applicable to City	City of Apple Valley's Share of Overlapping Debt
Overlapping			
Dakota County	\$ 31,575,000	11.04 %	\$ 3,485,880
School districts			
ISD No. 191, Burnsville – Eagan – Savage	103,355,000	0.85	878,518
ISD No. 196 Rosemount – Apple Valley – Eagan	97,380,000	29.91	29,126,358
Metropolitan Council (2)	12,470,000	1.42	177,074
Metro Transit (3)	184,210,000	1.61	2,965,781
Total overlapping	<u>428,990,000</u>		<u>36,633,611</u>
City of Apple Valley direct debt	<u>32,820,000</u>	100.00	<u>32,820,000</u>
Total direct and overlapping debt	<u>\$ 890,800,000</u>		<u>\$ 69,453,611</u>

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

- (1) As of December 31, 2014, unless noted otherwise.
- (2) Deductions – \$1,107,078,601 Metropolitan Waste Control Commission Debt as of December 2, 2014.
 - (a) Debt service on above is 100% self-supported from revenues of the Metro Sanitary Sewer System, although the bonds are full faith and credit bonds.
 - (b) The only tax supported bond indebtedness is \$12,470,000 as of December 2, 2014.
- (3) Metro Transit has bond indebtedness of \$184,210,000 as of December 2, 2014. This amount excludes \$185,800,000 of general obligation grant anticipations notes for Central F Corridor Light Rail Transit, which are payable from federal grants. Transit debt is issued by the Metropolitan Council for all public transit operations in the transit district and is payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District.

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

CITY OF APPLE VALLEY, MINNESOTA

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Debt limit	\$ 84,906,622	\$ 94,085,734	\$ 101,655,976	\$ 156,063,906
Total net debt applicable to limit	<u>26,485,000</u>	<u>17,370,000</u>	<u>21,940,000</u>	<u>25,795,000</u>
Legal debt margin	<u>\$ 58,421,622</u>	<u>\$ 76,715,734</u>	<u>\$ 79,715,976</u>	<u>\$ 130,268,906</u>
Total net debt applicable to the limit as a percentage of debt limit	31.19%	18.46%	21.58%	16.53%

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

Table 12

2009	2010	2011	2012	2013	2014
\$ 154,069,326	\$ 143,630,736	\$ 133,721,061	\$ 121,852,877	\$ 123,111,918	\$ 116,911,737
24,295,000	20,535,000	19,830,000	19,845,000	27,590,000	26,700,000
<u>\$ 129,774,326</u>	<u>\$ 123,095,736</u>	<u>\$ 113,891,061</u>	<u>\$ 102,007,877</u>	<u>\$ 95,521,918</u>	<u>\$ 90,211,737</u>
15.77%	14.30%	14.83%	16.29%	22.41%	22.84%

Legal Debt Margin Calculation for Fiscal Year 2014

Market Value	\$ 3,897,057,902
Debt limit (3% of assessed value)	116,911,737
Debt applicable to limit	<u>26,700,000</u>
Legal debt margin	<u>\$ 90,211,737</u>

CITY OF APPLE VALLEY, MINNESOTA

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Liquor Store – Revenue Bonds						G.O. Storm Water – Revenue Bonds		
	Operating Revenues/ Gross Profit	Less Operating Expense	Net Available Revenue	Debt Service		Coverage	Operating Revenues/ Gross Profit	Less Operating Expense	Net Available Revenue
				Principal	Interest				
2005	\$ 1,649,094	\$ 1,138,919	\$ 510,175	\$ –	\$ –	N/A	\$ 1,112,827	\$ 737,837	\$ 374,990
2006	1,645,290	1,166,602	478,688	–	–	N/A	1,225,052	865,185	359,867
2007	1,939,508	1,212,725	726,783	–	–	N/A	1,141,260	1,179,089	(37,829)
2008	1,883,996	1,383,688	500,308	–	66,105	7.568	1,227,331	883,299	344,032
2009	2,501,430	1,656,559	844,871	115,000	132,210	3.418	1,233,346	818,151	415,195
2010	2,486,461	1,607,986	878,475	130,000	129,220	3.389	1,360,483	806,506	553,977
2011	2,557,573	1,601,269	956,304	135,000	125,450	3.672	1,370,348	872,369	497,979
2012	2,528,423	1,557,994	970,429	140,000	121,333	3.713	1,517,090	936,991	580,099
2013	2,685,372	1,595,221	1,090,151	145,000	116,436	4.170	1,505,136	989,295	515,841
2014	2,692,077	1,612,171	1,079,906	150,000	111,850	4.124	1,562,067	1,196,115	365,952

N/A – Not Applicable

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

Table 13

G.O. Water – Revenue Bonds								
Debt Service			Operating	Less	Net	Debt Service		
Principal	Interest	Coverage	Revenues/ Gross Profit	Operating Expense	Available Revenue	Principal	Interest	Coverage
\$ 235,000	\$112,521	1.079	\$8,060,081	\$6,879,822	\$1,180,259	\$ 110,000	\$ 29,643	8.45
235,000	70,655	1.177	8,145,197	7,066,514	1,078,683	115,000	27,168	7.59
290,000	50,175	(0.111)	8,635,246	7,241,321	1,393,925	90,000	24,063	12.22
285,000	41,787	1.053	8,670,265	7,961,763	708,502	95,000	21,363	6.09
300,000	48,416	1.192	8,876,346	6,832,611	2,043,735	170,000	18,275	10.86
315,000	31,035	1.601	8,423,373	7,285,380	1,137,993	105,000	12,495	9.69
220,000	63,313	1.758	8,358,787	7,361,390	997,397	120,000	8,820	7.74
225,000	68,558	1.976	9,256,709	7,214,372	2,042,337	–	–	–
230,000	64,553	1.751	8,949,608	7,776,510	1,173,098	–	–	–
240,000	59,908	1.220	8,911,018	7,997,799	913,219	320,000	129,223	2.03

CITY OF APPLE VALLEY, MINNESOTA

Table 14

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2005	48,988	N/A	N/A	11,839	3.30%
2006	48,862	N/A	N/A	11,655	3.30%
2007	49,456	\$ 1,679,525,760	\$ 33,960	11,445	3.60%
2008	49,983	1,850,720,541	37,027	11,348	4.50%
2009	49,376	1,782,325,472	36,097	11,216	6.70%
2010	49,084	1,740,027,800	35,450	11,291	6.90%
2011	49,801	1,801,750,379	36,179	11,264	5.70%
2012	49,895	1,801,658,555	36,109	11,219	4.90%
2013	50,326	1,855,167,338	36,863	11,189	4.30%
2014	50,330	N/A	N/A	11,312	3.40%

Note: 2014 data not available

Sources:

- (1) U.S. Census Bureau, Population Division
- (2) City of Apple Valley, American Community Survey, U.S. Census Bureau (Data for Apple Valley not available prior to 2007); 2014 data not available
- (3) Schools located in the City’s boundaries: Independent School District No. 196, including Dakota Ridge School
School enrollment defined as adjusted ADMs (average daily membership)
- (4) Minnesota Department of Employment and Economic Development

ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grade 1–3	Elementary Grade 4–6	Secondary
Fiscal 2005 through 2007	1.250	1.000	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	1.250	1.000	0.612	1.115	1.060	1.300

CITY OF APPLE VALLEY, MINNESOTA

Table 15

Principal Employers
Current Fiscal Year and Nine Years Ago

Taxpayer	2014			2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
ISD No. 196	1,414	1	9.49 %	1,913	1	14.15 %
Target	520	2	3.49	500	2	3.70
Uponor	400	3	2.69	–	–	–
Dakota County	384	4	2.58	349	3	2.58
Wal-Mart	350	5	2.35	340	4	2.52
Apple Valley Redi-Mix	270	6	1.81	199	9	1.47
Augustana Health Care Center	265	7	1.78	250	8	1.85
Menards	250	8	1.68	–	–	–
Wings Financial Federal Credit Union	225	9	1.51	–	–	–
Minnesota Zoological Gardens	220	10	1.48	260	7	1.92
Cub Foods	–	–	–	300	5	2.22
Fischer Sand and Aggregate Co.	–	–	–	295	6	2.18
Sam's Club	–	–	–	196	10	1.45
Total	4,298		28.86 %	4,406		32.60 %

Source: City of Apple Valley Community Development Department

CITY OF APPLE VALLEY, MINNESOTA

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

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General government						
Administration	3.00	3.00	3.00	3.00	3.00	3.00
Finance and data processing	5.00	5.00	5.00	5.00	4.95	5.00
Information and technology	3.18	3.13	3.21	3.21	3.20	3.17
Human resources	4.79	6.02	5.98	5.67	5.92	6.00
City clerk/elections	2.48	1.20	1.42	1.68	1.50	1.65
General government buildings	2.21	3.00	3.00	3.00	3.00	3.00
Community development	5.02	4.65	4.87	5.00	5.00	5.01
Code enforcement	2.00	2.77	3.00	2.98	2.15	2.00
Total general government	27.68	28.77	29.48	29.54	28.72	28.83
Public safety						
Police	71.30	71.86	63.62	63.97	64.00	62.00
Fire	17.71	16.17	17.43	16.49	18.94	16.44
Building inspections	6.17	5.74	5.86	5.91	5.99	4.93
Total public safety	95.18	93.77	86.91	86.37	88.93	83.37
Public works						
Public works administration	4.08	4.15	4.76	5.90	6.00	7.13
Central maintenance facility	5.78	5.80	5.53	5.51	5.50	5.52
Streets	16.23	16.16	16.17	17.36	17.07	17.19
Engineering (1)	-	-	-	-	-	-
Total public works	26.09	26.11	26.46	28.77	28.57	29.84
Culture and recreation						
Park and recreation administration	8.32	8.32	7.78	8.26	7.29	7.81
Recreation programs	7.22	7.18	7.32	7.25	7.02	7.84
Park maintenance	24.53	25.09	25.00	25.93	25.96	25.27
Redwood Pool (2)	0.29	2.71	2.40	2.50	2.80	2.13
Aquatic swim center	12.24	9.71	9.81	9.27	13.92	12.85
Community center	3.42	4.38	4.65	4.15	4.56	3.76
Apple Valley Senior Center	-	-	-	-	1.15	2.04
Cable TV	1.61	1.69	2.32	2.65	2.58	2.61
Total culture and recreation	57.63	59.08	59.28	60.01	65.28	64.31
Total general government	206.58	207.73	202.13	204.69	211.50	206.35
Enterprise funds						
Municipal liquor (3)	15.33	15.20	14.98	16.85	19.91	19.49
Municipal golf (4)	16.12	13.83	12.33	13.25	13.83	13.76
Sports arena	6.49	6.53	6.28	6.04	6.29	6.05
Stormwater Drainage Utility (5)	-	-	-	-	-	-
Water and sewer	17.26	17.61	17.94	18.11	18.88	18.58
Total enterprise funds	55.20	53.17	51.53	54.25	58.91	57.88
Total	261.78	260.90	253.66	258.94	270.41	264.23

- (1) The City engineering function began in 2011
- (2) Redwood Pool FTEs were combined with Aquatic Center prior to 2005
- (3) Liquor store number three opened in 2008
- (4) New expanded golf clubhouse opened September 2012
- (5) The Stormwater Drainage FTEs were included in Public Works Administration prior to 2014

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

Table 16

2011	2012	2013	2014
2.81	3.00	3.00	3.00
5.00	4.71	4.00	4.00
3.21	3.33	3.24	3.53
5.38	3.97	4.00	4.63
1.73	2.05	1.81	4.84
2.46	2.00	2.00	2.00
5.02	5.16	5.00	5.00
1.71	1.82	2.00	2.00
27.32	26.04	25.05	29.00
60.09	58.72	61.16	60.22
18.45	18.40	18.63	16.21
4.02	5.07	5.22	5.75
82.56	82.19	85.01	82.18
8.48	6.25	5.99	5.30
5.48	5.25	5.34	5.44
17.32	16.63	16.66	16.66
0.73	4.28	4.24	4.49
32.01	32.41	32.23	31.89
7.82	7.28	7.87	7.82
7.41	6.16	6.76	5.06
25.06	25.02	23.09	23.24
1.94	2.32	2.47	2.55
11.28	13.25	12.80	11.95
4.03	5.07	5.67	5.95
1.89	1.92	2.27	3.13
2.43	2.27	2.44	2.46
61.86	63.29	63.37	62.16
203.75	203.93	205.66	205.23
18.99	18.98	18.86	18.51
14.44	15.96	20.41	20.10
6.72	6.47	6.88	7.09
-	-	-	0.28
18.45	18.84	18.14	18.26
58.60	60.25	64.29	64.24
262.35	264.18	269.95	269.47

CITY OF APPLE VALLEY, MINNESOTA

Operating Indicators by Function
Last Ten Years

Function/Program	Fiscal Year			
	2005	2006	2007	2008
General government				
Elections	N/A	2	1	2
Registered voters	N/A	33,315	30,341	36,003
Number of voters casting votes	N/A	21,964	4,518	29,262
Number of absentee ballots received	N/A	1,388	126	3,348
Percentage of absentee ballots to total votes	N/A	6.3%	2.8%	11.4%
Voter participation (registered) (elections are held every other year)	N/A	65.93%	14.89%	81.28%
Public safety				
Police				
Crimes – Part I (2)	1,639	1,590	1,002	1,555
Crimes – Part II (2)	3,742	3,700	2,087	2,901
Total arrests	2,893	3,106	2,400	2,278
DWI arrests	228	302	294	251
Traffic citations issued	5,814	9,873	9,717	8,088
Total calls for service	36,153	40,606	39,860	41,682
Fire				
Calls for service	1,123	1,092	1,261	1,380
Medical	679	657	742	840
Fire	444	435	519	540
Fire call responses times under 5 minutes	N/A	N/A	N/A	40%
Fire call responses times 6–10 minutes	N/A	N/A	N/A	51%
Fire call responses times over 10 minutes	N/A	N/A	N/A	9%
Public works				
Building permits issued	809	689	745	672
Permits issued for new dwelling units	206	67	92	41
Commercial building permits issued	116	93	118	110
Plumbing permits issued	1,063	1,019	1,024	900
Heating permits issued	613	582	622	521
Building inspections	3,937	3,813	4,510	4,028
Streets maintained (lane miles)	398	399	401	404
Cul-de-sacs maintained	309	312	313	313
Snow/ice events	38	22	34	50
Signs replaced		277	315	271
Boulevard trees trimmed	850	1,256	1,000	1,256
Fleet division vehicle work orders	1,604	1,584	1,561	1,689
Diseased elm and oak trees mitigated	956	637	738	863
Lakes and ponds monitored with water quality samples	14	15	17	17
Sump catch basins cleaned	1,209	1,498	1,338	1,492
Sewage pumped (million gallons)	1.3	1.2	1.2	1.2
Miles of sanitary sewer cleaned	52.8	57.7	57.0	69.2
Sanitary lift station inspections	1,716	1,716	1,716	1,716
Water produced (million gallons)	2.3	2.6	2.6	2.5
Water samples taken	1,098	1,098	1,128	1,098
Fire hydrants maintained	2,050	2,083	2,230	2,388
Pressure stations inspected	13	13	13	13
Air relief manholes inspected	15	15	15	15
Hydrant flushing	3,520	5,400	3,845	7,045
Hydrant flushing (minutes)	–	–	–	–
Water breaks repaired	10	9	9	7
Burial sites sold	58	52	43	59
Burials	29	31	37	40

N/A – Not Available

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

Source: Various City of Apple Valley Departments

Table 17

2009	2010	2011	2012	2013	2014
N/A	2	N/A	2	N/A	2
N/A	32,094	N/A	35,354	N/A	32,370
N/A	21,271	N/A	29,715	N/A	19,351
N/A	1,316	N/A	2,993	N/A	2,100
N/A	6.2%	N/A	10.1%	N/A	10.9%
N/A	66.28%	N/A	84.05%	N/A	59.78%
1,366	1,565	1,230	1,187	1,124	1,098
2,542	2,364	2,072	1,970	1,756	1,627
2,137	1,985	1,963	1,962	1,307	1,096
288	205	213	145	160	152
7,997	6,329	7,587	6,670	5,726	4,735
41,049	38,335	40,272	39,223	35,215	34,497
1,307	1,340	1,408	1,417	1,454	1,412
735	712	792	639	636	623
572	628	616	778	818	789
41%	37%	40%	42%	44%	43%
48%	52%	51%	49%	46%	46%
11%	11%	9%	9%	10%	11%
577	1,241	1,630	1,398	1,005	1,893
91	228	31	47	63	71
73	102	71	96	113	115
912	920	886	1,027	1,090	1,173
557	771	540	692	786	851
3,470	3,621	5,187	6,890	6,848	8,636
405	407	408	410	410	416
314	329	329	330	331	322
48	35	29	25	53	45
385	500	460	700	411	657
1,600	1,800	5,200	2,137	1,990	1,175
1,733	1,735	1,751	1,850	1,890	2,148
729	588	486	260	430	340
18	18	18	18	18	17
1,406	1,505	1,303	1,400	885	1,455
1.2	1.2	1.2	1.2	1.3	1.1
47.6	64.2	72.1	75.0	77.0	79.0
1,716	1,716	1,716	1,716	1,716	1,716
2.4	2.1	2.3	2.4	2.4	2.1
1,098	1,128	1,098	1,098	1,098	1,098
2,401	2,405	2,410	2,410	2,444	2,454
13	13	13	13	13	13
15	15	15	15	15	15
3,050	5,250	1,020	-	-	-
-	-	-	24,455	24,189	23,987
20	12	16	10	16	11
50	44	56	70	59	57
32	36	38	43	45	34

CITY OF APPLE VALLEY, MINNESOTA

Capital Assets Statistics by Function/Program
Last Ten Years

Function/Program	Fiscal Year			
	2005	2006	2007	2008
Public safety				
Police				
Stations	1	1	1	1
Marked squad units	18	18	18	18
Fire				
Stations	3	3	3	3
Fire engine trucks	5	5	5	5
Fire ladder trucks	2	2	2	2
Fire brush/rescue trucks	1	1	1	1
Public works				
Streets (centerline miles)	168	171	171	171
Cul-de-sacs	309	312	313	313
Roundabouts	2	3	3	3
Trees maintained	7000	7000	7000	7000
Parks				
Parks	49	49	49	49
Total park acreage	844	847	847	847
Trails (miles)	65	65	65	65
Athletic complexes	4	4	4	4
Golf course	1	1	1	1
Community centers	2	2	2	2
Senior center	1	1	1	1
Pools/aquatic centers	2	2	2	2
Ice arenas	2	2	2	2
Water				
Number of connections	15,121	15,279	15,342	15,413
Miles of water mains and laterals	231	233	235	240
Wells	18	18	19	19
Water valves	3,507	3,565	3,600	3,680
Fire hydrants	2,050	2,083	2,230	2,388
Water reservoirs	4	4	5	5
Reservoir capacity (millions of gallons)	11.0	11.0	12.5	12.5
Sanitary sewer				
Number of connections	14,746	14,889	14,940	14,989
Miles of sanitary sewer mains and laterals	189	190	191	193
Sanitary lift stations	9	9	9	9
Sanitary manholes	5,272	5,315	5,315	5,335
Storm sewer				
Lift stations	10	10	11	12

N/A – Not Available

Source: Various city departments

Table 18

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
18	20	23	23	23	24
3	3	3	3	3	3
5	5	5	5	5	5
2	2	2	2	2	2
1	1	1	1	1	1
171	171	172	172	175	177
314	329	329	329	329	329
3	3	3	3	3	3
9500	9500	9500	9500	9,330	9,250
49	50	50	50	50	50
847	879	879	879	879	879
65	65	65	65	65	65
4	5	5	5	5	5
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	2	2
15,464	15,518	15,566	15,596	15,674	15,752
240	241	241	241	245	247
19	19	19	19	19	19
3,705	3,712	3,726	3,751	3,774	3,812
2,401	2,405	2,410	2,410	2,438	2,454
5	5	5	5	5	5
12.5	12.5	12.5	12.5	13	13
15,033	15,087	15,130	15,160	15,229	15,307
193	193	194	194	200	204
9	9	9	9	9	9
5,360	5,372	5,384	5,384	5,466	5,514
12	12	12	12	12	12

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