



COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



City of Apple Valley
Minnesota
Year Ended December 31, 2015

CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

Comprehensive Annual Financial Report
for the Year Ended
December 31, 2015

Prepared by
Finance Department

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

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CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

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DAKOTA COUNTY, MINNESOTA

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INTRODUCTORY SECTION

CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

Elected Officials and Administration
December 31, 2015

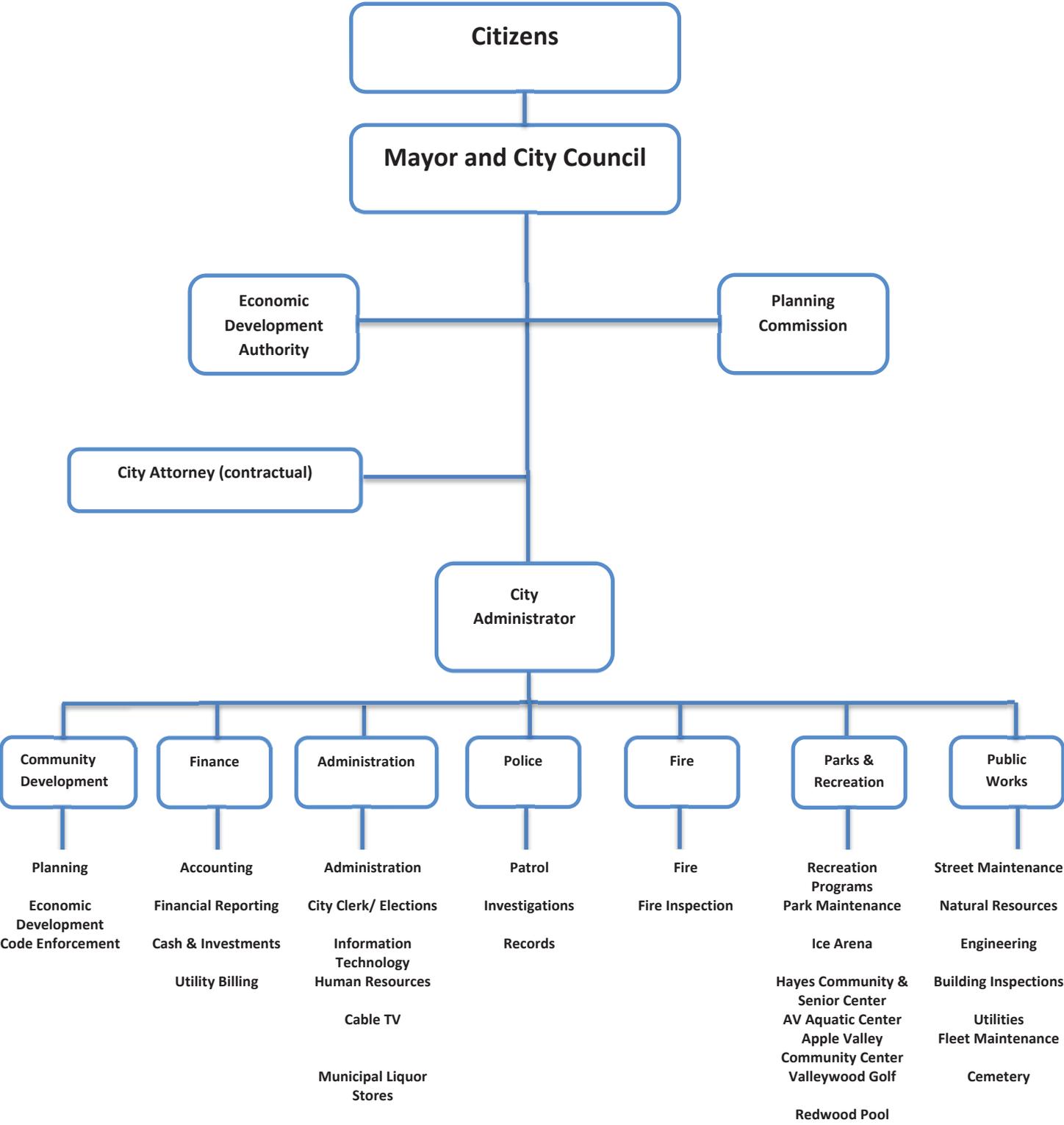
ELECTED OFFICIALS

		<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 Hoopaw	Councilmember	December 31, 2018

ADMINISTRATION

M. Thomas Lawell	City Administrator
Pamela Gackstetter	City Clerk
Ronald Hedberg	Finance Director/Treasurer
Matt Saam	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
Brandon Anderson	City Engineer
Carol Blommel Johnson	Public Works Superintendent

Organizational Structure City of Apple Valley



June 30, 2016

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, 2015, 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.

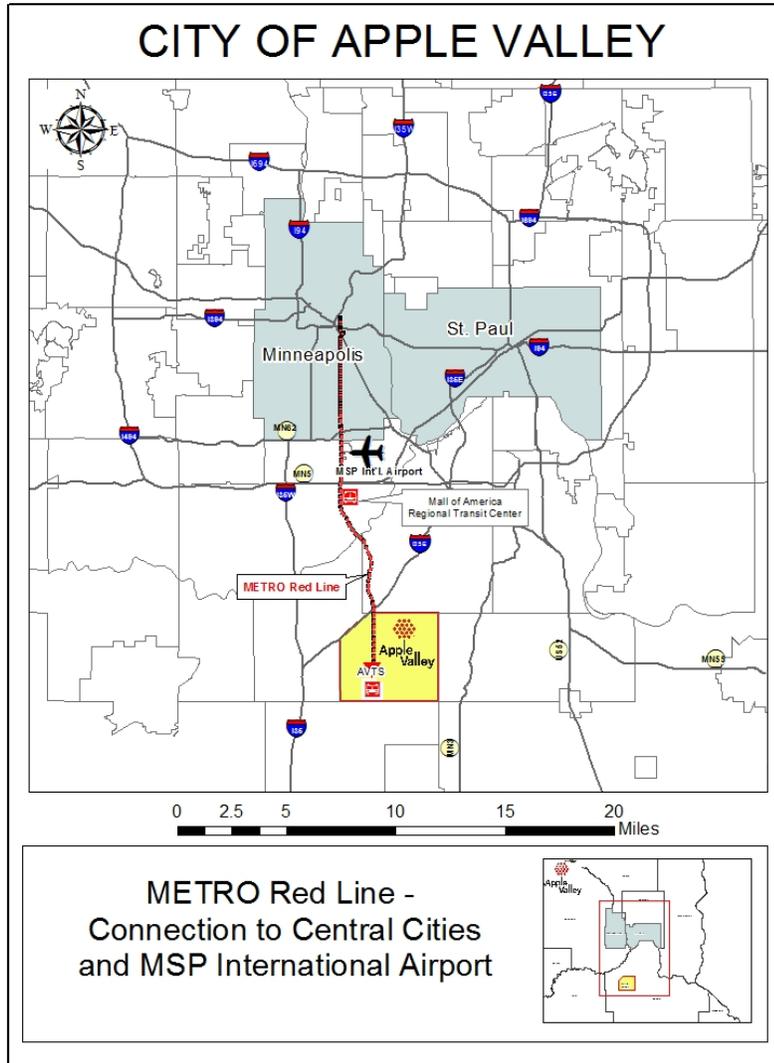
The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented within this report. To provide a reasonable basis for making these representations, management 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, 2015, 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, 2015, 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 complements 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 served by a Bus Rapid Transit service that connects to the light rail system serving Minneapolis and St. Paul. 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 50,161.



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 economic conditions have improved for the City, its residents, and its businesses. The City's unemployment rate as of December 2015, for example, is 2.6 percent, compared to the state of Minnesota's rate of 3.7 percent and the national unemployment rate of 5.0 percent.

Unemployment Rate:	Dec. 2015	Dec 2014	Dec 2013	Dec. 2012
City of Apple Valley	2.6%	2.8%	3.6%	4.2%
Dakota County	3.1%	3.8%	4.0%	4.7%
State of Minnesota	3.7%	3.8%	4.5%	5.3%
National	5.0%	5.6%	6.7%	7.8%

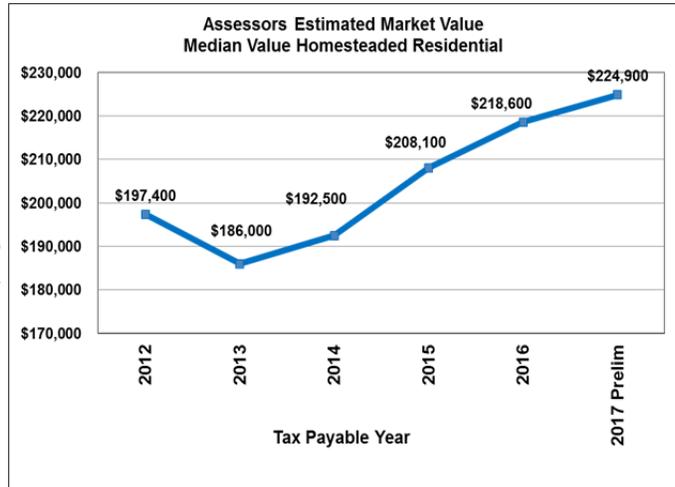
(Source: MN Dept. of Economic Development)

Housing Values

Home values in the City are continuing a positive trend, reflecting the recovery of the housing market. The assessor's estimated market for residential market values increased on the median valued home approximately 8.1 percent for 2015. Assessor values for 2016 and 2017 continue this positive trend.

Increase (Decline) in Median Value Home:

2012	(3.1%)
2013	(5.8%)
2014	3.5%
2015	8.1%
2016	5.0%
2017 (Preliminary)	2.9%

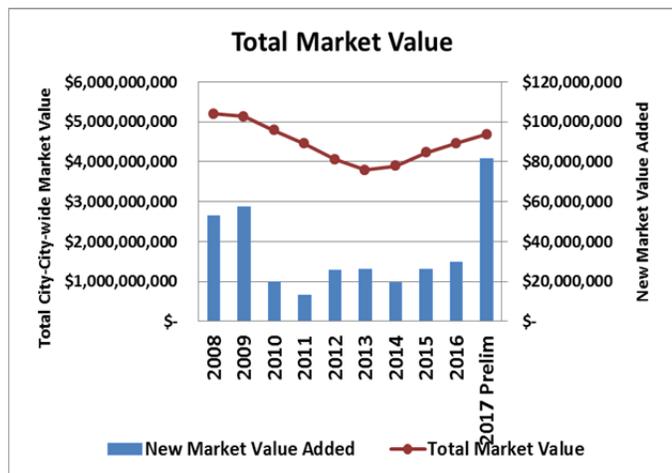


The population of the City has increased from 585 in 1960 to 49,084 according to the 2010 census and is estimated at 50,161 for 2015. Most of the population of the City concentrates in two age groups: 45–54 years and 5–14 years at 17.0 percent and 14.2 percent, respectively. According to the 2010 census, 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 \$80,609 for 2014.

The City is the home to Uponsor 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

The City consistently adds new tax base each year. In 2015, a total of \$26.8 million of market value was added to the City's tax base and which current data indicates is continuing. Total market value increased to \$4.2 billion for 2015 due to improved market conditions. Conditions continue to improve for the future with preliminary County Assessor data for payable 2017 showing a 4.9 percent increase to a total city-wide taxable market value of \$4.7 billion, of which \$81 million results from new construction.



Major Initiatives

The City Council initiated the expansion of the water treatment plant in 2012. This expansion, completed and operational in 2015, provides adequate supply for the projected full growth of the City. The total amount of the project was approximately \$15.8 million.

In 2015, 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 2015, 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

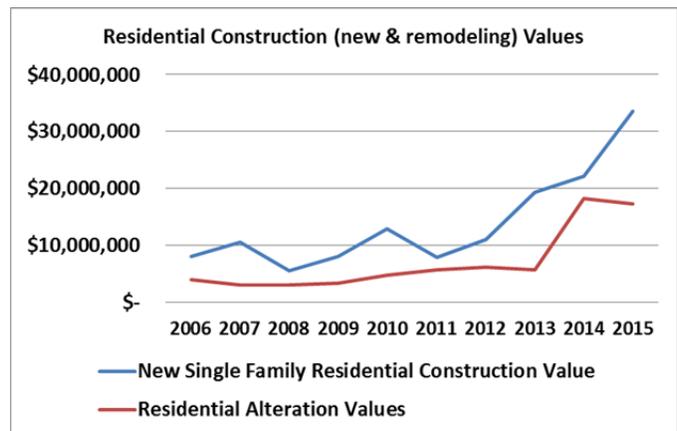
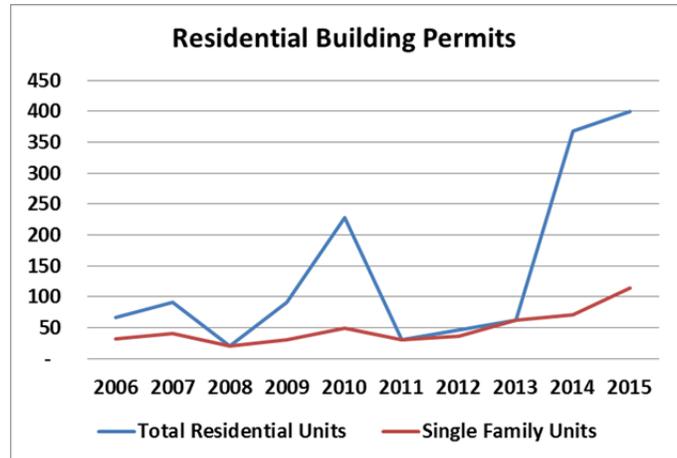
Over the past 10 years, single-family construction has averaged 49 units per year, and 2015 saw 115 single-family units constructed, valued at over \$33 million. Multi-family construction shows strong activity for 2015 with 280 apartment units permitted in 2015 with occupancy in 2016 for the Springs of Apple Valley complex.

While the construction of new single-family homes has increased for 2015, the valuation added by remodeling and renovations is being maintained at a high level, valued at over \$17 million. This reflects homeowners' continued interest in investing in their properties.

Four different residential subdivisions were approved in 2015, providing for 150 single-family and townhome lots.

The first phase of Parkside Village, a 322-unit market rate, multi-family development was constructed and 196 units opened for occupancy in 2015. The second phase of the Parkside Village received approval for the construction of an additional 196 units with occupancy scheduled for 2017.

The first phase of the Remington Cove Apartments was completed in 2015 with construction of 101 units and opened for occupancy in 2015.



Commercial Development

Commercial and industrial development continued to improve in 2015 with total improvement values, including commercial alterations, totaling \$26.2 million in 2015.

New commercial construction projects included a 86,000 square foot expansion to the Uponor manufacturing facility. In addition, Karmella, Inc. received approval for the construction of a 70,000 square foot manufacturing facility. Other new construction includes the construction of a 11,700 square foot day care facility in the Cobblestone neighborhood and the Bank of America began construction of a new 3,250 square foot bank branch in 2015.



Upcoming Initiatives include:

Mixed Use Business Campus:

In 2016, approximately 350-acres of mixed business campus will begin to be master planned with some mixed uses proposed to begin development in the area currently being actively mined for aggregate. The property owner has identified a development partner to collaborate and invest in the active mining area. Significant public infrastructure improvements including roads, trails, ponding, and park improvements, will be part of the plan and coincide with private development.

Menard's Hanson Development Site:

The 50-acre site known as Menard's/Hanson will have proposed mixed business land uses (retail, office, industrial) considered.

Water Meter Replacement Program:

The city has engaged a consulting group to develop a water meter replacement program plan. Many water meters in the City have been in service for more than 25 years. The accuracy of water meters tend to diminish as they get older. The City's Capital Improvement Program includes a four (4) year schedule for water meter replacement and will be funded within the water utility fund.

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 2015, over \$5 million was invested to maintain the infrastructure and included the following significant projects:

- Reconstruction of streets in the Pincrest/Sunshine Estates subdivisions
- Reconstruction of streets in the Longridge 1st and 2nd subdivisions
- Reconstruction of Fountain Court
- 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. The 2016-2020 CIP identifies \$82 million of capital projects along with the associated funding. The five year CIP also includes 5 year revenue and expenditure projections for the majority of funds identified in the document.

One of the larger improvements included in the 2016-2020 CIP includes the continued street and utility reconstruction and reconditioning program which totals \$53 million over the next five years.

Relevant Financial Policies

The City utilizes 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, 2015, the effective duration of the investment portfolio was 2.3 years. The City's average return on investments in 2015 was 1.7 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, 2014. This is the fourth 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



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, 2014

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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Apple Valley, Minnesota (the City) as of and for the year ended December 31, 2015, 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, 2015, 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.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, during the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

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 required supplementary information (RSI), 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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 30, 2016 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 30, 2016

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CITY OF APPLE VALLEY

Management's Discussion and Analysis Year Ended December 31, 2015

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, 2015. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$262,709,686 (*net position*). Of this amount, \$41,035,681 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors; \$16,720,360 is restricted for specific purposes (*restricted net position*); and \$204,953,645 represents the net investment in capital assets. The City's total net position increased by \$10,780,796 during the year ended December 31, 2015, excluding the change in accounting principle reported in the current year as discussed below.
- The City recorded a change in accounting principle in the current year for reporting the City's participation in defined benefit pension plans. This change reduced beginning net position in the government-wide financial statements by \$13,199,683.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$60,987,750, an increase of \$7,553,248. Restricted fund balances increased from \$21,772,784 to \$27,424,225, an increase of \$5,651,441, which represents increases in the debt service and capital projects funds from issuance of advance refunding bonds and the collections of restricted funds such as: park dedication fees, franchise fees, special assessments, and tax increments. The unassigned fund balances increased \$2,273,230 to \$5,782,048. Assigned fund balances decreased \$640,303 to \$27,028,733.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,321,110, or 50.6 percent, of total General Fund expenditures based on 2016 budgeted expenditure levels, including transfers.
- The City's long-term liabilities increased by \$14,507,911, or 28.5 percent, during the current fiscal year, which is primarily attributable to the net pension liability of \$14,382,460 as a result of the change in accounting principle recorded in the current year, as previously discussed. 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 of resources 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 Revenue, 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 Revenue, Expenditures, and Changes in Fund Balances for the General Fund, Closed Bond Issues Debt Service Fund, 2001/2008B Refunding Improvement Bonds Debt Service Fund, Road Improvements Capital Projects Fund, and Future Capital Projects 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 Improvements Capital Projects Fund, Future Capital Projects Capital Projects Fund, Cable TV Special Revenue Fund, EDA Operations Special Revenue Fund, Equipment Certificate Capital Projects Fund, and Cable Capital Equipment Capital Projects Fund. A budgetary comparison statement or schedule 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 dental insurance, benefits/other insurance, 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 required supplementary information and 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$262,709,686 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, 2015 and 2014

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 74,434,555	\$ 67,578,084	\$ 19,907,006	\$ 20,231,520	\$ 94,341,561	\$ 87,809,604
Capital assets, net	106,353,296	102,173,367	130,174,041	131,510,684	236,527,337	233,684,051
Total assets	\$ 180,787,851	\$ 169,751,451	\$ 150,081,047	\$ 151,742,204	\$ 330,868,898	\$ 321,493,655
Deferred outflows of resources						
Pension plan deferments	\$ 2,910,986	\$ –	\$ 298,927	\$ –	\$ 3,209,913	\$ –
Total assets and deferred outflows of resources	\$ 183,698,837	\$ 169,751,451	\$ 150,379,974	\$ 151,742,204	\$ 334,078,811	\$ 321,493,655
Liabilities						
Other liabilities	\$ 2,496,508	\$ 3,101,333	\$ 1,060,144	\$ 2,312,063	\$ 3,556,652	\$ 5,413,396
Noncurrent liabilities	49,104,529	36,941,895	16,355,068	14,009,791	65,459,597	50,951,686
Total liabilities	\$ 51,601,037	\$ 40,043,228	\$ 17,415,212	\$ 16,321,854	\$ 69,016,249	\$ 56,365,082
Deferred inflows of resources						
Pension plan deferments	\$ 2,085,974	\$ –	\$ 266,902	\$ –	\$ 2,352,876	\$ –
Net position						
Net investment in capital assets	\$ 86,664,918	\$ 78,398,734	\$ 118,288,727	\$ 120,092,250	\$ 204,953,645	\$ 198,490,984
Restricted	16,541,831	15,253,042	178,529	329,167	16,720,360	15,582,209
Unrestricted	26,805,077	36,056,447	14,230,604	14,998,933	41,035,681	51,055,380
Total net position	\$ 130,011,826	\$ 129,708,223	\$ 132,697,860	\$ 135,420,350	\$ 262,709,686	\$ 265,128,573
Total liabilities, deferred inflows of resources, and net position	\$ 183,698,837	\$ 169,751,451	\$ 150,379,974	\$ 151,742,204	\$ 334,078,811	\$ 321,493,655

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 \$41,035,681 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 of \$303,603 and a decrease in business-type activities of \$2,722,490, for a net total decrease of \$2,418,887 in net position. This change in net position reflects an increase of \$10,780,796 from the current year operating results, while the change in accounting principle mentioned earlier reduced unrestricted net position by \$13,199,683. The change in accounting principle for pensions significantly increased deferred outflows of resources, long-term liabilities, and deferred inflows of resources, as presented in the table above. Crossover refunding bonds outstanding at the end of the year also contributed to an increase in assets and long-term liabilities in governmental activities as of December 31, 2015.

City of Apple Valley's Changes in Net Position

Table 2
Change in Net Position
for the Years Ended December 31, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 6,802,719	\$ 6,402,520	\$ 21,833,893	\$ 22,377,678	\$ 28,636,612	\$ 28,780,198
Operating grants and contributions	771,220	837,763	–	–	771,220	837,763
Capital grants and contributions	5,918,652	1,897,081	2,110,667	1,612,392	8,029,319	3,509,473
General revenues						
Property taxes	23,474,262	23,626,279	121,000	121,000	23,595,262	23,747,279
Other taxes	186,512	193,018	–	–	186,512	193,018
Franchise taxes	1,259,271	1,272,428	–	–	1,259,271	1,272,428
Grants and contributions not restricted to specific programs	40,061	36,710	–	–	40,061	36,710
Other	7,387	78,478	–	–	7,387	78,478
Investment earnings	863,798	1,562,329	235,424	506,693	1,099,222	2,069,022
Total revenues	39,323,882	35,906,606	24,300,984	24,617,763	63,624,866	60,524,369
Expenses						
General government	5,468,843	6,107,245	–	–	5,468,843	6,107,245
Public safety	12,464,603	11,946,671	–	–	12,464,603	11,946,671
Public works	7,038,033	9,011,324	–	–	7,038,033	9,011,324
Parks and recreation	6,543,162	6,403,907	–	–	6,543,162	6,403,907
Interest and fiscal charges	1,037,567	1,037,527	–	–	1,037,567	1,037,527
Municipal liquor	–	–	7,772,369	8,332,921	7,772,369	8,332,921
Municipal golf course	–	–	1,653,759	1,526,108	1,653,759	1,526,108
Sports arena	–	–	770,215	853,315	770,215	853,315
Water and sewer	–	–	8,154,989	8,186,262	8,154,989	8,186,262
Storm drainage	–	–	1,444,800	1,257,566	1,444,800	1,257,566
Cemetery	–	–	49,086	51,646	49,086	51,646
Street light utility	–	–	446,644	424,670	446,644	424,670
Total expenses	32,552,208	34,506,674	20,291,862	20,632,488	52,844,070	55,139,162
Increase in net position before transfers	6,771,674	1,399,932	4,009,122	3,985,275	10,780,796	5,385,207
Transfers	4,681,392	507,636	(4,681,392)	(507,636)	–	–
Change in net position	11,453,066	1,907,568	(672,270)	3,477,639	10,780,796	5,385,207
Net position – beginning, as previously reported	129,708,223	127,800,655	135,420,350	131,942,711	265,128,573	259,743,366
Change in accounting principle	(11,149,463)	–	(2,050,220)	–	(13,199,683)	–
Net position – beginning, as restated	118,558,760	127,800,655	133,370,130	131,942,711	251,928,890	259,743,366
Net position – ending	\$ 130,011,826	\$ 129,708,223	\$ 132,697,860	\$ 135,420,350	\$ 262,709,686	\$ 265,128,573

Governmental Activities – The City's net position for governmental activities increased by \$303,603, or 0.2 percent. Key elements of this increase are seen in the table above.

Revenues increased overall by \$3,417,276, or 9.5 percent. This change included:

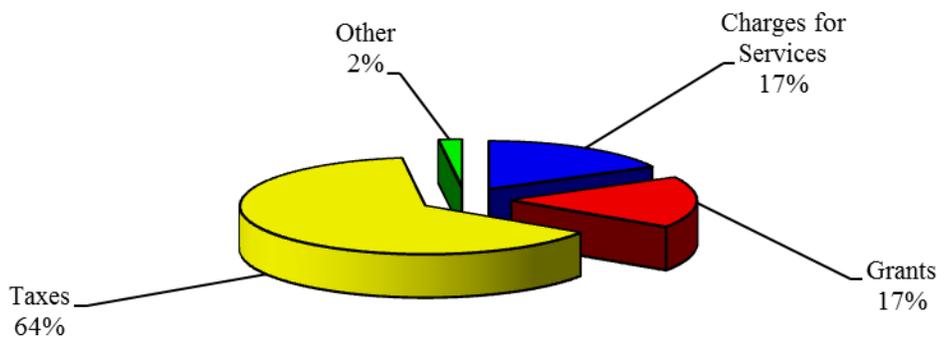
- Increases in charges for services due to increased building permits and engineering fees as a result of development activity within the City.
- Increase in capital grants and contributions as a result of a higher level of activity in developer-installed infrastructure and more special assessment activity in the current year.
- Decrease in investment earnings due to the minimal market value adjustment in the current year compared to a significant positive adjustment in the prior year.

Expenses decreased overall by \$1,954,466, or 5.7 percent. This decrease included:

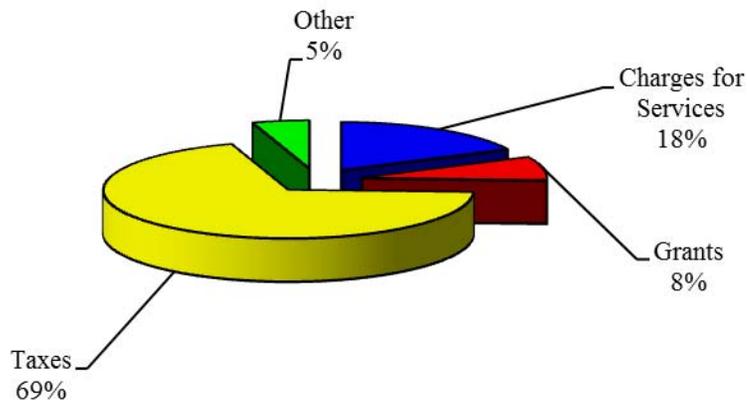
- The public works function decreased \$1,973,291, mainly due to the prior year expenses, including costs for street improvements done to county roads, which were not capitalized by the City because the streets are the county's asset.

As seen in the following graph, taxes make up about 64 percent of the total governmental activities revenues for 2015. Charges for services make up about 17 percent of the total, and are followed by grants at 17 percent and other at 2 percent of the total.

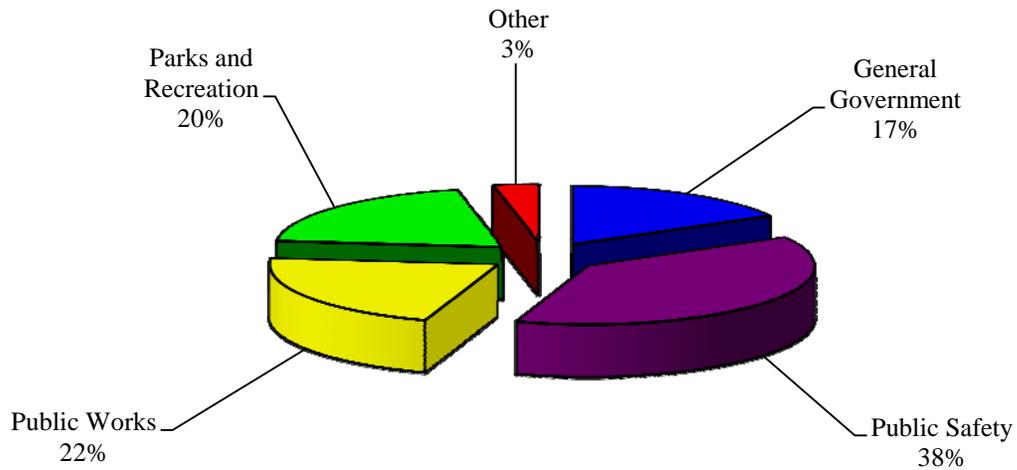
2015 Revenues by Source – Governmental Activities



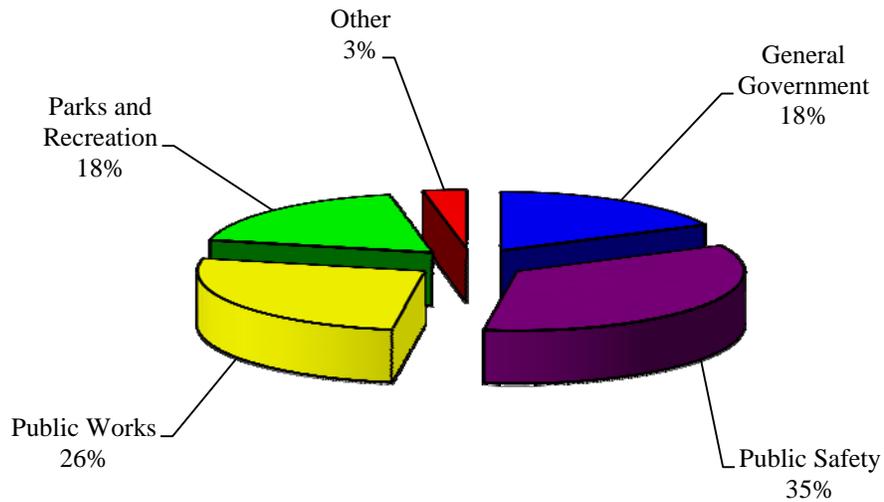
2014 Revenues by Source – Governmental Activities



2015 Expenses – Governmental Activities



2014 Expenses – Governmental Activities

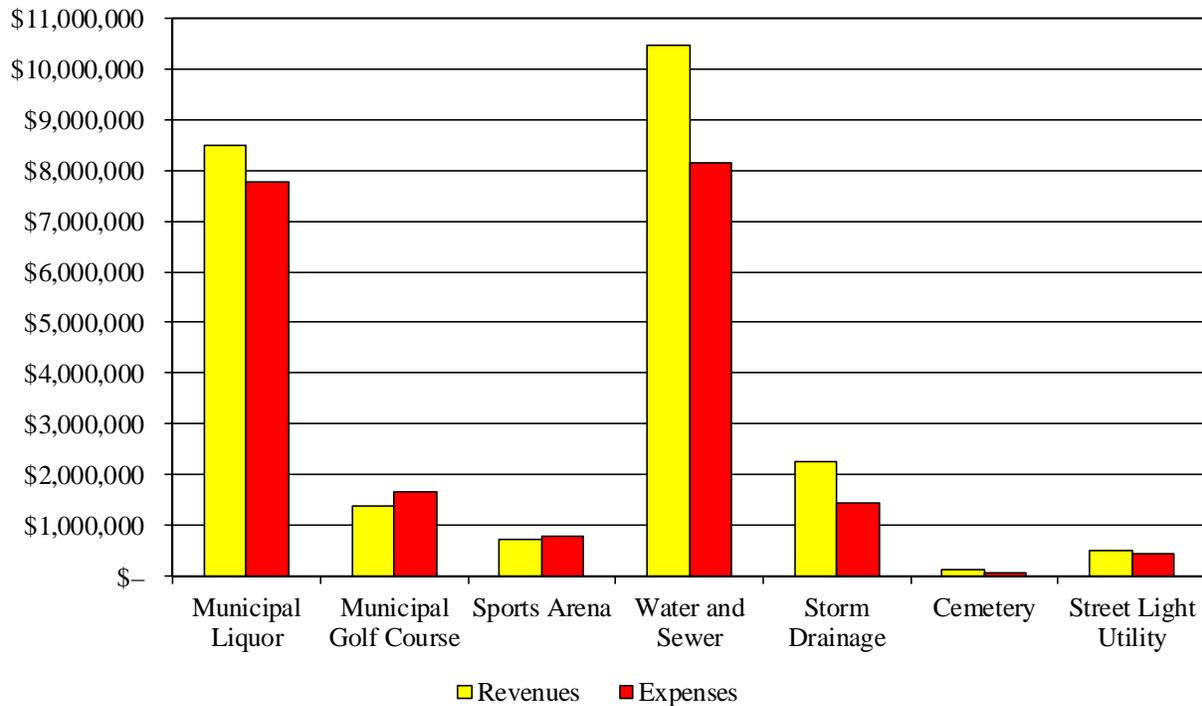


The expenses in the graph above for governmental activities show the amounts spent on different activities for 2015 and 2014. In 2015, public safety makes up 38 percent, public works 22 percent, parks and recreation 20 percent, and general government 17 percent. Other includes debt service interest and fiscal charges in governmental activities.

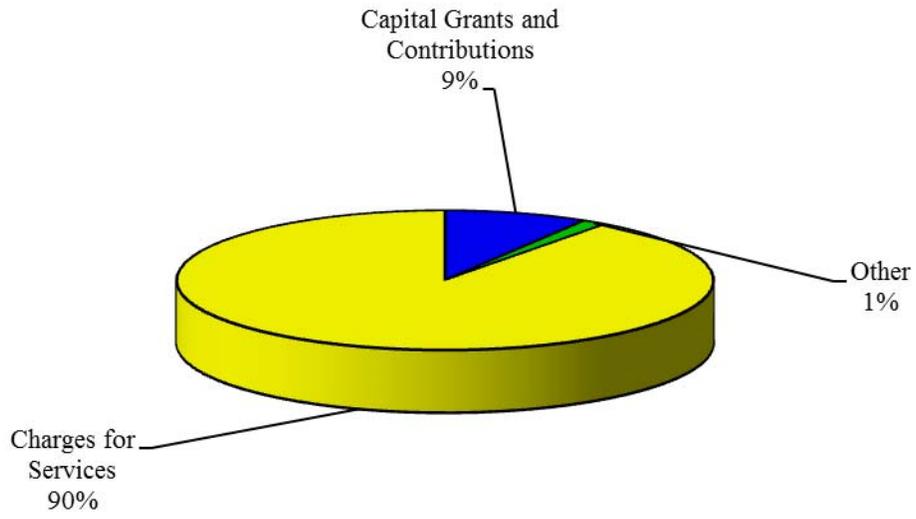
Business-Type Activities – Business-type activities decreased the City’s total net position by \$2,722,490. Key elements of the business-type activities are as follows:

- 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 78 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 \$1,898,455. After considering capital grants and contributions of \$2,110,667 and net transfers out to governmental activities totaling \$4,681,392, net position decreased by \$672,270.
- The City reported a change in accounting principle for reporting net pension obligations, reducing beginning net position by \$2,050,220, as previously mentioned.

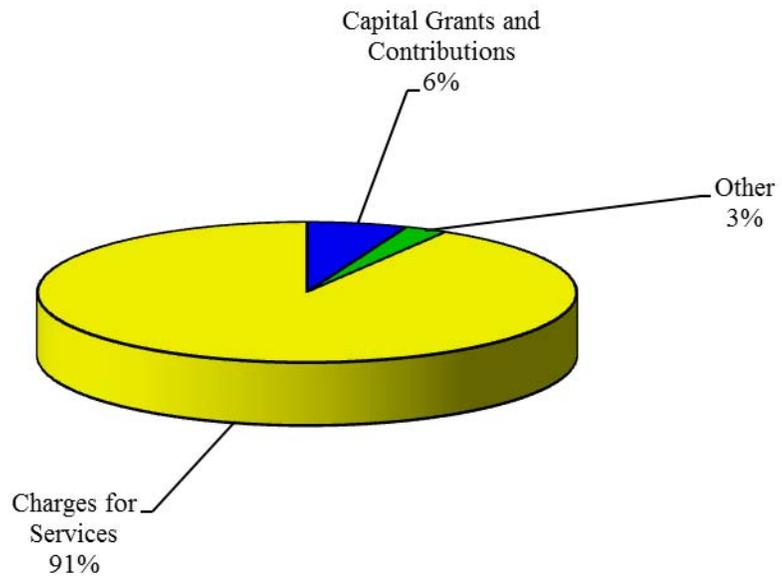
Revenues and Expenses – Business-Type Activities



2015 Revenues by Source – Business-Type Activities



2014 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 \$60,987,750, an increase of \$7,553,248 in comparison with the prior year.

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

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was \$16,092,104. 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, including transfers.

Total fund balance for the City's General Fund increased by \$936,654 during 2015. 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 \$1,137,000 over budget and are an increase of \$462,000 over the prior year.
- Savings in personal services of approximately \$671,000 were experienced during 2015 due to position vacancies and employee turnover.
- Savings in motor fuel and utilities of approximately \$233,000 were experienced during 2015.
- Capital outlay expenditures were approximately \$171,000 under the 2015 budgeted amounts.
- The total fund balance increase of \$936,654 is after transferring \$1,475,000 out of the General Fund to the Future Capital Projects 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 2015 is \$7,242,770, which decreased \$1,436,483 from the prior year. The decrease results from transfers out of \$2,661,908 to the 2013 Construction and 2005 Construction Funds to reimburse those funds for expenditures for developer projects for which special assessments were levied in 2015 to be collected in future years. In addition, the Closed Bond Issues Fund collected \$1,158,937 in special assessments on previously levied assessments.

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 2015 is negative \$3,016,920. The fund balance decreased \$274,181 from the prior year, resulting from debt service costs exceeding the special assessment collections in the current year.

Road Improvements Fund – Capital Projects Fund

The Road Improvements Fund receives transfers from other funds. These resources are used to finance street overlays and reconstruction projects per the City's pavement management plan. The fund balance at the end of 2015 is negative \$4,269,054, which is a decrease of \$99,616 from the prior year, resulting from a shortfall in revenues.

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 2015 is \$14,226,724, which is an increase of \$697,984 from the prior year. A transfer from the General Fund was received in 2015 in the amount of \$1,475,000 in accordance with the fund balance policy. A transfer out in the amount of \$960,000 was made in 2015 to fund replacing the 2015 property tax levy for the 2012 Park Refunding Bonds. The reduction of the park bond levy provides levy capacity to add to the annual road improvement levy. This annual transfer is expected to continue until the 2012 Park Refunding Bonds are retired in 2017.

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, 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 \$132,788,421, \$118,288,727 of which is capital assets, net of related debt and in total is a decrease of \$2,725,511 from the prior year; much of this decrease results from the change in accounting principle, as previously discussed. The total unrestricted net position for all proprietary funds for the year was \$14,321,165, a decrease of \$771,350.

Municipal Liquor Fund

The net position in the Municipal Liquor Fund increased \$147,992 from current year operations, excluding the change in accounting principle previously discussed. This increase 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 Municipal Liquor Fund current year operations comes from maintaining gross profit margins in light of the overall decline in revenues due to increased competition in neighboring cities.

Municipal Golf Course Fund

The Municipal Golf Course Fund operations posted a decrease in net position from current year operations of \$266,341, excluding the change in accounting principle.

Sports Arena Fund

The Sports Arena Fund posted an increase in net position from current year operations of \$73,273, which excludes the change in accounting principle and is after inclusion of an annual \$121,000 property tax levy. This increase is due to improvement in the operating income with reductions in personal services and utilities.

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 \$11,478,432, an increase of \$456,735. This increase results from positive operating income offset by the change in accounting principle in the current year. Current year operations posted a \$1,559,111 decrease in net position, resulting from continued positive operations of \$1,038,330, offset by a \$3.1 million contribution to governmental activities. Operating revenues were up \$77,393 for the year, which resulted from a 3 percent increase in utility rates combined with a reduction in the volume of water sold. Total net investment in capital assets totals \$73,093,302, a decrease of \$3,024,191.

Storm Drainage Fund

The Storm Drainage Fund increased its net position by \$796,872 from current year operations, excluding the change in accounting principle. This is mainly due to 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 \$93,929, which results from additional lot sales during the year.

Street Light Utility Fund

The Street Light Utility Fund increased its net position by \$38,095, which had a 3 percent rate increase for the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The most significant amendment to the 2015 General Fund budget was made to provide for projects that were carried over from 2014 to 2015 in addition to \$45,280 in revenues and expenditures added for the addition to the building inspection staffing levels.

During the year, the total revenues exceeded the final amended budgetary estimates by \$1,370,644, which can be attributed to licensing and permits exceeding the budget by \$1,189,652 due to increased development activity in the current year.

Total actual expenditures were \$1,190,006 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 \$671,000 under budget, including actual employer insurance costs of approximately \$216,000. In addition, \$333,500 of 2015 projects or purchases were not completed in 2015 and will be carried over to 2016.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2015 amounts to \$236,527,337 (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 \$2,843,286, or approximately 1.2 percent. Total depreciation charged in 2015 was \$8,423,802.

City of Apple Valley’s Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital assets						
Land and land improvements	\$ 3,885,715	\$ 3,885,715	\$ 6,576,322	\$ 6,432,094	\$ 10,462,037	\$ 10,317,809
Construction in progress	774,643	98,393	31,711	15,604,693	806,354	15,703,086
Buildings	32,246,271	29,064,762	21,974,589	18,187,708	54,220,860	47,252,470
Other improvements	24,981,605	24,746,668	147,189,969	134,386,474	172,171,574	159,133,142
Furniture and equipment	16,626,747	16,967,000	5,256,697	4,873,815	21,883,444	21,840,815
Infrastructure	95,875,960	90,973,859	–	–	95,875,960	90,973,859
Less accumulated depreciation	(68,037,645)	(63,563,030)	(50,855,247)	(47,974,100)	(118,892,892)	(111,537,130)
Total capital assets, net of depreciation	\$ 106,353,296	\$ 102,173,367	\$ 130,174,041	\$ 131,510,684	\$ 236,527,337	\$ 233,684,051

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

- Street improvement projects totaling approximately \$4.9 million, including the following significant projects: Sunshine Estates Street Improvements (\$1,652,000), Longridge 2nd Addition Street Improvements (\$932,000), Fountain Court Street Improvements (\$402,000), along with other 2015 street and trail improvements totaling \$1,916,000.
- Utility improvements, including increases related to the water treatment plant expansion of \$1,347,000 and Sanitary Lift Station # 3 improvements of \$902,000.
- The Water and Sewer Fund transferred a building valued at \$3,142,392 to the general government activities.

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 \$65,459,597. Of this amount, \$44,110,000 is backed by the full faith and credit of the City and \$2,605,000 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$29,865,000	\$27,885,000	\$ –	\$ –	\$29,865,000	\$27,885,000
General obligation improvement bonds	2,605,000	4,935,000	–	–	2,605,000	4,935,000
General obligation revenue bonds	–	–	11,640,000	10,550,000	11,640,000	10,550,000
Revenue bonds	–	–	1,585,000	2,480,000	1,585,000	2,480,000
Capital lease	–	–	97,919	138,799	97,919	138,799
Unamortized premium	427,125	361,555	195,425	179,567	622,550	541,122
Net OPEB obligation	1,228,025	1,099,236	213,911	190,676	1,441,936	1,289,912
Net pension liability	12,259,474	–	2,122,986	–	14,382,460	–
Compensated absences	2,719,905	2,661,104	499,827	470,749	3,219,732	3,131,853
Total	<u>\$49,104,529</u>	<u>\$36,941,895</u>	<u>\$16,355,068</u>	<u>\$14,009,791</u>	<u>\$65,459,597</u>	<u>\$50,951,686</u>

The City’s total bonded debt decreased by \$155,000 during 2015. The decrease resulted from the issuance of \$1,785,000 Revenue Refunding Bonds and \$5,860,000 General Obligation Bonds, which were offset by scheduled debt payments during the year, and \$3,510,000 in refunding bond payments. Included in the total outstanding bonded debt are two outstanding advance refunding bonds totaling \$14,265,000, prior to the crossover date. As of December 31, 2015, there is \$13,768,956 held in escrow to be used for the call of the refunded bonds.

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 75 percent, of the resources needed to support the General Fund activities. Minnesota cities are not subject to levy limits for 2016.
- Property values in the City are increasing as they are in other locations. The increase in the median valued residential property for the 2016 budget year will be approximately 5.0 percent, compared to an increase of 8.1 percent for the 2015 budget year. The preliminary county data for 2017 shows a 2.9 percent increase in the median valued home.
- The total property tax levy increased 4.0 percent for 2016.
- The taxes paid by the median valued home increased for 2016 to \$942 from \$901 in 2015, approximately 4.6 percent.
- Contract settlements with two of the City's three unions have been reached through 2017.
- A 3 percent increase in water utility rates was enacted each year from 2012 to 2016 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 and 2016.

All of these factors were considered in preparing the City's budget for the 2016 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, City of Apple Valley, 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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 47,009,045	\$ 14,994,654	\$ 62,003,699
Receivables			
Accounts and interest	672,535	2,744,524	3,417,059
Taxes	1,845,491	-	1,845,491
Special assessments	6,894,096	321,722	7,215,818
Due from other governmental units	411,736	220,581	632,317
Internal balances	1,952,580	(1,952,580)	-
Prepays	380,935	242,639	623,574
Inventory	33,035	1,578,178	1,611,213
Land held for resale	3,026,198	-	3,026,198
Restricted assets			
Cash and investments for debt service	12,190,197	1,757,288	13,947,485
Interest receivable	18,707	-	18,707
Capital assets			
Not depreciated	4,660,358	6,608,033	11,268,391
Depreciated, net of accumulated depreciation	<u>101,692,938</u>	<u>123,566,008</u>	<u>225,258,946</u>
Total assets	180,787,851	150,081,047	330,868,898
Deferred outflows of resources			
Pension plan deferments	<u>2,910,986</u>	<u>298,927</u>	<u>3,209,913</u>
Total assets and deferred outflows of resources	<u>\$ 183,698,837</u>	<u>\$ 150,379,974</u>	<u>\$ 334,078,811</u>
Liabilities			
Accrued salaries payable	\$ 420,422	\$ 56,653	\$ 477,075
Accounts payable	1,644,715	626,512	2,271,227
Contracts payable	330,247	168,079	498,326
Interest payable	33,868	15,101	48,969
Due to other governmental units	60,489	193,799	254,288
Claims incurred, but not reported	6,767	-	6,767
Long-term liabilities			
Due within one year	4,283,300	1,087,019	5,370,319
Due in more than one year	44,821,229	15,268,049	60,089,278
Total long-term liabilities	<u>49,104,529</u>	<u>16,355,068</u>	<u>65,459,597</u>
Total liabilities	51,601,037	17,415,212	69,016,249
Deferred inflows of resources			
Pension plan deferments	2,085,974	266,902	2,352,876
Net position			
Net investment in capital assets	86,664,918	118,288,727	204,953,645
Restricted for			
Debt service	5,643,645	178,529	5,822,174
Tax increment financing	4,706,398	-	4,706,398
Economic development	1,332,093	-	1,332,093
Police forfeiture	123,071	-	123,071
Capital acquisition	4,324,962	-	4,324,962
Fire relief pension	233,231	-	233,231
Other purposes	178,431	-	178,431
Unrestricted	<u>26,805,077</u>	<u>14,230,604</u>	<u>41,035,681</u>
Total net position	<u>130,011,826</u>	<u>132,697,860</u>	<u>262,709,686</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 183,698,837</u>	<u>\$ 150,379,974</u>	<u>\$ 334,078,811</u>

See notes to basic financial statements

CITY OF APPLE VALLEY

Statement of Activities
Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 5,468,843	\$ 1,696,786	\$ 1,456	\$ 9,272
Public safety	12,464,603	496,566	769,764	–
Public works	7,038,033	2,620,283	–	5,909,380
Parks and recreation	6,543,162	1,989,084	–	–
Interest and fiscal charges	1,037,567	–	–	–
Total governmental activities	<u>32,552,208</u>	<u>6,802,719</u>	<u>771,220</u>	<u>5,918,652</u>
Business-type activities				
Municipal liquor	7,772,369	8,480,414	–	–
Municipal golf course	1,653,759	1,387,821	–	–
Sports arena	770,215	722,270	–	–
Water and sewer	8,154,989	8,995,642	–	1,479,155
Storm drainage	1,444,800	1,631,761	–	631,512
Cemetery	49,086	132,305	–	–
Street light utility	446,644	483,680	–	–
Total business-type activities	<u>20,291,862</u>	<u>21,833,893</u>	<u>–</u>	<u>2,110,667</u>
Total governmental and business-type activities	<u>\$ 52,844,070</u>	<u>\$ 28,636,612</u>	<u>\$ 771,220</u>	<u>\$ 8,029,319</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, as previously reported
 Change in accounting principle
 Net position – beginning, restated

Net position – ending

See notes to basic financial statements

Net (Expenses)
Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,761,329)	\$ —	\$ (3,761,329)
(11,198,273)	—	(11,198,273)
1,491,630	—	1,491,630
(4,554,078)	—	(4,554,078)
(1,037,567)	—	(1,037,567)
<u>(19,059,617)</u>	<u>—</u>	<u>(19,059,617)</u>
—	708,045	708,045
—	(265,938)	(265,938)
—	(47,945)	(47,945)
—	2,319,808	2,319,808
—	818,473	818,473
—	83,219	83,219
—	37,036	37,036
<u>—</u>	<u>3,652,698</u>	<u>3,652,698</u>
(19,059,617)	3,652,698	(15,406,919)
23,474,262	121,000	23,595,262
186,512	—	186,512
1,259,271	—	1,259,271
40,061	—	40,061
7,387	—	7,387
863,798	235,424	1,099,222
4,681,392	(4,681,392)	—
<u>30,512,683</u>	<u>(4,324,968)</u>	<u>26,187,715</u>
11,453,066	(672,270)	10,780,796
129,708,223	135,420,350	265,128,573
(11,149,463)	(2,050,220)	(13,199,683)
<u>118,558,760</u>	<u>133,370,130</u>	<u>251,928,890</u>
<u>\$ 130,011,826</u>	<u>\$ 132,697,860</u>	<u>\$ 262,709,686</u>

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FUND FINANCIAL STATEMENTS

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CITY OF APPLE VALLEY

Balance Sheet
 Governmental Funds
 as of December 31, 2015

	Debt Service			Capital Projects
	General Fund (1000)	Closed Bond Issues (3205)	2001/2008B Refunding Improvement Bonds (3285)	Road Improvements (2025)
Assets				
Cash and investments	\$ 14,299,304	\$ 375,950	\$ -	\$ 37
Restricted cash with fiscal agent	-	-	-	-
Receivables				
Accounts	193,900	-	-	-
Taxes	1,845,491	-	-	-
Special assessments				
Current	8,059	417,832	51,686	59,451
Delinquent	11,924	16,651	-	-
Deferred	-	2,746,397	474,077	544,594
Interest	325,874	-	-	-
Due from other governmental units	329,805	-	-	81,039
Due from other funds	-	3,354,746	-	-
Advances to other funds	-	488,500	-	-
Prepays	311,969	-	-	-
Inventory	33,035	-	-	-
Land held for resale	-	3,026,198	-	-
Total assets	\$ 17,359,361	\$ 10,426,274	\$ 525,763	\$ 685,121
Liabilities				
Accrued salaries payable	\$ 417,305	\$ -	\$ -	\$ -
Accounts payable	521,363	2,624	-	80,456
Contracts payable	17,598	-	-	264,352
Due to other governmental units	60,373	-	-	-
Due to other funds	-	-	3,016,920	4,005,322
Advances from other funds	-	-	-	-
Total liabilities	1,016,639	2,624	3,016,920	4,350,130
Deferred inflows of resources				
Unavailable revenue – property taxes	230,635	-	-	-
Unavailable revenue – special assessments	19,983	3,180,880	525,763	604,045
Total deferred inflows of resources	250,618	3,180,880	525,763	604,045
Fund balances (deficit)				
Nonspendable	345,004	-	-	-
Restricted	-	-	-	-
Committed	405,990	-	-	-
Assigned	20,000	7,242,770	-	-
Unassigned	15,321,110	-	(3,016,920)	(4,269,054)
Total fund balances (deficit)	16,092,104	7,242,770	(3,016,920)	(4,269,054)
Total liabilities, deferred inflows of resources, and fund balances	\$ 17,359,361	\$ 10,426,274	\$ 525,763	\$ 685,121

See notes to basic financial statements

Future Capital Projects (4930)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 7,541,552	\$ 20,965,993	\$ 43,182,836
–	12,190,197	12,190,197
–	153,433	347,333
–	–	1,845,491
–	431,067	968,095
–	71	28,646
–	2,132,287	5,897,355
–	16,647	342,521
–	892	411,736
4,854,870	–	8,209,616
1,830,302	31,717	2,350,519
–	1,750	313,719
–	–	33,035
–	–	3,026,198
<u>\$ 14,226,724</u>	<u>\$ 35,924,054</u>	<u>\$ 79,147,297</u>
\$ –	\$ 3,117	\$ 420,422
–	921,099	1,525,542
–	48,297	330,247
–	116	60,489
–	1,187,374	8,209,616
–	488,500	488,500
–	2,648,503	11,034,816
–	–	230,635
–	2,563,425	6,894,096
–	2,563,425	7,124,731
–	1,750	346,754
–	27,424,225	27,424,225
–	–	405,990
14,226,724	5,539,239	27,028,733
–	(2,253,088)	5,782,048
<u>14,226,724</u>	<u>30,712,126</u>	<u>60,987,750</u>
<u>\$ 14,226,724</u>	<u>\$ 35,924,054</u>	<u>\$ 79,147,297</u>

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CITY OF APPLE VALLEY

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
December 31, 2015

Total fund balances – governmental funds \$ 60,987,750

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 169,624,815
Less accumulated depreciation (65,137,541)

Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds.

Bonds payable (32,470,000)
Net OPEB obligation (1,228,025)
Net pension liability (12,259,474)

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.

7,124,731

Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.

(33,868)

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 fund balances included in governmental activities 2,914,990
Add internal services balances allocated to business-type activities 90,561

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.

(427,125)

Governmental funds do not report certain long-term amounts related to pensions that are included in net position.

Deferred outflows – pension plan deferments 2,910,986
Deferred inflows – pension plan deferments (2,085,974)

Total net position – governmental activities \$ 130,011,826

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, 2015

	Debt Service			Capital Projects
	General Fund (1000)	Closed Bond Issues (3205)	2001/2008B Refunding Improvement Bonds (3285)	Road Improvements (2025)
Revenue				
Taxes	\$ 21,662,992	\$ -	\$ -	\$ -
Other taxes	93,020	-	-	-
Franchise fees	470,000	-	-	-
Special assessments	9,272	1,158,937	131,419	110,303
Licenses and permits	2,147,477	-	-	-
Intergovernmental	781,409	-	-	918,736
Charges for services	2,711,884	-	-	-
Fines and forfeits	225,804	-	-	-
Investment earnings	201,868	76,816	-	37
Other	748,423	-	-	81,429
Total revenue	29,052,149	1,235,753	131,419	1,110,505
Expenditures				
Current				
General government	4,685,178	-	-	-
Public safety	11,379,559	-	-	-
Public works	3,557,312	-	-	-
Parks and recreation	4,959,883	-	-	-
Capital outlay	345,867	-	-	4,469,121
Debt service				
Principal	-	-	390,000	-
Interest and fiscal charges	-	10,328	15,600	-
Total expenditures	24,927,799	10,328	405,600	4,469,121
Excess (deficiency) of revenue over expenditures	4,124,350	1,225,425	(274,181)	(3,358,616)
Other financing sources (uses)				
Sale of capital assets	7,304	-	-	-
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Payment on refunded bond	-	-	-	-
Transfers in	1,220,000	-	-	3,259,000
Transfers (out)	(4,415,000)	(2,661,908)	-	-
Total other financing sources (uses)	(3,187,696)	(2,661,908)	-	3,259,000
Net change in fund balances	936,654	(1,436,483)	(274,181)	(99,616)
Fund balances (deficit)				
Beginning of year	15,155,450	8,679,253	(2,742,739)	(4,169,438)
End of year	\$ 16,092,104	\$ 7,242,770	\$ (3,016,920)	\$ (4,269,054)

See notes to basic financial statements

Future Capital Projects (4930)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,795,786	\$ 23,458,778
-	93,492	186,512
-	789,271	1,259,271
-	2,449,470	3,859,401
-	-	2,147,477
-	630,550	2,330,695
-	-	2,711,884
-	-	225,804
182,984	355,525	817,230
-	1,193,771	2,023,623
<u>182,984</u>	<u>7,307,865</u>	<u>39,020,675</u>
-	329,689	5,014,867
-	87,628	11,467,187
-	64,560	3,621,872
-	238,563	5,198,446
-	1,647,658	6,462,646
-	3,185,000	3,575,000
-	1,074,721	1,100,649
<u>-</u>	<u>6,627,819</u>	<u>36,440,667</u>
182,984	680,046	2,580,008
-	87,948	95,252
-	4,255,000	4,255,000
-	113,988	113,988
-	(1,030,000)	(1,030,000)
1,475,000	3,724,084	9,678,084
(960,000)	(102,176)	(8,139,084)
<u>515,000</u>	<u>7,048,844</u>	<u>4,973,240</u>
697,984	7,728,890	7,553,248
<u>13,528,740</u>	<u>22,983,236</u>	<u>53,434,502</u>
<u>\$ 14,226,724</u>	<u>\$ 30,712,126</u>	<u>\$ 60,987,750</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, 2015

Total net change in fund balances – governmental funds \$ 7,553,248

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	5,802,846
Capital contributions	431,690
Capital outlay constructed by enterprise funds capitalized within governmental activities	3,142,392
Depreciation expense	(5,178,943)

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. (34,392)

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. (4,255,000)

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. 4,605,000

Net OPEB obligations are recognized as paid in the governmental funds, but recognized as the expense is incurred in the Statement of Activities. (128,789)

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. 14,664

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. (65,570)

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. (204,923)

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	58,863
Add back internal service fund activity allocated to business-type activities	(3,021)

Governmental funds do not report long-term amounts related to pensions that are included in the change in net position.

Net pension liability	(230,408)
Deferred outflows – pension plan deferments	1,771,554
Deferred inflows – pension plan deferments	(1,826,145)

Change in net position – governmental activities \$ 11,453,066

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, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenue				
Taxes	\$ 21,719,000	\$ 21,719,000	\$ 21,662,992	\$ (56,008)
Other taxes	98,805	98,805	93,020	(5,785)
Franchise fees	470,000	470,000	470,000	–
Special assessments	14,000	14,000	9,272	(4,728)
Licenses and permits	912,545	957,825	2,147,477	1,189,652
Intergovernmental	668,050	668,050	781,409	113,359
Charges for services	2,696,825	2,696,825	2,711,884	15,059
Fines and forfeits	284,000	284,000	225,804	(58,196)
Investment earnings	165,000	165,000	201,868	36,868
Other	608,000	608,000	748,423	140,423
Total revenue	<u>27,636,225</u>	<u>27,681,505</u>	<u>29,052,149</u>	<u>1,370,644</u>
Expenditures				
Current				
General government	4,907,030	4,956,030	4,685,178	(270,852)
Public safety	11,551,845	11,579,425	11,379,559	(199,866)
Public works	4,042,325	4,042,325	3,557,312	(485,013)
Parks and recreation	5,054,825	5,054,825	4,959,883	(94,942)
Capital outlay				
General government	129,200	184,200	107,417	(76,783)
Public safety	–	–	10,645	10,645
Public works	69,000	69,000	79,878	10,878
Parks and recreation	182,000	232,000	147,927	(84,073)
Total expenditures	<u>25,936,225</u>	<u>26,117,805</u>	<u>24,927,799</u>	<u>(1,190,006)</u>
Excess of revenue over expenditures	1,700,000	1,563,700	4,124,350	2,560,650
Other financing sources (uses)				
Sale of capital assets	20,000	20,000	7,304	(12,696)
Transfers in	1,220,000	1,220,000	1,220,000	–
Transfers (out)	(2,940,000)	(2,940,000)	(4,415,000)	(1,475,000)
Total other financing sources (uses)	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>(3,187,696)</u>	<u>(1,487,696)</u>
Net change in fund balances	<u>\$ –</u>	<u>\$ (136,300)</u>	936,654	<u>\$ 1,072,954</u>
Fund balances				
Beginning of year			<u>15,155,450</u>	
End of year			<u>\$ 16,092,104</u>	

See notes to basic financial statements

CITY OF APPLE VALLEY

Statement of Net Position
 Proprietary Funds
 as of December 31, 2015

	Business-Type Activities – Enterprise Funds			
	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Current assets				
Cash and investments	\$ 2,215,911	\$ –	\$ 109,470	\$ 9,235,276
Receivables				
Special assessments				
Current	–	–	–	259,538
Delinquent	–	–	–	22,080
Accounts	–	7,559	62,284	2,125,727
Interest	–	–	–	–
Due from other governmental units	–	–	203,593	–
Prepays	11,924	–	–	230,335
Inventory	1,405,076	80,866	–	92,236
Total current assets	<u>3,632,911</u>	<u>88,425</u>	<u>375,347</u>	<u>11,965,192</u>
Noncurrent assets				
Restricted cash with fiscal agent	178,529	–	–	–
Deferred special assessment receivable	–	–	–	31,536
Advance to other funds	–	–	–	1,258,055
Capital assets				
Land and land improvements	1,177,683	991,179	2,000	1,885,603
Construction in progress	–	–	–	31,711
Buildings	3,527,623	3,190,504	3,491,384	11,765,078
Other improvements	25,000	570,998	40,594	98,036,962
Furniture and equipment	362,676	926,939	275,025	3,379,951
Less accumulated depreciation	(1,365,947)	(1,438,597)	(2,496,424)	(33,708,134)
Total capital assets (net of accumulated depreciation)	<u>3,727,035</u>	<u>4,241,023</u>	<u>1,312,579</u>	<u>81,391,171</u>
Total noncurrent assets	<u>3,905,564</u>	<u>4,241,023</u>	<u>1,312,579</u>	<u>82,680,762</u>
Total assets	<u>7,538,475</u>	<u>4,329,448</u>	<u>1,687,926</u>	<u>94,645,954</u>
Deferred outflows of resources				
Pension plan deferments – PERA	64,984	39,706	20,628	147,019
Total assets and deferred outflows of resources	<u>\$ 7,603,459</u>	<u>\$ 4,369,154</u>	<u>\$ 1,708,554</u>	<u>\$ 94,792,973</u>

See notes to basic financial statements

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
\$ 2,451,792	\$ 882,154	\$ 100,051	\$ 14,994,654	\$ 3,826,209
1,224	—	—	260,762	—
—	—	—	22,080	—
420,679	—	126,215	2,742,464	1,388
2,060	—	—	2,060	—
15,767	—	1,221	220,581	—
380	—	—	242,639	67,216
—	—	—	1,578,178	—
<u>2,891,902</u>	<u>882,154</u>	<u>227,487</u>	<u>20,063,418</u>	<u>3,894,813</u>
1,578,759	—	—	1,757,288	—
7,344	—	—	38,880	—
—	—	—	1,258,055	—
2,006,297	513,560	—	6,576,322	—
—	—	—	31,711	249,673
—	—	—	21,974,589	—
47,860,741	655,674	—	147,189,969	—
312,106	—	—	5,256,697	4,516,453
(11,652,537)	(193,608)	—	(50,855,247)	(2,900,104)
<u>38,526,607</u>	<u>975,626</u>	<u>—</u>	<u>130,174,041</u>	<u>1,866,022</u>
<u>40,112,710</u>	<u>975,626</u>	<u>—</u>	<u>133,228,264</u>	<u>1,866,022</u>
43,004,612	1,857,780	227,487	153,291,682	5,760,835
26,590	—	—	298,927	—
<u>\$ 43,031,202</u>	<u>\$ 1,857,780</u>	<u>\$ 227,487</u>	<u>\$ 153,590,609</u>	<u>\$ 5,760,835</u>

(continued)

CITY OF APPLE VALLEY

Statement of Net Position
 Proprietary Funds (continued)
 as of December 31, 2015

	Business-Type Activities – Enterprise Funds			
	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Current liabilities				
Accrued salaries payable	\$ 16,136	\$ 7,886	\$ 6,747	\$ 22,656
Accounts payable	443,086	7,778	21,459	96,133
Contracts payable	–	–	–	167,797
Interest payable	2,427	474	–	8,660
Due to other governmental units	90,413	858	16,825	78,330
Claims payable	–	–	–	–
Accrued compensated absences	52,000	20,200	3,600	153,300
Capital lease payable	–	97,919	–	–
Bonds payable	230,000	–	–	370,000
Total current liabilities	<u>834,062</u>	<u>135,115</u>	<u>48,631</u>	<u>896,876</u>
Noncurrent liabilities				
Accrued compensated absences	59,607	65,847	27,329	109,479
Net OPEB obligation	54,497	26,656	17,697	111,613
Net pension liability	461,519	281,992	146,500	1,044,133
Advance from other fund	–	2,566,331	553,743	–
Bonds payable	1,355,000	–	–	7,927,869
Total noncurrent liabilities	<u>1,930,623</u>	<u>2,940,826</u>	<u>745,269</u>	<u>9,193,094</u>
Total liabilities	2,764,685	3,075,941	793,900	10,089,970
Deferred inflows of resources				
Pension plan deferments – PERA	58,022	35,452	18,418	131,269
Net position (deficit)				
Net investment in capital assets	2,142,035	4,143,104	1,312,579	73,093,302
Restricted for debt service	178,529	–	–	–
Unrestricted	2,460,188	(2,885,343)	(416,343)	11,478,432
Total net position	<u>4,780,752</u>	<u>1,257,761</u>	<u>896,236</u>	<u>84,571,734</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,603,459</u>	<u>\$ 4,369,154</u>	<u>\$ 1,708,554</u>	<u>\$ 94,792,973</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>
\$ 3,228	\$ -	\$ -	\$ 56,653	\$ -
18,885	2,876	36,295	626,512	119,173
282	-	-	168,079	-
3,540	-	-	15,101	-
6,379	-	994	193,799	-
-	-	-	-	6,767
5,000	-	-	234,100	1,633,300
-	-	-	97,919	-
155,000	-	-	755,000	-
<u>192,314</u>	<u>2,876</u>	<u>37,289</u>	<u>2,147,163</u>	<u>1,759,240</u>
3,465	-	-	265,727	1,086,605
3,448	-	-	213,911	-
188,842	-	-	2,122,986	-
-	-	-	3,120,074	-
<u>3,382,556</u>	<u>-</u>	<u>-</u>	<u>12,665,425</u>	<u>-</u>
<u>3,578,311</u>	<u>-</u>	<u>-</u>	<u>18,388,123</u>	<u>1,086,605</u>
3,770,625	2,876	37,289	20,535,286	2,845,845
23,741	-	-	266,902	-
36,622,081	975,626	-	118,288,727	1,866,022
-	-	-	178,529	-
<u>2,614,755</u>	<u>879,278</u>	<u>190,198</u>	<u>14,321,165</u>	<u>1,048,968</u>
<u>39,236,836</u>	<u>1,854,904</u>	<u>190,198</u>	<u>132,788,421</u>	<u>2,914,990</u>
<u>\$ 43,031,202</u>	<u>\$ 1,857,780</u>	<u>\$ 227,487</u>	<u>\$ 153,590,609</u>	<u>\$ 5,760,835</u>
Total net position – enterprise funds			\$ 132,788,421	
Adjustment to reflect the consolidation of internal service fund activity related to enterprise funds			<u>(90,561)</u>	
Net position – business-type activities			<u>\$ 132,697,860</u>	

CITY OF APPLE VALLEY

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended December 31, 2015

	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	\$ 8,480,414	\$ 1,387,821	\$ 722,270	\$ –
Charges for services	–	–	–	8,988,411
Total operating revenue	<u>8,480,414</u>	<u>1,387,821</u>	<u>722,270</u>	<u>8,988,411</u>
Cost of goods sold	<u>6,037,204</u>	<u>256,331</u>	<u>14,012</u>	<u>–</u>
Gross profit	2,443,210	1,131,490	708,258	8,988,411
Operating expenses				
Personal services	980,724	813,862	334,012	1,517,908
Contractual services	30,193	62,286	32,152	234,888
Other charges	301,058	45,143	9,873	617,899
Supplies and repairs	62,391	200,141	72,384	566,274
Insurance	60,600	34,000	14,600	178,000
Utilities	50,197	53,022	129,944	402,917
Depreciation	141,335	174,033	163,439	1,847,507
Sewer charges	–	–	–	2,584,688
Total operating expenses	<u>1,626,498</u>	<u>1,382,487</u>	<u>756,404</u>	<u>7,950,081</u>
Operating income (loss)	816,712	(250,997)	(48,146)	1,038,330
Nonoperating revenue (expense)				
Taxes	–	–	121,000	–
Investment earnings	40,552	–	419	149,084
Other income (expense)	(46,919)	–	–	7,231
Gain (loss) on sale of capital assets	2,459	–	–	–
Interest expense	(64,812)	(15,344)	–	(206,519)
Contribution to governmental activities	–	–	–	(3,142,392)
Total nonoperating revenue (expense)	<u>(68,720)</u>	<u>(15,344)</u>	<u>121,419</u>	<u>(3,192,596)</u>
Income (loss) before capital contributions and transfers	747,992	(266,341)	73,273	(2,154,266)
Capital contributions	–	–	–	800,812
Capital contributions – connection fees	–	–	–	678,343
Transfers (out)	<u>(600,000)</u>	<u>–</u>	<u>–</u>	<u>(884,000)</u>
Change in net position	147,992	(266,341)	73,273	(1,559,111)
Net position				
Beginning of year, as previously reported	5,078,460	1,796,429	964,442	87,139,190
Change in accounting principle	(445,700)	(272,327)	(141,479)	(1,008,345)
Beginning, restated	<u>4,632,760</u>	<u>1,524,102</u>	<u>822,963</u>	<u>86,130,845</u>
End of year	<u>\$ 4,780,752</u>	<u>\$ 1,257,761</u>	<u>\$ 896,236</u>	<u>\$ 84,571,734</u>

See notes to basic financial statements

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
\$ -	\$ -	\$ -	\$ 10,590,505	\$ -
1,629,361	132,305	483,680	11,233,757	1,849,917
<u>1,629,361</u>	<u>132,305</u>	<u>483,680</u>	<u>21,824,262</u>	<u>1,849,917</u>
-	-	-	6,307,547	-
1,629,361	132,305	483,680	15,516,715	1,849,917
259,795	2,764	3,346	3,912,411	674,116
117,427	17,218	15,330	509,494	23,787
348,162	6,224	915	1,329,274	768,170
52,020	2,382	48	955,640	-
6,300	-	7,300	300,800	-
57,197	1,434	419,705	1,114,416	-
535,769	19,064	-	2,881,147	363,712
-	-	-	2,584,688	-
<u>1,376,670</u>	<u>49,086</u>	<u>446,644</u>	<u>13,587,870</u>	<u>1,829,785</u>
252,691	83,219	37,036	1,928,845	20,132
-	-	-	121,000	-
33,600	10,710	1,059	235,424	46,568
2,400	-	-	(37,288)	-
-	-	-	2,459	(7,837)
(68,331)	-	-	(355,006)	-
-	-	-	(3,142,392)	-
<u>(32,331)</u>	<u>10,710</u>	<u>1,059</u>	<u>(3,175,803)</u>	<u>38,731</u>
220,360	93,929	38,095	(1,246,958)	58,863
426,871	-	-	1,227,683	-
204,641	-	-	882,984	-
<u>(55,000)</u>	<u>-</u>	<u>-</u>	<u>(1,539,000)</u>	<u>-</u>
796,872	93,929	38,095	(675,291)	58,863
38,622,333	1,760,975	152,103	135,513,932	2,856,127
(182,369)	-	-	(2,050,220)	-
<u>38,439,964</u>	<u>1,760,975</u>	<u>152,103</u>	<u>133,463,712</u>	<u>2,856,127</u>
<u>\$ 39,236,836</u>	<u>\$ 1,854,904</u>	<u>\$ 190,198</u>	<u>\$ 132,788,421</u>	<u>\$ 2,914,990</u>
Change in net position – enterprise funds			\$ (675,291)	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds			<u>3,021</u>	
Change in net position – business-type activities			<u>\$ (672,270)</u>	

CITY OF APPLE VALLEY

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2015

	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	\$ 8,480,434	\$ 1,382,602	\$ 1,030,133	\$ 8,987,261
Cash receipts on interfund services provided	–	–	–	–
Cash payments to suppliers	(6,522,853)	(659,720)	(528,961)	(5,652,325)
Cash payments to employees for services	(995,788)	(813,721)	(334,669)	(1,535,197)
Net cash flows from operating activities	<u>961,793</u>	<u>(90,839)</u>	<u>166,503</u>	<u>1,799,739</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(131,293)	(8,485)	(36,679)	(2,721,526)
Connection fees received	–	–	–	678,343
Proceeds from sale of capital assets	2,459	–	–	–
Proceeds from issuance of revenue bonds	1,785,000	–	–	–
Payment on debt	(2,680,000)	(40,880)	–	(373,302)
Interest paid	(71,256)	(15,539)	–	(206,823)
Net cash flows from capital and related financing activities	<u>(1,095,090)</u>	<u>(64,904)</u>	<u>(36,679)</u>	<u>(2,623,308)</u>
Cash flows from investing activities				
Interest received on investments	42,505	–	419	149,084
Cash flows from noncapital financing activities				
Taxes	–	–	121,000	–
Cash received from (paid to) other funds	–	155,743	(141,773)	(71,875)
Transfers (out)	(600,000)	–	–	(884,000)
Net cash flows from noncapital financing activities	<u>(600,000)</u>	<u>155,743</u>	<u>(20,773)</u>	<u>(955,875)</u>
Net increase (decrease) in cash and cash equivalents	(690,792)	–	109,470	(1,630,360)
Cash and cash equivalents				
Beginning of year	<u>3,085,232</u>	<u>–</u>	<u>–</u>	<u>10,865,636</u>
End of year	<u>\$ 2,394,440</u>	<u>\$ –</u>	<u>\$ 109,470</u>	<u>\$ 9,235,276</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 816,712	\$ (250,997)	\$ (48,146)	\$ 1,038,330
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	141,335	174,033	163,439	1,847,507
Other revenue (expense)	(46,919)	–	–	7,231
Change in assets, deferred outflows/ inflows of resources, and liabilities				
Receivables				
Special assessments	–	–	–	6,374
Accounts	–	(5,219)	307,863	(14,755)
Due from other governmental units	–	–	–	–
Inventory	86,040	(8,652)	(203,593)	3,859
Prepays	2,679	1,678	90	(19,939)
Deferred outflows of resources	(46,019)	(28,119)	(14,608)	(104,113)
Accounts payable	(24,741)	(1,811)	3,707	(75,688)
Contracts payable	–	–	(33,634)	(977,170)
Accrued salaries payable	(35,845)	(16,397)	(13,799)	(54,109)
Claims payable	–	–	–	–
Net OPEB obligation	5,053	3,084	1,606	11,428
Net pension liability	(3,146)	(1,922)	(999)	(7,118)
Accrued compensated absences	6,871	8,043	8,725	5,354
Due to other governmental units	1,751	(12)	(22,566)	1,279
Deferred inflows of resources	58,022	35,452	18,418	131,269
Net cash flows from operating activities	<u>\$ 961,793</u>	<u>\$ (90,839)</u>	<u>\$ 166,503</u>	<u>\$ 1,799,739</u>
Noncash capital activities				
Capital contributions	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 800,812</u>
Contribution to governmental activities	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ (3,142,392)</u>
Net book value of capital assets disposals	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

See notes to basic financial statements

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
\$ 1,604,196	\$ 132,305	\$ 477,698	\$ 22,094,629	\$ -
-	-	-	-	1,850,127
(578,005)	(24,844)	(445,320)	(14,412,028)	(1,202,120)
(258,254)	(2,916)	-	(3,940,545)	(25,668)
<u>767,937</u>	<u>104,545</u>	<u>32,378</u>	<u>3,742,056</u>	<u>622,339</u>
(561,230)	-	-	(3,459,213)	(405,592)
204,641	-	-	882,984	-
-	-	-	2,459	17,707
1,633,030	-	-	3,418,030	-
(153,870)	-	-	(3,248,052)	-
(67,107)	-	-	(360,725)	-
<u>1,055,464</u>	<u>-</u>	<u>-</u>	<u>(2,764,517)</u>	<u>(387,885)</u>
31,540	10,710	1,059	235,317	46,568
-	-	-	121,000	-
-	-	-	(57,905)	-
(55,000)	-	-	(1,539,000)	-
<u>(55,000)</u>	<u>-</u>	<u>-</u>	<u>(1,475,905)</u>	<u>-</u>
1,799,941	115,255	33,437	(263,049)	281,022
2,230,610	766,899	66,614	17,014,991	3,545,187
<u>\$ 4,030,551</u>	<u>\$ 882,154</u>	<u>\$ 100,051</u>	<u>\$ 16,751,942</u>	<u>\$ 3,826,209</u>
\$ 252,691	\$ 83,219	\$ 37,036	\$ 1,928,845	\$ 20,132
535,769	19,064	-	2,881,147	363,712
2,400	-	-	(37,288)	-
1,223	-	-	7,597	-
(19,386)	-	(5,730)	262,773	210
(9,402)	-	(252)	(9,654)	-
-	-	-	(122,346)	-
(380)	-	-	(15,872)	76,312
(18,830)	-	-	(211,689)	-
5,753	2,414	1,316	(89,050)	103,781
(787)	(152)	-	(1,011,743)	-
(4,232)	-	-	(124,382)	-
-	-	-	-	(609)
2,064	-	-	23,235	-
(1,287)	-	-	(14,472)	-
85	-	-	29,078	58,801
(1,485)	-	8	(21,025)	-
<u>23,741</u>	<u>-</u>	<u>-</u>	<u>266,902</u>	<u>-</u>
<u>\$ 767,937</u>	<u>\$ 104,545</u>	<u>\$ 32,378</u>	<u>\$ 3,742,056</u>	<u>\$ 622,339</u>
<u>\$ 426,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,227,683</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,142,392)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,544)</u>

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CITY OF APPLE VALLEY

Notes to Basic Financial Statements
December 31, 2015

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 council members. 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 of the City, with the following funds reported as funds of the City: Economic Development Debt Service Fund and the EDA Operations Special Revenue Fund. The Apple Valley EDA does not issue separate financial statements.

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. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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 and other long-term liabilities which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

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.

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) – This fund accounts 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) – This fund accounts for the activities of the City's water and sewer operations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Storm Drainage Fund (5500 and 5550) – This fund accounts for the activities of the City’s storm drainage operations.

Cemetery Fund (5600 and 5700) – This fund accounts 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 a Dental Insurance Internal Service Fund, Benefits/Other Insurance 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, G.O. Park Bonds of 2015 Debt Service Fund, and Storm Drainage Fund include balances held in escrow accounts for future bond refunding. Earnings on these accounts are allocated directly to these funds. 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, 2015, 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 the 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 benefits are recorded as expenses and liabilities in proprietary funds when earned. 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 Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position or balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the government-wide and enterprise funds Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on pension plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

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 two types of items which qualify for reporting in this category.

The first item, unavailable revenue, arises only under a modified accrual basis of accounting and, therefore, is only reported in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The second item, deferred inflows of resources related to pensions, is reported in the government-wide and enterprise funds Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

Q. Pension Plans

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the applicable pension and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the plan except that the Public Employees Retirement Association (PERA) pension plan's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2015, the City also adopted formal annual appropriated budget for the Road Improvements Capital Projects, Future Capital Projects, Equipment Certificates Capital Projects, and Cable Capital Equipment 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 lapse at year-end.

S. 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 Fund's portion in the government-wide cash and investment management pool is considered to be cash equivalent.

T. 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, 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 its 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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.

V. 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. The 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 the 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 2015.

The City uses its Dental 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 \$6,767 is included in the liabilities of the Dental Insurance Fund at December 31, 2015 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2014	\$ 1,543	\$ 219,936	\$ 214,103	\$ 7,376
2015	\$ 7,376	\$ 209,773	\$ 210,382	\$ 6,767

W. 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.

X. 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.

Y. Change in Accounting Principle

During the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These statements included major changes in how employers account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of December 31, 2014. The details of the restatement are as follows:

	Governmental Activities	Business-Type Activities	Enterprise Funds
Net position – December 31, 2014, as previously reported	\$ 129,708,223	\$ 135,420,350	\$ 135,513,932
Change in accounting principle			
Deferred outflows related to pensions	1,139,432	87,238	87,238
Deferred inflows related to pensions	(259,829)	–	–
Net pension liability	(12,029,066)	(2,137,458)	(2,137,458)
Total	<u>(11,149,463)</u>	<u>(2,050,220)</u>	<u>(2,050,220)</u>
Net position – December 31, 2014, as restated	<u>\$ 118,558,760</u>	<u>\$ 133,370,130</u>	<u>\$ 133,463,712</u>

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 5,905,013
Investments	70,032,271
Petty cash	<u>13,900</u>
Total	<u>\$ 75,951,184</u>

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

Statement of Net Position	
Cash and investments	\$ 62,003,699
Restricted assets	
Cash and investments for debt service	<u>13,947,485</u>
Total	<u>\$ 75,951,184</u>

B. Deposits

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

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

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

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

At year-end, the carrying amount of the City’s deposits was \$5,905,013, while the balance on the bank records was \$6,826,299. At December 31, 2015, 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			
			Than 1	1 to 5	6 to 10	
U.S. agency securities	AA	S&P	\$ 117,613	\$ 20,779,606	\$ 977,820	\$ 21,875,039
State and local bonds	AAA	S&P	515,479	4,409,974	–	4,925,453
State and local bonds	AAA	Moody's	404,504	715,863	–	1,120,367
State and local bonds	AA	S&P	812,006	14,511,750	1,416,866	16,740,622
State and local bonds	AA	Moody's	–	9,805,230	1,583,345	11,388,575
State and local bonds	A	S&P	–	518,482	–	518,482
State and local bonds	A	Moody's	611,867	1,051,970	–	1,663,837
Negotiable certificates of deposit	N/R	N/A	3,301,287	8,307,971	–	11,609,258
			<u>\$ 5,762,756</u>	<u>\$ 60,100,846</u>	<u>\$ 3,978,031</u>	69,841,633
Investment pools/mutual funds						
Dreyfus cash management	AAA	S&P				63,745
Wells Fargo Advantage Heritage	AAA	S&P				126,893
Total investments						<u>\$ 70,032,271</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 that 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, 2015, the City’s investment portfolio includes the Federal National Mortgage Association at 12.2 percent and Federal Home Loan Bank at 12.5 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	\$ 3,016,920	\$ –	\$ 3,016,920
Road Improvements	–	4,005,322	4,005,322
Nonmajor	337,826	849,548	1,187,374
Total	\$ 3,354,746	\$ 4,854,870	\$ 8,209,616

Interfund borrowing is utilized for cash flow borrowing to eliminate temporary cash balance deficits due to the timing of projects and the related revenue sources.

B. Advance From and Advance To Other Funds

Borrowing at year-end was as follows:

Advance From Other Funds	Advance To Other Funds				Total
	Governmental		Enterprise		
	Closed Bond Issues	Future Capital Projects	Nonmajor	Water and Sewer	
Governmental					
Nonmajor	\$ 488,500	\$ –	\$ –	\$ –	\$ 488,500
Enterprise					
Municipal Golf Course	–	1,830,302	31,717	704,312	2,566,331
Sports Arena	–	–	–	553,743	553,743
Total	\$ 488,500	\$ 1,830,302	\$ 31,717	\$ 1,258,055	\$ 3,608,574

Advances are utilized to cover operations of the related city funds, including capital improvements.

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

C. Interfund Transfers

Transfers Out	Transfers In				Total
	Governmental				
	General Fund	Road Improvements	Future Capital Projects	Nonmajor	
Governmental					
General Fund	\$ –	\$ 2,940,000	\$ 1,475,000	\$ –	\$ 4,415,000
Closed Bond Issues	–	–	–	2,661,908	2,661,908
Future Capital Projects	–	–	–	960,000	960,000
Nonmajor	–	–	–	102,176	102,176
Enterprise					
Municipal Liquor	600,000	–	–	–	600,000
Water and Sewer	620,000	264,000	–	–	884,000
Storm Drainage	–	55,000	–	–	55,000
Total	\$ 1,220,000	\$ 3,259,000	\$ 1,475,000	\$ 3,724,084	\$ 9,678,084

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, 2015 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	\$ 3,885,715	\$ –	\$ –	\$ –	\$ 3,885,715
Construction in progress	98,393	5,225,187	–	(4,548,937)	774,643
Total capital assets, not depreciated	3,984,108	5,225,187	–	(4,548,937)	4,660,358
Capital assets, depreciated					
Buildings	29,064,762	39,117	–	3,142,392	32,246,271
Other improvements	24,746,668	255,103	(20,166)	–	24,981,605
Furniture and equipment	16,967,000	689,031	(1,107,810)	78,526	16,626,747
Infrastructure	90,973,859	431,690	–	4,470,411	95,875,960
Total capital assets, depreciated	161,752,289	1,414,941	(1,127,976)	7,691,329	169,730,583
Less accumulated depreciation on					
Buildings	10,953,849	791,200	–	–	11,745,049
Other improvements	8,145,783	853,203	(9,047)	–	8,989,939
Furniture and equipment	10,658,178	1,160,609	(1,058,993)	–	10,759,794
Infrastructure	33,805,220	2,737,643	–	–	36,542,863
Total accumulated depreciation	63,563,030	5,542,655	(1,068,040)	–	68,037,645
Net capital assets, depreciated	98,189,259	(4,127,714)	(59,936)	7,691,329	101,692,938
Total capital assets, net	\$ 102,173,367	\$ 1,097,473	\$ (59,936)	\$ 3,142,392	\$ 106,353,296

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

	Beginning of Year	Additions	Deletions	Transfers and Completed Construction	End of Year
Capital assets, not depreciated					
Land	\$ 6,432,094	\$ 41,372	\$ –	\$ 102,856	\$ 6,576,322
Construction in progress	15,604,693	2,992,615	–	(18,565,597)	31,711
Total capital assets, not depreciated	22,036,787	3,033,987	–	(18,462,741)	6,608,033
Capital assets, depreciated					
Buildings	18,187,708	119,404	–	3,667,477	21,974,589
Other improvements	134,386,474	1,186,311	–	11,617,184	147,189,969
Furniture and equipment	4,873,815	347,194	–	35,688	5,256,697
Total capital assets, depreciated	157,447,997	1,652,909	–	15,320,349	174,421,255
Less accumulated depreciation on					
Buildings	8,234,463	577,717	–	–	8,812,180
Other improvements	36,129,594	2,012,540	–	–	38,142,134
Furniture and equipment	3,610,043	290,890	–	–	3,900,933
Total accumulated depreciation	47,974,100	2,881,147	–	–	50,855,247
Net capital assets, depreciated	109,473,897	(1,228,238)	–	15,320,349	123,566,008
Total capital assets, net	\$ 131,510,684	\$ 1,805,749	\$ –	\$ (3,142,392)	\$ 130,174,041

C. Depreciation Expense by Function

Depreciation expense for the year ended December 31, 2015 was charged to the following functions:

Governmental activities	
General government	\$ 389,378
Public safety	355,029
Public works	3,143,938
Parks and recreation	1,290,598
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	363,712
Total depreciation expense – governmental activities	<u>\$ 5,542,655</u>
Business-type activities	
Municipal liquor	\$ 141,335
Municipal golf course	174,033
Sports arena	163,439
Water and sewer	1,847,507
Storm drainage	535,769
Cemetery	19,064
Total depreciation expense – business-type activities	<u>\$ 2,881,147</u>

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Debt

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance – End of Year</u>
Governmental activities				
General obligation bonds				
G.O. Park Bonds 2007A	\$ 6,400,000	3.40–4.40%	12/15/2032	\$ 5,640,000
G.O. Park Bonds 2008D	\$ 6,685,000	2.40–4.20%	12/15/2032	5,895,000
G.O. State-Aid Road Refunding Bonds 2009A	\$ 2,775,000	2.00–3.00%	12/01/2016	590,000
G.O. Park Bonds 2011A	\$ 1,345,000	2.00–4.10%	12/15/2032	1,175,000
G.O. Equipment Certificate Bonds 2012A	\$ 1,305,000	2.00%	12/15/2021	810,000
G.O. Park Refunding Bonds 2012A	\$ 4,550,000	2.00%	12/15/2017	1,905,000
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	595,000
G.O. Bonds 2015B	\$ 4,255,000	2.00–2.75%	12/15/2029	4,255,000
Total general obligation bonds				<u>29,865,000</u>
General obligation improvement bonds				
G.O. Improvement Bonds 2007B	\$ 3,600,000	3.35–4.10%	12/15/2023	1,800,000
G.O. Improvement Bonds 2012A	\$ 920,000	2.00%	12/15/2022	805,000
Total general obligation improvement bonds				<u>2,605,000</u>
Total governmental activities bonds				<u>32,470,000</u>
Unamortized premium				427,125
Net OPEB obligation				1,228,025
Net pension liability				12,259,474
Compensated absences				2,719,905
Total governmental activities				<u>\$ 49,104,529</u>
Business-type activities				
General obligation revenue bonds				
G.O. Storm Water Bonds 2011A	\$ 2,600,000	2.00–3.60%	12/15/2026	\$ 1,890,000
G.O. Water Revenue Bonds 2014A	\$ 8,830,000	2.00–3.00%	12/15/2033	8,145,000
G.O. Bonds 2015B	\$ 1,605,000	2.00–2.75%	12/15/2026	1,605,000
Total general obligation revenue bonds				<u>11,640,000</u>
Revenue bonds				
Liquor Store Revenue Refunding Bonds 2015A	\$ 1,785,000	0.50–2.15%	12/01/2021	1,585,000
Total business-type activities bonds				<u>13,225,000</u>
Capital lease				97,919
Unamortized premium				195,425
Net OPEB obligation				213,911
Net pension liability				2,122,986
Compensated absences				499,827
Total business-type activities				<u>\$ 16,355,068</u>

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Debt

	Balance – Beginning of Year	Change in Accounting Principle*	Additions	Deletions	Balance – End of Year	Due Within One Year
Governmental activities						
General obligation bonds	\$ 27,885,000	\$ –	\$ 4,255,000	\$ 2,275,000	\$ 29,865,000	\$ 2,315,000
General obligation improvement bonds	4,935,000	–	–	2,330,000	2,605,000	335,000
Unamortized premium	361,555	–	113,988	48,418	427,125	–
Net OPEB obligation	1,099,236	–	201,561	72,772	1,228,025	–
Net pension liability	–	12,029,066	4,263,289	4,032,881	12,259,474	–
Compensated absences	2,661,104	–	1,698,026	1,639,225	2,719,905	1,633,300
Total governmental activities	36,941,895	12,029,066	10,531,864	10,398,296	49,104,529	4,283,300
Business-type activities						
General obligation revenue bonds	10,550,000	–	1,605,000	515,000	11,640,000	525,000
Revenue bonds	2,480,000	–	1,785,000	2,680,000	1,585,000	230,000
Capital lease	138,799	–	–	40,880	97,919	97,919
Unamortized premium	179,567	–	28,030	12,172	195,425	–
Net OPEB obligation	190,676	–	35,110	11,875	213,911	–
Net pension liability	–	2,137,458	519,640	534,112	2,122,986	–
Compensated absences	470,749	–	270,165	241,087	499,827	234,100
Total business-type activities	14,009,791	2,137,458	4,242,945	4,035,126	16,355,068	1,087,019
Total government-wide	\$ 50,951,686	\$ 14,166,524	\$ 14,774,809	\$ 14,433,422	\$ 65,459,597	\$ 5,370,319

*Adjustment is part of the change in accounting principle described earlier in these notes.

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
2016	\$ 2,315,000	\$ 683,895	\$ 335,000	\$ 87,425	\$ 2,650,000	\$ 771,320
2017	13,665,000	626,420	335,000	76,675	14,000,000	703,095
2018	990,000	283,513	335,000	65,813	1,325,000	349,326
2019	1,065,000	264,075	340,000	54,838	1,405,000	318,913
2020	1,125,000	243,150	120,000	43,650	1,245,000	286,800
2021–2025	4,465,000	938,050	1,140,000	62,325	5,605,000	1,000,375
2026–2030	5,170,000	467,423	–	–	5,170,000	467,423
2031–2035	1,070,000	25,145	–	–	1,070,000	25,145
	<u>\$ 29,865,000</u>	<u>\$ 3,531,671</u>	<u>\$ 2,605,000</u>	<u>\$ 390,726</u>	<u>\$ 32,470,000</u>	<u>\$ 3,922,397</u>

Business-Type Activities

Year Ending December 31,	General Obligation Revenue Bonds		Revenue Bonds		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 525,000	\$ 292,795	\$ 230,000	\$ 29,128	\$ 97,919	\$ 1,321	\$ 852,919	\$ 323,244
2017	2,115,000	282,295	235,000	27,288	–	–	2,350,000	309,583
2018	565,000	225,213	240,000	22,588	–	–	805,000	247,801
2019	570,000	213,913	250,000	17,788	–	–	820,000	231,701
2020	580,000	202,513	255,000	13,163	–	–	835,000	215,676
2021–2025	3,100,000	825,988	375,000	8,063	–	–	3,475,000	834,051
2026–2030	2,550,000	467,513	–	–	–	–	2,550,000	467,513
2031–2033	1,635,000	99,000	–	–	–	–	1,635,000	99,000
	<u>\$ 11,640,000</u>	<u>\$ 2,609,230</u>	<u>\$ 1,585,000</u>	<u>\$ 118,018</u>	<u>\$ 97,919</u>	<u>\$ 1,321</u>	<u>\$ 13,322,919</u>	<u>\$ 2,728,569</u>

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Description of Long-Term Debt

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

In May 2015, the City issued \$5,860,000 of G.O. Bonds, Series 2015B. The proceeds of this issue and interest earned thereon will be used to refund the 2018 through 2022 maturities of the City's G.O. Park Bonds, Series 2007A, totaling \$1,155,000, on their December 15, 2017 call date, the 2018 through 2023 maturities of the City's G.O. Park Bonds, Series 2008D, totaling \$1,320,000, on their December 15, 2017 call date, and the 2018 through 2032 maturities of the City's G.O. Park Bonds, Series 2011A and G.O. Storm Water Bonds, Series 2011A, totaling \$2,650,000, on their December 15, 2017 call date. Until the call date, the City will make all debt service payments on the 2007A, 2008D, and 2011A issues, and all debt service on the 2015B issue will be paid from the refunding escrow account. This "crossover refunding" will reduce the City's total future debt service payments by \$216,551 and result in a present value savings of \$231,938.

- **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.

In May 2015, the City issued \$1,785,000 of Liquor Store Revenue Refunding Bonds, Series 2015A. The proceeds of this issue and cash on hand at the City were used to refund the 2015 through 2025 maturities of the City's Liquor Store Revenue Bonds, Series 2008C, totaling \$2,480,000, on their June 15, 2015 call date. This "current refunding" reduced the City's total future debt service payments by \$1,076,588 and result in a present value savings of \$368,729.

- **Capital Lease** – The City entered into a lease agreement for financing the acquisition of equipment for the municipal golf course. This lease agreement matures in November 2016 and carries an interest rate of 0.24 percent. As of December 31, 2015, these assets had a capitalized value of \$218,015 with accumulated depreciation of \$116,474. Revenues from the Municipal Golf Course Fund financed this lease.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

- **Net OPEB Obligation** – This liability represents the City’s Other Post-Employment Benefits (OPEB) Plan 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.
- **Net Pension Liability** – This liability represents the City’s pension benefit obligations as further described later in these notes. The General, 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 Benefits/Other Insurance 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
G.O. Storm Water Bonds 2011A	Utility improvements	Utility charges	100%	2011–2026	\$ 1,992,065	\$ 205,583	\$ 1,629,361
G.O. Water Revenue Bonds 2014A	Utility improvements	Utility charges	100%	2014–2033	\$ 10,427,200	\$ 580,125	\$ 8,988,411
Liquor Store Revenue Refunding Bonds 2015A	Site improvements	Liquor sales	100%	2015–2021	\$ 1,703,010	\$ 213,892	\$ 8,480,414
G.O. Bonds 2015B	Utility improvements	Utility charges	100%	2015–2026	\$ 1,829,965	\$ 17,453	\$ 1,629,361

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.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

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, 2015, the following conduit debt issues were outstanding:

Augustana Care		
Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2011A	\$	1,310,000
Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2011B		1,520,000
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		5,175,000
Health Care Revenue Bonds (Evercare Senior Living, LLC Projects), Series 2012 A&B		18,585,000
Lifeworks Services Inc.		
Educational Facilities Revenue Note, Series 2011		<u>2,015,987</u>
Total conduit debt obligations	\$	<u><u>29,605,987</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 by contacting the City of Lakeville, 20195 Holyoke Avenue, Lakeville, MN 55044-9177 or from the website www.mn-dcc.org/about-the-dcc/statistics/.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

The City participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA. The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. The PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The Public Employees Police and Fire Fund (PEPFF), originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to the PERA.

B. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the State Legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

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

1. GERF Benefits

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 the 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 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 members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

2. PEPFF Benefits

Benefits for PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after 10 years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

Minnesota Statute, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2015. The City was required to contribute 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015 were \$750,987. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's regular contributions to the PEPFF for the year ended December 31, 2015 were \$818,071. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$8,468,235 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.1634 percent, which was a decrease of 0.0181 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$913,495 for its proportionate share of the GERF's pension expense.

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

At December 31, 2015, the City reported its proportionate share of the GERS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ –	\$ 426,943
Differences between projected and actual investment earnings	801,649	–
Changes in proportion	–	637,685
Contributions paid to the PERA subsequent to the measurement date	<u>390,722</u>	<u>–</u>
Total	<u>\$ 1,192,371</u>	<u>\$ 1,064,628</u>

Deferred outflows of resources reported \$390,722 related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2016	\$ (154,464)
2017	\$ (154,464)
2018	\$ (154,464)
2019	\$ 200,413

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$5,851,604 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2015, the City's proportion was 0.515 percent, which was a decrease of 0.007 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$995,246 for its proportionate share of the PEPFF's pension expense. The City also recognized \$46,350 for the year ended December 31, 2015, as revenue for its proportionate share of the state of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

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

At December 31, 2015, the City reported its proportionate share of the PEPFF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ –	\$ 948,939
Differences between projected and actual investment earnings	1,019,546	–
Changes in proportion	–	63,002
Contributions paid to the PERA subsequent to the measurement date	425,837	–
Total	\$ 1,445,383	\$ 1,011,941

Deferred outflows of resources reported \$425,837 related to pensions resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2016	\$ 52,498
2017	\$ 52,498
2018	\$ 52,498
2019	\$ 52,498
2020	\$ (202,387)

E. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for the GERF and the PEPFF.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the PEPFF was for the period July 1, 2004 through June 30, 2009.

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

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of the PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45%	5.50%
International stocks	15%	6.00%
Bonds	18%	1.45%
Alternative assets	20%	6.40%
Cash	2%	0.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
The City's proportionate share of the GERF net pension liability	\$ 13,315,077	\$ 8,468,235	\$ 4,465,490
The City's proportionate share of the PEPFF net pension liability	\$ 11,404,840	\$ 5,851,604	\$ 1,263,666

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the PERA website at www.mnpera.org.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN – STATE-WIDE

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official’s employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employee contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. 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, the PERA receives 2 percent of employer contributions and twenty-five hundredths of 1 percent (0.0025) of the assets in each member’s account annually.

Total contributions made by the City for the last three fiscal years were:

For the Year Ended December 31,	Contribution Amount		Percentage of Covered Payroll		Required Rate for Employees and Employers
	Employee	Employer	Employee	Employer	
2015	\$ 1,809	\$ 1,809	5%	5%	5%
2014	\$ 1,765	\$ 1,765	5%	5%	5%
2013	\$ 1,765	\$ 1,765	5%	5%	5%

NOTE 9 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

All members of the Apple Valley Fire Department (the Department) are covered by a defined benefit plan administered by the Apple Valley Firefighters' Relief Association (the Association). As of December 31, 2015, the plan covered 67 active firefighters and 16 vested terminated firefighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 69.

The Association maintains a separate Special Pension Trust Fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980). Funds are also derived from investment income.

B. Benefits Provided

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 \$6,700 for each year of service (including each year over 20) or a monthly service pension of \$45 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 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 nonforfeitable percentage of pension for the completed years of service times the applicable nonforfeitable percentage of pension.

C. Contributions

Minnesota Statutes, Chapters 424 and 424A, authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). The state of Minnesota contributed \$276,307 in fire state aid and \$1,000 in supplemental benefits to the plan on behalf of the Department for the year ended December 31, 2015, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City made a contribution to the plan for the year ended December 31, 2015 totaling \$200,230. The City's required contributions as set by state statute for the year was \$128,504.

D. Pension Costs

At December 31, 2015, the City reported a net pension liability of \$62,621 for the plan. The net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability in accordance with GASB Statement No. 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2014.

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

The following table presents the changes in net pension liability during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
	<u> </u>	<u> </u>	<u> </u>
Beginning balance	\$ 5,955,850	\$ 5,953,101	\$ 2,749
Changes for the year			
Service cost	168,532	–	168,532
Interest	369,565	–	369,565
Changes of benefit terms	265,088	–	265,088
Contributions – state and local	–	526,217	(526,217)
Net investment income	–	239,737	(239,737)
Benefit payments	(269,330)	(269,330)	–
Administrative costs	–	(22,641)	22,641
Total net changes	<u>533,855</u>	<u>473,983</u>	<u>59,872</u>
Ending balance	<u>\$ 6,489,705</u>	<u>\$ 6,427,084</u>	<u>\$ 62,621</u>

For the year ended December 31, 2015, the City recognized pension revenue of \$259,829 and pension expense of \$492,467.

At December 31, 2015, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on plan investments	\$ 95,622	\$ –
City contributions subsequent to the measurement date	200,230	–
State aid to the City subsequent to the measurement date	<u>276,307</u>	<u>276,307</u>
Total	<u>\$ 572,159</u>	<u>\$ 276,307</u>

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

Deferred outflows of resources totaling \$476,537 related to pensions resulting from the City’s contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Deferred inflows of resources totaling \$276,307 related to state aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2016	\$ 23,905
2017	\$ 23,905
2018	\$ 23,905
2019	\$ 23,907

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	N/A
Investment rate of return	6.50% net of pension plan investment expense, including inflation
Index rate for 20-year, tax-exempt municipal bonds (Bond Buyer G.O. 20-Year Municipal Bond Index); used in discount rate determination	3.57%

N/A – Not Applicable

Mortality rates were based on the July 1, 2015 Minnesota Public Employees Retirement Association Police and Fire Plan actuarial valuation as described below:

Healthy Pre-Retirement – RP 2000 non-annuitant generational mortality projected with Scale AA, white collar adjustment, male rates set back two years, female rates set back two years.

Healthy Post-Retirement – RP 2000 non-annuitant generational mortality, projected with Scale AA, white collar adjustment, without age adjustment.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2015–December 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if favorable) and by adding expected inflation. All results are then rounded to the nearest quarter percent.

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

Asset Class	Long-Term Expected Real Rate of Return	Allocation at Measurement Date
Domestic equity	5.25 %	50.00 %
International equity	5.25 %	25.00 %
Fixed income	1.75 %	24.00 %
Real estate and alternatives	3.75 %	– %
Cash and equivalents	0.25 %	1.00 %
Total (weighted average, rounded to 1/4 percent)	3.25 %	100.00 %

F. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent. The liability discount rate was developed using the alternative method described in paragraph 43 of GASB Statement No. 67, which states that “if the evaluations required by paragraph 41 can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan, alternative methods may be applied in making the evaluations.” We believe that the plan’s current overfunded status, combined with Minnesota statutory funding requirements, provide sufficient reliability that projected plan assets will be adequate to pay future retiree benefits. Therefore, we used the plan’s long-term expected investment return as the liability discount rate.

G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Association, calculated using the discount rate of 6.50 percent, as well as what the Association’s net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Curent Discount Rate (6.50%)	1% Decrease (7.50%)
Association’s net pension liability (asset)	\$ 830,493	\$ 221,767	\$ (294,905)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. This report may be obtained by writing to the Apple Valley Firefighters’ Relief Association, 7100 147th Street West, Apple Valley, MN 55124.

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 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	\$	227,323
Interest on net OPEB obligation		58,046
Adjustment to ARC		(48,698)
Annual OPEB cost (expense)		<u>236,671</u>
Contributions made		<u>84,647</u>
Increase in net OPEB obligation		152,024
Net OPEB obligation – beginning of year		<u>1,289,912</u>
Net OPEB obligation – end of year	\$	<u><u>1,441,936</u></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>
2013	\$ 239,979	\$ 68,542	29%	\$ 1,125,384
2014	\$ 228,926	\$ 64,398	28%	\$ 1,289,912
2015	\$ 236,671	\$ 84,647	36%	\$ 1,441,936

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 the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress 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

Deficit Fund Balances

The following funds have a deficit fund balance at December 31, 2015:

	<u>Amount</u>
Governmental	
2001/2008B Refunding Improvement Bonds	\$ 3,016,920
Road Improvements	\$ 4,269,054
Nonmajor funds	
Debt service	
1998/2008 Improvement Bonds	\$ 92,324
Improvement Bonds of 2010	\$ 255,684
Capital projects	
Dakota County Construction Projects	\$ 130,330
1999 Improvement Construction	\$ 48,807
2000 Improvement Construction	\$ 18,621
2008 Construction Projects	\$ 78,282
Engineer Developer Review Nonreimbursable	\$ 38,133
TIF District Parkside Village	\$ 488,500
Construction Projects	\$ 1,102,407

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

NOTE 12 – FUND BALANCES

A. Classifications

At December 31, 2015, the City had the following governmental fund balances:

	Debt Service			Capital Projects			Total
	General Fund	Closed Bond Issues	2001/2008 Refunding Improvement Bonds	Road Improvements	Future Capital Projects	Nonmajor Governmental Funds	
Nonspendable							
Inventory	\$ 33,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,035
Prepaid items	311,969	-	-	-	-	1,750	313,719
Total nonspendable	345,004	-	-	-	-	1,750	346,754
Restricted							
Debt service	-	-	-	-	-	16,432,904	16,432,904
Economic development	-	-	-	-	-	1,332,093	1,332,093
Tax increment financing	-	-	-	-	-	4,706,398	4,706,398
Police forfeiture	-	-	-	-	-	123,071	123,071
Capital acquisition							
911 system	-	-	-	-	-	82,327	82,327
Cable capital equipment	-	-	-	-	-	443,777	443,777
Park improvements	-	-	-	-	-	326,366	326,366
Park dedication	-	-	-	-	-	931,679	931,679
Electric projects	-	-	-	-	-	2,741,692	2,741,692
Cable TV	-	-	-	-	-	125,487	125,487
Other purposes							
Energy grant	-	-	-	-	-	10,869	10,869
Solid waste grant	-	-	-	-	-	56,983	56,983
Lodging tax	-	-	-	-	-	110,579	110,579
Total restricted	-	-	-	-	-	27,424,225	27,424,225
Committed							
Home improvement guide	20,000	-	-	-	-	-	20,000
Aquatic center pool painting	30,900	-	-	-	-	-	30,900
A/P automation project	6,290	-	-	-	-	-	6,290
Technology improvements	32,300	-	-	-	-	-	32,300
IT department lighting improvements	6,000	-	-	-	-	-	6,000
Municipal building A/C improvements	74,200	-	-	-	-	-	74,200
Police interview room upgrade	22,000	-	-	-	-	-	22,000
Police emergency management plan update	5,300	-	-	-	-	-	5,300
Furniture	11,000	-	-	-	-	-	11,000
Aquatic Center equipment	13,000	-	-	-	-	-	13,000
Community Center fire alarm improvements	150,000	-	-	-	-	-	150,000
Staff training and development	5,000	-	-	-	-	-	5,000
Building inspection workspace furniture	30,000	-	-	-	-	-	30,000
Total committed	405,990	-	-	-	-	-	405,990
Assigned							
Community Center fire alarm improvements	20,000	-	-	-	-	-	20,000
Debt service	-	7,242,770	-	-	-	2,178,862	9,421,632
Other capital projects	-	-	-	-	14,226,724	609,242	14,835,966
Equipment	-	-	-	-	-	372,569	372,569
Police special projects	-	-	-	-	-	233,786	233,786
Tree preservation	-	-	-	-	-	359,677	359,677
Ponds	-	-	-	-	-	241,852	241,852
Pathways and sidewalks	-	-	-	-	-	248,518	248,518
Dodd Road	-	-	-	-	-	235,064	235,064
Former City Hall building	-	-	-	-	-	726,515	726,515
Capital building	-	-	-	-	-	111,484	111,484
Park improvement development	-	-	-	-	-	2,892	2,892
Physical improvement	-	-	-	-	-	186,413	186,413
Fire capital purchases	-	-	-	-	-	32,365	32,365
Total assigned	20,000	7,242,770	-	-	14,226,724	5,539,239	27,028,733
Unassigned							
	15,321,110	-	(3,016,920)	(4,269,054)	-	(2,253,088)	5,782,048
Total	\$16,092,104	\$ 7,242,770	\$ (3,016,920)	\$ (4,269,054)	\$14,226,724	\$30,712,126	\$60,987,750

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 expenditures. At December 31, 2015, 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, 2015, the City is committed to various construction contracts for the improvement of city property. The City's remaining commitment under these contracts is approximately \$115,000.

E. Operating Lease

On December 13, 2012, 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, 2013 and ending January 31, 2016 at a base rent of \$10,500 per month.

On October 22, 2015, the City entered into an agreement to extend the lease for an additional term of three years commencing February 1, 2016, and ending January 31, 2019 at a base rent of \$11,000 per month. Lease expenditures for the year ending December 31, 2015 were \$126,000. The following is a schedule by years of future minimum payments required under the leases as of December 31, 2015:

Year Ending December 31,	Amount
2016	\$ 131,500
2017	132,000
2018	132,000
2019	11,000
Total	<u>\$ 406,500</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF APPLE VALLEY

Schedule of City's Proportionate Share of Net Pension Liability
 PERA – Public Employees General Employees Retirement Fund
 Year Ended December 31, 2015

<u>City Fiscal Year-End Date</u>	<u>PERA Fiscal Year-End Date (Measurement Date)</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability (a)</u>	<u>City's Covered Payroll (b)</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/2015	6/30/2015	0.1634%	\$ 8,468,235	\$ 9,603,176	88.18%	78.20%

Schedule of Employer Contributions
 PERA – Public Employees General Employees Retirement Fund
 Year Ended December 31, 2015

<u>City Fiscal Year-End Date</u>	<u>PERA Fiscal Year-End Date (Measurement Date)</u>	<u>Statutorily Required Contributions (a)</u>	<u>Contributions in Relation to the Statutorily Required Contributions (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (d)</u>	<u>Contributions as a Percentage of Covered Payroll (b/d)</u>
12/31/2015	6/30/2015	\$ 750,987	\$ 750,987	\$ -	\$ 10,013,141	7.50%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This information is not available for previous fiscal years.

CITY OF APPLE VALLEY

Schedule of City's Proportionate Share of Net Pension Liability
 PERA – Public Employees Police and Fire Fund
 Year Ended December 31, 2015

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	City's Covered Payroll (b)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	6/30/2015	0.5150%	\$ 5,851,604	\$ 4,711,902	124.19%	86.60%

Schedule of Employer Contributions
 PERA – Public Employees Police and Fire Fund
 Year Ended December 31, 2015

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/2015	6/30/2015	\$ 818,071	\$ 818,071	\$ -	\$ 5,049,825	16.20%

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2015 measurement date). This information is not available for previous fiscal years.

CITY OF APPLE VALLEY

Schedule of Changes in the Net Pension Liability and Related Ratios
 Apple Valley Firefighters' Relief Association

City fiscal year-end date	<u>December 31, 2015</u>
Apple Valley Firefighters' Relief Association year-end date (measurement date)	<u>December 31, 2014</u>
Total pension liability	
Service cost	\$ 168,532
Interest	369,565
Change in benefit terms	265,088
Benefit payments	<u>(269,330)</u>
Net change in total pension liability	533,855
Total pension liability – beginning of year	<u>5,955,850</u>
Total pension liability – end of year	<u>\$ 6,489,705</u>
Plan fiduciary net position	
Contributions (state and local)	\$ 526,217
Net investment income	239,737
Benefit payments	(269,330)
Administrative costs	<u>(22,641)</u>
Net change in plan fiduciary net position	<u>473,983</u>
Plan fiduciary net position – beginning of year	<u>5,953,101</u>
Plan fiduciary net position – end of year	<u>\$ 6,427,084</u>
Net pension liability – ending	<u>\$ 62,621</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>99.04%</u>

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This information is not available for previous fiscal years.

CITY OF APPLE VALLEY

Schedule of Employer Contributions
 Apple Valley Firefighters' Relief Association

<u>City Fiscal Year-End Date</u>	<u>Statutorily Determined Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Determined Contributions (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>
12/31/2015	\$ 404,811	\$ 476,537	\$ (71,726)

Note: The City implemented GASB Statement No. 68 in fiscal 2015 (using a December 31, 2014 measurement date). This information is not available for previous fiscal years.

CITY OF APPLE VALLEY

Other Post-Employment Benefits Plan
 Schedule of Funding Progress
 December 31, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Plan Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Payroll</u>
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%

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, 2015

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and investments	\$ 1,635,180	\$ 7,901,882	\$ 11,428,931	\$ 20,965,993
Restricted cash with fiscal agent	-	12,190,197	-	12,190,197
Receivables				
Accounts	23,749	4,000	125,684	153,433
Special assessments				
Current	-	403,940	27,127	431,067
Delinquent	-	71	-	71
Deferred	-	1,833,891	298,396	2,132,287
Interest	-	16,647	-	16,647
Due from other governmental units	892	-	-	892
Prepays	1,750	-	-	1,750
Advances to other funds	-	-	31,717	31,717
	<u>1,661,571</u>	<u>22,350,628</u>	<u>11,911,855</u>	<u>35,924,054</u>
	<u>\$ 1,661,571</u>	<u>\$ 22,350,628</u>	<u>\$ 11,911,855</u>	<u>\$ 35,924,054</u>
Liabilities				
Accrued salaries payable	\$ 3,069	\$ -	\$ 48	\$ 3,117
Accounts payable	7,505	136,985	776,609	921,099
Contracts payable	-	-	48,297	48,297
Due to other governmental units	-	-	116	116
Due to other funds	-	337,825	849,549	1,187,374
Advances from other funds	-	-	488,500	488,500
Total liabilities	<u>10,574</u>	<u>474,810</u>	<u>2,163,119</u>	<u>2,648,503</u>
Deferred inflows of resources				
Unavailable revenue – special assessments	-	2,237,902	325,523	2,563,425
Fund balances (deficit)				
Nonspendable	1,750	-	-	1,750
Restricted	1,649,247	17,807,062	7,967,916	27,424,225
Assigned	-	2,178,862	3,360,377	5,539,239
Unassigned	-	(348,008)	(1,905,080)	(2,253,088)
Total fund balances	<u>1,650,997</u>	<u>19,637,916</u>	<u>9,423,213</u>	<u>30,712,126</u>
	<u>\$ 1,661,571</u>	<u>\$ 22,350,628</u>	<u>\$ 11,911,855</u>	<u>\$ 35,924,054</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,661,571</u>	<u>\$ 22,350,628</u>	<u>\$ 11,911,855</u>	<u>\$ 35,924,054</u>

CITY OF APPLE VALLEY

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2015

	Special Revenue	Debt Service	Capital Projects	Total
Revenues				
Taxes	\$ 11	\$ 1,307,000	\$ 488,775	\$ 1,795,786
Other taxes	93,492	-	-	93,492
Franchise fees	60,967	-	728,304	789,271
Special assessments	-	2,404,711	44,759	2,449,470
Intergovernmental	-	630,550	-	630,550
Investment earnings	22,042	201,275	132,208	355,525
Other	117,038	-	1,076,733	1,193,771
Total revenues	<u>293,550</u>	<u>4,543,536</u>	<u>2,470,779</u>	<u>7,307,865</u>
Expenditures				
Current				
General government	128,756	39,817	161,116	329,689
Public safety	8,228	-	79,400	87,628
Public works	11,732	-	52,828	64,560
Parks and recreation	199,489	-	39,074	238,563
Capital outlay	1,415	-	1,646,243	1,647,658
Debt service				
Principal	-	3,185,000	-	3,185,000
Interest and fiscal charges	-	1,074,721	-	1,074,721
Total expenditures	<u>349,620</u>	<u>4,299,538</u>	<u>1,978,661</u>	<u>6,627,819</u>
Excess (deficiency) of revenues over expenditures	(56,070)	243,998	492,118	680,046
Other financing sources (uses)				
Sale of capital assets	5,448	-	82,500	87,948
Bonds issued	-	3,660,000	595,000	4,255,000
Premium on bonds issued	-	96,412	17,576	113,988
Payment on refunded bond	-	(1,030,000)	-	(1,030,000)
Transfers in	47,483	1,014,693	2,661,908	3,724,084
Transfers (out)	-	(5,685)	(96,491)	(102,176)
Total other financing sources (uses)	<u>52,931</u>	<u>3,735,420</u>	<u>3,260,493</u>	<u>7,048,844</u>
Net change in fund balances	(3,139)	3,979,418	3,752,611	7,728,890
Fund balances				
Beginning of year	<u>1,654,136</u>	<u>15,658,498</u>	<u>5,670,602</u>	<u>22,983,236</u>
End of year	<u>\$ 1,650,997</u>	<u>\$ 19,637,916</u>	<u>\$ 9,423,213</u>	<u>\$ 30,712,126</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, 2015

	Cable TV (2010)	Solid Waste Grant (2040)	Police Forfeiture (2060)
Assets			
Cash and investments	\$ 111,718	\$ 56,983	\$ 123,153
Receivables			
Accounts	16,148	-	-
Due from other governmental units	892	-	-
Prepays	1,750	-	-
	<u>1,750</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 130,508</u>	<u>\$ 56,983</u>	<u>\$ 123,153</u>
Liabilities			
Accrued salaries payable	\$ 3,069	\$ -	\$ -
Accounts payable	202	-	82
Total liabilities	<u>3,271</u>	<u>-</u>	<u>82</u>
Fund balances			
Nonspendable	1,750	-	-
Restricted	125,487	56,983	123,071
Total fund balances	<u>127,237</u>	<u>56,983</u>	<u>123,071</u>
	<u>\$ 130,508</u>	<u>\$ 56,983</u>	<u>\$ 123,153</u>
Total liabilities and fund balances	<u>\$ 130,508</u>	<u>\$ 56,983</u>	<u>\$ 123,153</u>

EDA Operations (3210)	Lodging Tax (7000)	Totals
\$ 1,233,127	\$ 110,199	\$ 1,635,180
-	7,601	23,749
-	-	892
-	-	1,750
<u>\$ 1,233,127</u>	<u>\$ 117,800</u>	<u>\$ 1,661,571</u>
\$ -	\$ -	\$ 3,069
-	7,221	7,505
-	7,221	10,574
-	-	1,750
<u>1,233,127</u>	<u>110,579</u>	<u>1,649,247</u>
<u>1,233,127</u>	<u>110,579</u>	<u>1,650,997</u>
<u>\$ 1,233,127</u>	<u>\$ 117,800</u>	<u>\$ 1,661,571</u>

CITY OF APPLE VALLEY

Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2015

	Cable TV (2010)	Solid Waste Grant (2040)	Police Forfeiture (2060)
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Franchise fees	60,967	-	-
Investment earnings	1,382	813	1,663
Other revenue			
Miscellaneous	109,363	7,387	288
Total revenues	<u>171,712</u>	<u>8,200</u>	<u>1,951</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	8,228
Public works	-	11,732	-
Parks and recreation	199,489	-	-
Capital outlay	1,415	-	-
Total expenditures	<u>200,904</u>	<u>11,732</u>	<u>8,228</u>
Excess (deficiency) of revenue over expenditures	(29,192)	(3,532)	(6,277)
Other financing sources			
Sale of capital assets	-	-	5,448
Transfers in	47,483	-	-
Total other financing sources	<u>47,483</u>	<u>-</u>	<u>5,448</u>
Net change in fund balances	18,291	(3,532)	(829)
Fund balances			
Beginning of year	<u>108,946</u>	<u>60,515</u>	<u>123,900</u>
End of year	<u>\$ 127,237</u>	<u>\$ 56,983</u>	<u>\$ 123,071</u>

EDA Operations (3210)	Lodging Tax (7000)	Totals
\$ 11	\$ -	\$ 11
-	93,492	93,492
-	-	60,967
16,733	1,451	22,042
-	-	117,038
<u>16,744</u>	<u>94,943</u>	<u>293,550</u>
43,472	85,284	128,756
-	-	8,228
-	-	11,732
-	-	199,489
-	-	1,415
<u>43,472</u>	<u>85,284</u>	<u>349,620</u>
(26,728)	9,659	(56,070)
-	-	5,448
-	-	47,483
<u>-</u>	<u>-</u>	<u>52,931</u>
(26,728)	9,659	(3,139)
<u>1,259,855</u>	<u>100,920</u>	<u>1,654,136</u>
<u>\$ 1,233,127</u>	<u>\$ 110,579</u>	<u>\$ 1,650,997</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, 2015

	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	\$ 2,178,862	\$ 517,125	\$ 2,342,675	\$ -	\$ 720,284
Restricted cash with fiscal agent	-	-	-	-	-
Receivables					
Special assessments					
Current	-	130,835	41,821	77,047	-
Delinquent	-	-	71	-	-
Deferred	-	705,707	265,473	-	-
Accounts	-	-	-	-	-
Interest	-	-	-	-	-
Total assets	\$ 2,178,862	\$ 1,353,667	\$ 2,650,040	\$ 77,047	\$ 720,284
Liabilities					
Accounts payable	\$ -	\$ 125,149	\$ -	\$ -	\$ -
Due to other funds	-	-	-	92,324	-
Total liabilities	-	125,149	-	92,324	-
Deferred inflows of resources					
Unavailable revenue – special assessments	-	836,542	307,365	77,047	-
Fund balances (deficit)					
Restricted	-	391,976	2,342,675	-	720,284
Assigned	2,178,862	-	-	-	-
Unassigned	-	-	-	(92,324)	-
Total fund balances (deficit)	2,178,862	391,976	2,342,675	(92,324)	720,284
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,178,862	\$ 1,353,667	\$ 2,650,040	\$ 77,047	\$ 720,284

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)
\$ -	\$ 61,451	\$ 98,966	\$ 183,417	\$ 1,087,447	\$ 4,640	\$ 841
-	-	-	-	-	-	-
24,237	-	-	-	-	-	-
-	-	-	-	-	-	-
72,711	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 96,948</u>	<u>\$ 61,451</u>	<u>\$ 98,966</u>	<u>\$ 183,417</u>	<u>\$ 1,087,447</u>	<u>\$ 4,640</u>	<u>\$ 841</u>
\$ 10,183	\$ 500	\$ -	\$ 312	\$ -	\$ -	\$ 841
245,501	-	-	-	-	-	-
<u>255,684</u>	<u>500</u>	<u>-</u>	<u>312</u>	<u>-</u>	<u>-</u>	<u>841</u>
96,948	-	-	-	-	-	-
-	60,951	98,966	183,105	1,087,447	4,640	-
-	-	-	-	-	-	-
(255,684)	-	-	-	-	-	-
<u>(255,684)</u>	<u>60,951</u>	<u>98,966</u>	<u>183,105</u>	<u>1,087,447</u>	<u>4,640</u>	<u>-</u>
<u>\$ 96,948</u>	<u>\$ 61,451</u>	<u>\$ 98,966</u>	<u>\$ 183,417</u>	<u>\$ 1,087,447</u>	<u>\$ 4,640</u>	<u>\$ 841</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Debt Service Funds
 Combining Balance Sheet (continued)
 as of December 31, 2015

	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	\$ 157,306	\$ 165,924	\$ 41,843	\$ 44,655	\$ 221,933
Restricted cash with fiscal agent	-	-	-	-	-
Receivables					
Special assessments					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts	-	4,000	-	-	-
Interest	-	-	-	-	-
Total assets	\$ 157,306	\$ 169,924	\$ 41,843	\$ 44,655	\$ 221,933
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Deferred inflows of resources					
Unavailable revenue – special assessments	-	-	-	-	-
Fund balances (deficit)					
Restricted	157,306	169,924	41,843	44,655	221,933
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	157,306	169,924	41,843	44,655	221,933
Total liabilities, deferred inflows of resources, and fund balances	\$ 157,306	\$ 169,924	\$ 41,843	\$ 44,655	\$ 221,933

Improvement Bonds of 2012 (3380)	G.O. Refunding Bonds of 2013 (3385)	G.O. Equipment Certificates of 2014 (3390)	G.O. Park Bonds of 2015 (3395)	G.O. Equipment Certificates of 2015 (3400)	Total
\$ 35,825	\$ 17,229	\$ 11,342	\$ 10,117	\$ -	\$ 7,901,882
-	8,556,151	-	3,634,046	-	12,190,197
130,000	-	-	-	-	403,940
-	-	-	-	-	71
790,000	-	-	-	-	1,833,891
-	-	-	-	-	4,000
-	11,840	-	4,807	-	16,647
<u>\$ 955,825</u>	<u>\$ 8,585,220</u>	<u>\$ 11,342</u>	<u>\$ 3,648,970</u>	<u>\$ -</u>	<u>\$ 22,350,628</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,985
-	-	-	-	-	337,825
-	-	-	-	-	474,810
920,000	-	-	-	-	2,237,902
35,825	8,585,220	11,342	3,648,970	-	17,807,062
-	-	-	-	-	2,178,862
-	-	-	-	-	(348,008)
<u>35,825</u>	<u>8,585,220</u>	<u>11,342</u>	<u>3,648,970</u>	<u>-</u>	<u>19,637,916</u>
<u>\$ 955,825</u>	<u>\$ 8,585,220</u>	<u>\$ 11,342</u>	<u>\$ 3,648,970</u>	<u>\$ -</u>	<u>\$ 22,350,628</u>

CITY OF APPLE VALLEY

Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2015

	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	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	699,492	1,502,872	-	-
Intergovernmental	-	-	-	-	630,550
Investment earnings (charges)	29,033	1,593	14,556	-	9,579
Total revenues	<u>29,033</u>	<u>701,085</u>	<u>1,517,428</u>	<u>-</u>	<u>640,129</u>
Expenditures					
Current					
General government	-	-	-	-	-
Debt service					
Principal	-	325,000	225,000	-	595,000
Interest and fiscal charges	-	8,000	81,325	-	36,045
Total expenditures	<u>-</u>	<u>333,000</u>	<u>306,325</u>	<u>-</u>	<u>631,045</u>
Excess (deficiency) of revenue over expenditures	29,033	368,085	1,211,103	-	9,084
Other financing sources (uses)					
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Payment on refunded bond	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	(5,685)	-	-	-	-
Total other financing sources (uses)	<u>(5,685)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	23,348	368,085	1,211,103	-	9,084
Fund balances (deficit)					
Beginning of year	<u>2,155,514</u>	<u>23,891</u>	<u>1,131,572</u>	<u>(92,324)</u>	<u>711,200</u>
End of year	<u>\$ 2,178,862</u>	<u>\$ 391,976</u>	<u>\$ 2,342,675</u>	<u>\$ (92,324)</u>	<u>\$ 720,284</u>

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)
\$ -	\$ 118,000	\$ -	\$ -	\$ -	\$ -	\$ -
72,347	-	-	-	-	-	-
-	-	-	-	-	-	-
14,094	1,052	1,370	2,670	14,452	218	-
<u>86,441</u>	<u>119,052</u>	<u>1,370</u>	<u>2,670</u>	<u>14,452</u>	<u>218</u>	<u>-</u>
-	-	3,960	19,937	-	15,920	-
270,000	115,000	-	-	-	-	-
27,441	3,800	-	-	-	-	-
<u>297,441</u>	<u>118,800</u>	<u>3,960</u>	<u>19,937</u>	<u>-</u>	<u>15,920</u>	<u>-</u>
(211,000)	252	(2,590)	(17,267)	14,452	(15,702)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,030,000)	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(1,030,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,241,000)	252	(2,590)	(17,267)	14,452	(15,702)	-
985,316	60,699	101,556	200,372	1,072,995	20,342	-
<u>\$ (255,684)</u>	<u>\$ 60,951</u>	<u>\$ 98,966</u>	<u>\$ 183,105</u>	<u>\$ 1,087,447</u>	<u>\$ 4,640</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, 2015

	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	\$ 415,000	\$ 405,000	\$ 90,000	\$ 179,000	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment earnings (charges)	1,816	2,093	541	256	3,816
Total revenues	<u>416,816</u>	<u>407,093</u>	<u>90,541</u>	<u>179,256</u>	<u>3,816</u>
Expenditures					
Current					
General government	-	-	-	-	-
Debt service					
Principal	145,000	150,000	45,000	165,000	975,000
Interest and fiscal charges	242,998	240,528	40,263	19,500	57,600
Total expenditures	<u>387,998</u>	<u>390,528</u>	<u>85,263</u>	<u>184,500</u>	<u>1,032,600</u>
Excess (deficiency) of revenue over expenditures	28,818	16,565	5,278	(5,244)	(1,028,784)
Other financing sources (uses)					
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Payment on refunded bond	-	-	-	-	-
Transfers in	-	-	-	49,008	960,000
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,008</u>	<u>960,000</u>
Net change in fund balances	28,818	16,565	5,278	43,764	(68,784)
Fund balances (deficit)					
Beginning of year	<u>128,488</u>	<u>153,359</u>	<u>36,565</u>	<u>891</u>	<u>290,717</u>
End of year	<u>\$ 157,306</u>	<u>\$ 169,924</u>	<u>\$ 41,843</u>	<u>\$ 44,655</u>	<u>\$ 221,933</u>

Improvement Bonds of 2012 (3380)	G.O. Refunding Bonds of 2013 (3385)	G.O. Equipment Certificates of 2014 (3390)	G.O. Park Bonds of 2015 (3395)	G.O. Equipment Certificates of 2015 (3400)	Total
\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ 1,307,000
130,000	-	-	-	-	2,404,711
-	-	-	-	-	630,550
338	114,359	258	(10,819)	-	201,275
<u>130,338</u>	<u>114,359</u>	<u>100,258</u>	<u>(10,819)</u>	<u>-</u>	<u>4,543,536</u>
-	-	-	-	-	39,817
90,000	-	85,000	-	-	3,185,000
17,900	183,413	13,600	96,623	5,685	1,074,721
<u>107,900</u>	<u>183,413</u>	<u>98,600</u>	<u>96,623</u>	<u>5,685</u>	<u>4,299,538</u>
22,438	(69,054)	1,658	(107,442)	(5,685)	243,998
-	-	-	3,660,000	-	3,660,000
-	-	-	96,412	-	96,412
-	-	-	-	-	(1,030,000)
-	-	-	-	5,685	1,014,693
-	-	-	-	-	(5,685)
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,756,412</u>	<u>5,685</u>	<u>3,735,420</u>
22,438	(69,054)	1,658	3,648,970	-	3,979,418
13,387	8,654,274	9,684	-	-	15,658,498
<u>\$ 35,825</u>	<u>\$ 8,585,220</u>	<u>\$ 11,342</u>	<u>\$ 3,648,970</u>	<u>\$ -</u>	<u>\$ 19,637,916</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.

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. 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 within TIF District No.1.
- **TIF District Parkside Village Fund** – Accounts for project costs included within TIF District 15-Parkside Village.
- **TIF District No. 14 Business Campus Fund** – Accounts for project costs included within TIF District 14 – Apple Valley Business Campus.
- **Construction Projects Capital Projects Fund** – This fund accounts for development projects, the costs of which will be recovered through the development process, including specially assessing the benefiting properties.

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Balance Sheet
 as of December 31, 2015

	Equipment Certificates (2005)	Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)	Police 911 (2065)
Assets					
Cash and investments	\$ 340,852	\$ 931,679	\$ 10,869	\$ 233,786	\$ 82,327
Receivables					
Accounts	-	-	-	-	-
Special assessments					
Current	-	-	-	-	-
Deferred	-	-	-	-	-
Advances to other funds	31,717	-	-	-	-
Total assets	\$ 372,569	\$ 931,679	\$ 10,869	\$ 233,786	\$ 82,327
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries payable	-	-	-	-	-
Contracts payable	-	-	-	-	-
Due to other governmental units	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Deferred inflows of resources					
Unavailable revenue – special assessments	-	-	-	-	-
Fund balances (deficit)					
Restricted	-	931,679	10,869	-	82,327
Assigned	372,569	-	-	233,786	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	372,569	931,679	10,869	233,786	82,327
Total liabilities, deferred inflows of resources, and fund balances	\$ 372,569	\$ 931,679	\$ 10,869	\$ 233,786	\$ 82,327

Tree Preservation (2070)	Pond (2075)	Pathways and Sidewalks (2080)	Dodd Road (2085)	Former City Hall Building (2090)	Capital Building (4000)	Park Improvement Development (4010)
\$ 359,677	\$ 241,852	\$ 248,518	\$ 235,064	\$ 733,693	\$ 185,196	\$ 2,892
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 359,677</u>	<u>\$ 241,852</u>	<u>\$ 248,518</u>	<u>\$ 235,064</u>	<u>\$ 733,693</u>	<u>\$ 185,196</u>	<u>\$ 2,892</u>
\$ -	\$ -	\$ -	\$ -	\$ 7,178	\$ 25,299	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	48,297	-
-	-	-	-	-	116	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	7,178	73,712	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
359,677	241,852	248,518	235,064	726,515	111,484	2,892
-	-	-	-	-	-	-
<u>359,677</u>	<u>241,852</u>	<u>248,518</u>	<u>235,064</u>	<u>726,515</u>	<u>111,484</u>	<u>2,892</u>
<u>\$ 359,677</u>	<u>\$ 241,852</u>	<u>\$ 248,518</u>	<u>\$ 235,064</u>	<u>\$ 733,693</u>	<u>\$ 185,196</u>	<u>\$ 2,892</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Balance Sheet (continued)
 as of December 31, 2015

	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	\$ -	\$ 260,380	\$ -	\$ -	\$ -
Receivables					
Accounts	-	-	-	-	-
Special assessments					
Current	-	-	-	-	-
Deferred	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ -	\$ 260,380	\$ -	\$ -	\$ -
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 10,750	\$ -
Accrued salaries payable	-	-	-	-	-
Contracts payable	-	-	-	-	-
Due to other governmental units	-	-	-	-	-
Due to other funds	130,330	-	48,807	7,871	78,282
Advances from other funds	-	-	-	-	-
Total liabilities	130,330	-	48,807	18,621	78,282
Deferred inflows of resources					
Unavailable revenue – special assessments	-	-	-	-	-
Fund balances (deficit)					
Restricted	-	-	-	-	-
Assigned	-	260,380	-	-	-
Unassigned	(130,330)	-	(48,807)	(18,621)	(78,282)
Total fund balances (deficit)	(130,330)	260,380	(48,807)	(18,621)	(78,282)
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 260,380	\$ -	\$ -	\$ -

Engineer Developer Review Nonreimbursable (4600)	2012 Improvement Construction (4715)	Cable Capital Equipment (4800)	Physical Improvement (4900)	Private Development (4920)	2003 Improvement Construction (4300)	TIF District No. 7 (4710)
\$ -	\$ 150,218	\$ 444,520	\$ 311,371	\$ 127,490	\$ 119,759	\$ 1,791,426
-	-	-	-	-	2,057	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 150,218</u>	<u>\$ 444,520</u>	<u>\$ 311,371</u>	<u>\$ 127,490</u>	<u>\$ 121,816</u>	<u>\$ 1,791,426</u>
\$ 6,729	\$ 25,719	\$ 695	\$ 124,958	\$ -	\$ 24,943	\$ -
-	-	48	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
31,404	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>38,133</u>	<u>25,719</u>	<u>743</u>	<u>124,958</u>	<u>-</u>	<u>24,943</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	443,777	-	-	-	1,791,426
-	124,499	-	186,413	127,490	96,873	-
(38,133)	-	-	-	-	-	-
<u>(38,133)</u>	<u>124,499</u>	<u>443,777</u>	<u>186,413</u>	<u>127,490</u>	<u>96,873</u>	<u>1,791,426</u>
<u>\$ -</u>	<u>\$ 150,218</u>	<u>\$ 444,520</u>	<u>\$ 311,371</u>	<u>\$ 127,490</u>	<u>\$ 121,816</u>	<u>\$ 1,791,426</u>

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Balance Sheet (continued)
 as of December 31, 2015

	Electric Franchise Fee (4750)	2007 Park Bond (4935)	Fire Grants Project (7600)	TIF District No. 1 (4730)	TIF District Parkside Village (4740)
Assets					
Cash and investments	\$ 2,618,065	\$ 326,366	\$ 32,365	\$ 1,591,261	\$ -
Receivables					
Accounts	123,627	-	-	-	-
Special assessments					
Current	-	-	-	-	-
Deferred	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 2,741,692	\$ 326,366	\$ 32,365	\$ 1,591,261	\$ -
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries payable	-	-	-	-	-
Contracts payable	-	-	-	-	-
Due to other governmental units	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	488,500
Total liabilities	-	-	-	-	488,500
Deferred inflows of resources					
Unavailable revenue – special assessments	-	-	-	-	-
Fund balances (deficit)					
Restricted	2,741,692	326,366	-	1,591,261	-
Assigned	-	-	32,365	-	-
Unassigned	-	-	-	-	(488,500)
Total fund balances (deficit)	2,741,692	326,366	32,365	1,591,261	(488,500)
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,741,692	\$ 326,366	\$ 32,365	\$ 1,591,261	\$ -

TIF District No. 14 Business Campus (4735)	Construction Projects (4500)	Total
\$ 49,305	\$ -	\$ 11,428,931
-	-	125,684
-	27,127	27,127
-	298,396	298,396
-	-	31,717
<u>\$ 49,305</u>	<u>\$ 325,523</u>	<u>\$ 11,911,855</u>
\$ 786	\$ 549,552	\$ 776,609
-	-	48
-	-	48,297
-	-	116
-	552,855	849,549
-	-	488,500
<u>786</u>	<u>1,102,407</u>	<u>2,163,119</u>
-	325,523	325,523
48,519	-	7,967,916
-	-	3,360,377
-	(1,102,407)	(1,905,080)
<u>48,519</u>	<u>(1,102,407)</u>	<u>9,423,213</u>
<u>\$ 49,305</u>	<u>\$ 325,523</u>	<u>\$ 11,911,855</u>

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2015

	Equipment Certificates (2005)	Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)	Police 911 (2065)
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-	-
Investment earnings	3,873	9,396	144	3,030	2,187
Special assessments	-	-	-	-	-
Other revenue					
Contributions	-	-	-	100	-
Rentals	-	-	-	-	-
Refunds and reimbursements	-	-	-	9,664	-
Miscellaneous	-	627,679	-	-	-
Total revenues	3,873	637,075	144	12,794	2,187
Expenditures					
Current					
General government	9,873	-	-	-	-
Public safety	-	-	-	-	79,400
Public works	-	-	-	-	-
Parks and recreation	-	36,798	-	-	-
Capital outlay	603,779	192,806	-	-	-
Total expenditures	613,652	229,604	-	-	79,400
Excess (deficiency) of revenue over expenditures	(609,779)	407,471	144	12,794	(77,213)
Other financing sources (uses)					
Bonds issued	595,000	-	-	-	-
Premium on bonds issued	17,576	-	-	-	-
Sale of capital assets	82,500	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	(49,008)	-	-	-	-
Total other financing sources (uses)	646,068	-	-	-	-
Net change in fund balances	36,289	407,471	144	12,794	(77,213)
Fund balances (deficit)					
Beginning of year	336,280	524,208	10,725	220,992	159,540
End of year	\$ 372,569	\$ 931,679	\$ 10,869	\$ 233,786	\$ 82,327

Tree Preservation (2070)	Pond (2075)	Pathways and Sidewalks (2080)	Dodd Road (2085)	Former City Hall Building (2090)	Capital Building (4000)	Park Improvement Development (4010)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
4,811	3,214	3,082	3,123	9,382	3,915	512
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	129,000	-	-
-	-	-	-	-	11,609	-
-	-	16,000	-	-	-	-
<u>4,811</u>	<u>3,214</u>	<u>19,082</u>	<u>3,123</u>	<u>138,382</u>	<u>15,524</u>	<u>512</u>
-	-	-	-	84,366	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,276	-	-	-	-	-	-
-	-	-	-	-	166,344	-
<u>2,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,366</u>	<u>166,344</u>	<u>-</u>
2,535	3,214	19,082	3,123	54,016	(150,820)	512
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,535</u>	<u>3,214</u>	<u>19,082</u>	<u>3,123</u>	<u>54,016</u>	<u>(150,820)</u>	<u>512</u>
<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>\$ 359,677</u>	<u>\$ 241,852</u>	<u>\$ 248,518</u>	<u>\$ 235,064</u>	<u>\$ 726,515</u>	<u>\$ 111,484</u>	<u>\$ 2,892</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, 2015

	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	-	3,460	-	-	-
Special assessments	-	-	-	-	-
Other revenue					
Contributions	-	-	-	-	-
Rentals	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	3,460	-	-	-
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	290	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	290	-	-	-	-
Excess (deficiency) of revenue over expenditures	(290)	3,460	-	-	-
Other financing sources (uses)					
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(290)	3,460	-	-	-
Fund balances (deficit)					
Beginning of year	(130,040)	256,920	(48,807)	(18,621)	(78,282)
End of year	\$ (130,330)	\$ 260,380	\$ (48,807)	\$ (18,621)	\$ (78,282)

Engineer Developer Review Nonreimbursable (4600)	2012 Improvement Construction (4715)	Cable Capital Equipment (4800)	Physical Improvement (4900)	Private Development (4920)	2003 Improvement Construction (4300)	TIF District No. 7 (4710)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399,157
-	-	172,257	-	-	-	-
-	2,081	4,533	3,181	1,695	-	18,832
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	45,775	-	-	-
-	2,081	176,790	48,956	1,695	-	417,989
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,090	16,424	18,886	-	11,138	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,090	16,424	18,886	-	11,138	-
-	(4,009)	160,366	30,070	1,695	(11,138)	417,989
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,063,162	-
-	-	(47,483)	-	-	-	-
-	-	(47,483)	-	-	1,063,162	-
-	(4,009)	112,883	30,070	1,695	1,052,024	417,989
(38,133)	128,508	330,894	156,343	125,795	(955,151)	1,373,437
\$ (38,133)	\$ 124,499	\$ 443,777	\$ 186,413	\$ 127,490	\$ 96,873	\$ 1,791,426

(continued)

CITY OF APPLE VALLEY

Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Year Ended December 31, 2015

	Electric Franchise Fee (4750)	2007 Park Bond (4935)	Fire Grants Project (7600)	TIF District No. 1 (4730)	TIF District Parkside Village (4740)
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise fees	556,047	-	-	-	-
Investment earnings	28,990	618	430	21,587	-
Special assessments	-	-	-	-	-
Other revenue					
Contributions	-	-	-	-	-
Rentals	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>585,037</u>	<u>618</u>	<u>430</u>	<u>21,587</u>	<u>-</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Capital outlay	-	7,783	-	39,030	-
Total expenditures	<u>-</u>	<u>7,783</u>	<u>-</u>	<u>39,030</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	585,037	(7,165)	430	(17,443)	-
Other financing sources (uses)					
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	585,037	(7,165)	430	(17,443)	-
Fund balances (deficit)					
Beginning of year	<u>2,156,655</u>	<u>333,531</u>	<u>31,935</u>	<u>1,608,704</u>	<u>(488,500)</u>
End of year	<u>\$ 2,741,692</u>	<u>\$ 326,366</u>	<u>\$ 32,365</u>	<u>\$ 1,591,261</u>	<u>\$ (488,500)</u>

TIF District No. 14 Business Campus (4735)	Construction Projects (4500)	Total
\$ 89,618	\$ -	\$ 488,775
-	-	728,304
132	-	132,208
-	44,759	44,759
-	-	100
-	-	129,000
-	-	21,273
-	236,906	926,360
<u>89,750</u>	<u>281,665</u>	<u>2,470,779</u>
66,877	-	161,116
-	-	79,400
-	-	52,828
-	-	39,074
-	636,501	1,646,243
<u>66,877</u>	<u>636,501</u>	<u>1,978,661</u>
22,873	(354,836)	492,118
-	-	595,000
-	-	17,576
-	-	82,500
-	1,598,746	2,661,908
-	-	(96,491)
<u>-</u>	<u>1,598,746</u>	<u>3,260,493</u>
22,873	1,243,910	3,752,611
25,646	(2,346,317)	5,670,602
<u>\$ 48,519</u>	<u>\$ (1,102,407)</u>	<u>\$ 9,423,213</u>

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual
 Year Ended December 31, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenue				
Taxes				
Current	\$ 21,519,000	\$ 21,519,000	\$ 21,561,491	\$ 42,491
Delinquent	200,000	200,000	101,501	(98,499)
Total taxes	<u>21,719,000</u>	<u>21,719,000</u>	<u>21,662,992</u>	<u>(56,008)</u>
Other taxes	98,805	98,805	93,020	(5,785)
Franchise fees	470,000	470,000	470,000	–
Special assessments	14,000	14,000	9,272	(4,728)
Licenses and permits				
General government	159,945	159,945	207,776	47,831
Public safety	5,000	5,000	9,662	4,662
Public works	747,600	792,880	1,930,039	1,137,159
Total licenses and permits	<u>912,545</u>	<u>957,825</u>	<u>2,147,477</u>	<u>1,189,652</u>
Intergovernmental				
Federal grants				
General government	22,400	22,400	1,456	(20,944)
Public safety	69,250	69,250	37,186	(32,064)
State grants				
PERA aid	36,000	36,000	40,061	4,061
Fire relief aid – public safety	200,000	200,000	276,307	76,307
Police relief aid – public safety	330,000	330,000	366,878	36,878
Other – public safety	10,400	10,400	59,521	49,121
Total intergovernmental	<u>668,050</u>	<u>668,050</u>	<u>781,409</u>	<u>113,359</u>
Charges for services				
Administration charges – general government				
Construction funds	50,000	50,000	–	(50,000)
Enterprise funds	704,000	704,000	704,000	–
Investment charges – general government	105,000	105,000	105,000	–
Engineering charges – public works – construction	645,000	645,000	559,170	(85,830)
General government	20,000	20,000	35,110	15,110
Public safety	228,700	228,700	217,826	(10,874)
Public works	15,000	15,000	24,771	9,771
Parks and recreation	929,125	929,125	1,066,007	136,882
Total charges for services	<u>2,696,825</u>	<u>2,696,825</u>	<u>2,711,884</u>	<u>15,059</u>
Fines and forfeitures	284,000	284,000	225,804	(58,196)
Investment earnings	165,000	165,000	201,868	36,868
Other				
Rentals	525,000	525,000	677,915	152,915
Refunds and reimbursements	60,000	60,000	68,875	8,875
Donations	–	–	4,752	4,752
Miscellaneous	23,000	23,000	(3,119)	(26,119)
Total other	<u>608,000</u>	<u>608,000</u>	<u>748,423</u>	<u>140,423</u>
Total revenue	27,636,225	27,681,505	29,052,149	1,370,644

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures				
General government				
Mayor and City Council				
Personal services	115,225	115,225	108,511	(6,714)
Supplies	655	655	2,346	1,691
Other current expenditures	28,445	28,445	20,165	(8,280)
Total Mayor and City Council	144,325	144,325	131,022	(13,303)
Administration				
Personal services	411,125	411,125	400,992	(10,133)
Supplies	260	260	104	(156)
Other current expenditures	15,250	15,250	14,811	(439)
Total administration	426,635	426,635	415,907	(10,728)
Finance and data processing				
Personal services	551,630	551,630	460,153	(91,477)
Supplies	9,970	9,970	10,590	620
Other current expenditures	275,270	315,270	295,041	(20,229)
Capital outlay	–	–	2,050	2,050
Total finance and data processing	836,870	876,870	767,834	(109,036)
Information technology				
Personal services	399,690	399,690	366,073	(33,617)
Supplies	9,500	9,500	9,021	(479)
Other current expenditures	196,900	196,900	187,274	(9,626)
Capital outlay	129,200	153,200	105,367	(47,833)
Total information technology	735,290	759,290	667,735	(91,555)
Human resources				
Personal services	453,500	453,500	452,520	(980)
Supplies	300	300	587	287
Other current expenditures	47,495	58,895	55,197	(3,698)
Total human resources	501,295	512,695	508,304	(4,391)
City clerk/elections				
Personal services	187,990	187,990	185,030	(2,960)
Supplies	950	950	371	(579)
Other current expenditures	83,290	72,290	69,330	(2,960)
Capital outlay	–	11,000	–	(11,000)
Total city clerk/elections	272,230	272,230	254,731	(17,499)
Legal				
Other current expenditures	495,800	495,800	520,501	24,701
General government buildings				
Personal services	169,920	169,920	181,731	11,811
Supplies	24,475	24,475	20,167	(4,308)
Other current expenditures	165,435	165,435	169,786	4,351
Capital outlay	–	20,000	–	(20,000)
Total general government buildings	359,830	379,830	371,684	(8,146)

(continued)

CITY OF APPLE VALLEY

General Fund

Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)

Year Ended December 31, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures (continued)				
General government (continued)				
Community development				
Personal services	574,420	574,420	577,212	2,792
Supplies	900	900	537	(363)
Other current expenditures	60,125	80,125	71,102	(9,023)
Total community development	635,445	655,445	648,851	(6,594)
Code enforcement				
Personal services	198,810	198,810	192,547	(6,263)
Supplies	3,470	3,470	1,594	(1,876)
Other current expenditures	15,640	15,640	12,872	(2,768)
Total code enforcement	217,920	217,920	207,013	(10,907)
Unallocated				
Personal services	6,100	6,100	5,600	(500)
Other current expenditures	404,490	393,090	293,413	(99,677)
Total unallocated	410,590	399,190	299,013	(100,177)
Total general government	5,036,230	5,140,230	4,792,595	(347,635)
Public safety				
Police protection				
Personal services	6,907,630	6,887,630	6,844,769	(42,861)
Supplies	259,970	259,970	212,782	(47,188)
Other current expenditures	1,360,180	1,360,180	1,323,093	(37,087)
Capital outlay	–	–	10,645	10,645
Total police protection	8,527,780	8,507,780	8,391,289	(116,491)
Fire protection				
Personal services	1,150,590	1,150,590	990,295	(160,295)
Supplies	125,625	127,925	103,953	(23,972)
Other current expenditures	572,210	572,210	586,538	14,328
Total fire protection	1,848,425	1,850,725	1,680,786	(169,939)
Fire relief				
Other current expenditures	400,230	400,230	477,885	77,655
Civil defense				
Supplies	1,000	1,000	694	(306)
Other current expenditures	16,185	16,185	16,005	(180)
Total civil defense	17,185	17,185	16,699	(486)
Animal control				
Personal services	83,635	83,635	78,124	(5,511)
Supplies	6,970	6,970	6,075	(895)
Other current expenditures	10,300	10,300	5,282	(5,018)
Total animal control	100,905	100,905	89,481	(11,424)

(continued)

CITY OF APPLE VALLEY

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
 Year Ended December 31, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures (continued)				
Public safety (continued)				
Building inspection				
Personal services	557,320	600,320	614,145	13,825
Supplies	10,800	12,900	12,215	(685)
Other current expenditures	89,200	89,380	107,704	18,324
Total building inspection	<u>657,320</u>	<u>702,600</u>	<u>734,064</u>	<u>31,464</u>
Total public safety	11,551,845	11,579,425	11,390,204	(189,221)
Public works				
Public works administration				
Personal services	406,450	406,450	376,766	(29,684)
Supplies	10,440	10,440	6,969	(3,471)
Other current expenditures	51,520	51,520	46,176	(5,344)
Total public works administration	<u>468,410</u>	<u>468,410</u>	<u>429,911</u>	<u>(38,499)</u>
Central maintenance facility				
Personal services	460,785	460,785	452,307	(8,478)
Supplies	30,460	30,460	23,754	(6,706)
Other current expenditures	132,480	132,480	109,190	(23,290)
Capital outlay	59,500	59,500	74,708	15,208
Total central maintenance facility	<u>683,225</u>	<u>683,225</u>	<u>659,959</u>	<u>(23,266)</u>
Streets				
Personal services	1,549,825	1,549,825	1,323,968	(225,857)
Supplies	492,135	492,135	444,609	(47,526)
Other current expenditures	325,005	325,005	276,870	(48,135)
Capital outlay	9,500	9,500	5,170	(4,330)
Total streets	<u>2,376,465</u>	<u>2,376,465</u>	<u>2,050,617</u>	<u>(325,848)</u>
Engineering				
Personal services	524,730	524,730	458,549	(66,181)
Supplies	11,375	11,375	8,330	(3,045)
Other current expenditures	47,120	47,120	29,824	(17,296)
Total engineering	<u>583,225</u>	<u>583,225</u>	<u>496,703</u>	<u>(86,522)</u>
Total public works	4,111,325	4,111,325	3,637,190	(474,135)
Parks and recreation				
Parks and recreation administration				
Personal services	730,850	730,850	733,492	2,642
Supplies	4,250	4,250	3,110	(1,140)
Other current expenditures	146,150	146,150	132,823	(13,327)
Capital outlay	10,000	10,000	–	(10,000)
Total parks and recreation administration	<u>891,250</u>	<u>891,250</u>	<u>869,425</u>	<u>(21,825)</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, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Expenditures (continued)				
Parks and recreation (continued)				
Recreation programs				
Personal services	219,305	219,305	199,280	(20,025)
Supplies	47,900	47,900	39,032	(8,868)
Other current expenditures	122,575	122,575	128,017	5,442
Total recreation programs	<u>389,780</u>	<u>389,780</u>	<u>366,329</u>	<u>(23,451)</u>
Parks maintenance				
Personal services	1,584,800	1,584,800	1,575,215	(9,585)
Supplies	305,950	305,950	275,173	(30,777)
Other current expenditures	529,970	529,970	485,380	(44,590)
Capital outlay	49,000	49,000	48,545	(455)
Total parks maintenance	<u>2,469,720</u>	<u>2,469,720</u>	<u>2,384,313</u>	<u>(85,407)</u>
Redwood pool				
Personal services	65,470	65,470	62,443	(3,027)
Supplies	8,100	8,100	3,783	(4,317)
Other current expenditures	39,900	39,900	23,730	(16,170)
Capital outlay	25,000	25,000	20,248	(4,752)
Total Redwood pool	<u>138,470</u>	<u>138,470</u>	<u>110,204</u>	<u>(28,266)</u>
Aquatic swim center				
Personal services	314,450	314,450	319,148	4,698
Supplies	32,800	32,800	38,123	5,323
Other current expenditures	264,400	264,400	279,134	14,734
Capital outlay	58,000	93,000	49,100	(43,900)
Total aquatic swim center	<u>669,650</u>	<u>704,650</u>	<u>685,505</u>	<u>(19,145)</u>
Apple Valley Community Center				
Personal services	192,610	192,610	177,944	(14,666)
Supplies	22,250	22,250	23,391	1,141
Other current expenditures	89,975	89,975	93,180	3,205
Capital outlay	25,000	40,000	22,806	(17,194)
Total Apple Valley Community Center	<u>329,835</u>	<u>344,835</u>	<u>317,321</u>	<u>(27,514)</u>
Apple Valley Senior Center				
Personal services	262,220	262,220	293,533	31,313
Supplies	15,900	15,900	13,016	(2,884)
Other current expenditures	55,000	55,000	60,936	5,936
Capital outlay	15,000	15,000	7,228	(7,772)
Total Apple Valley Senior Center	<u>348,120</u>	<u>348,120</u>	<u>374,713</u>	<u>26,593</u>
Total parks and recreation	<u>5,236,825</u>	<u>5,286,825</u>	<u>5,107,810</u>	<u>(179,015)</u>
Total expenditures	<u>25,936,225</u>	<u>26,117,805</u>	<u>24,927,799</u>	<u>(1,190,006)</u>
Excess of revenues over expenditures	1,700,000	1,563,700	4,124,350	2,560,650

(continued)

CITY OF APPLE VALLEY

General Fund

Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other financing sources (uses)				
Sale of capital assets	20,000	20,000	7,304	(12,696)
Transfers in	1,220,000	1,220,000	1,220,000	-
Transfers (out)	<u>(2,940,000)</u>	<u>(2,940,000)</u>	<u>(4,415,000)</u>	<u>(1,475,000)</u>
Total other financing sources (uses)	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>(3,187,696)</u>	<u>(1,487,696)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (136,300)</u>	936,654	<u>\$ 1,072,954</u>
Fund balances				
Beginning of year			<u>15,155,450</u>	
End of year			<u>\$ 16,092,104</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Special assessments	\$ –	\$ 110,303	\$ 110,303
Intergovernmental	1,200,000	918,736	(281,264)
Investment earnings	–	37	37
Other	–	81,429	81,429
Total revenue	<u>1,200,000</u>	<u>1,110,505</u>	<u>(89,495)</u>
Expenditures			
Capital outlay			
Public works	<u>5,658,000</u>	<u>4,469,121</u>	<u>(1,188,879)</u>
Excess (deficiency) of revenue over expenditures	(4,458,000)	(3,358,616)	1,099,384
Other financing sources			
Transfers in	<u>4,458,000</u>	<u>3,259,000</u>	<u>(1,199,000)</u>
Net change in fund balances	<u>\$ –</u>	<u>(99,616)</u>	<u>\$ (99,616)</u>
Fund balances (deficit)			
Beginning of year		<u>(4,169,438)</u>	
End of year		<u>\$ (4,269,054)</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Investment earnings	\$ 216,000	\$ 182,984	\$ (33,016)
Expenditures			
Capital outlay			
Public works	<u>50,000</u>	<u>–</u>	<u>(50,000)</u>
Excess of revenue over expenditures	166,000	182,984	16,984
Other financing sources (uses)			
Transfers in	–	1,475,000	1,475,000
Transfers (out)	<u>(960,000)</u>	<u>(960,000)</u>	<u>–</u>
Total other financing sources (uses)	<u>(960,000)</u>	<u>515,000</u>	<u>1,475,000</u>
Net change in fund balances	<u>\$ (794,000)</u>	697,984	<u>\$ 1,491,984</u>
Fund balances			
Beginning of year		<u>13,528,740</u>	
End of year		<u>\$ 14,226,724</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Franchise fees	\$ 71,000	\$ 60,967	\$ (10,033)
Intergovernmental	108,450	–	(108,450)
Investment earnings	2,000	1,382	(618)
Other			
Miscellaneous	14,830	109,363	94,533
Total revenue	<u>196,280</u>	<u>171,712</u>	<u>(24,568)</u>
Expenditures			
Current			
Parks and recreation	216,135	199,489	(16,646)
Capital outlay	145	1,415	1,270
Total expenditures	<u>216,280</u>	<u>200,904</u>	<u>(15,376)</u>
Excess (deficiency) of revenue over expenditures	(20,000)	(29,192)	(9,192)
Other financing sources			
Transfers in	<u>20,000</u>	<u>47,483</u>	<u>27,483</u>
Net change in fund balances	<u>\$ –</u>	<u>18,291</u>	<u>\$ 18,291</u>
Fund balances			
Beginning of year		<u>108,946</u>	
End of year		<u>\$ 127,237</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Taxes	\$ –	\$ 11	\$ 11
Investment earnings	<u>13,500</u>	<u>16,733</u>	<u>3,233</u>
Total revenue	13,500	16,744	3,244
Expenditures			
Current			
General government	<u>76,100</u>	<u>43,472</u>	<u>(32,628)</u>
Net change in fund balances	<u>\$ (62,600)</u>	<u>(26,728)</u>	<u>\$ 35,872</u>
Fund balances			
Beginning of year		<u>1,259,855</u>	
End of year		<u>\$ 1,233,127</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Investment earnings	\$ 3,900	\$ 3,873	\$ (27)
Expenditures			
Current			
General government	–	9,873	9,873
Capital outlay	<u>680,000</u>	<u>603,779</u>	<u>(76,221)</u>
Total expenditures	<u>680,000</u>	<u>613,652</u>	<u>(66,348)</u>
Excess (deficiency) of revenue over expenditures	(676,100)	(609,779)	66,321
Other financing sources (uses)			
Bonds issued	–	595,000	595,000
Premium on bonds issued	–	17,576	17,576
Sale of capital assets	91,500	82,500	(9,000)
Transfers (out)	–	(49,008)	(49,008)
Total other financing sources (uses)	<u>91,500</u>	<u>646,068</u>	<u>554,568</u>
Net change in fund balances	<u>\$ (584,600)</u>	36,289	<u>\$ 620,889</u>
Fund balances			
Beginning of year		<u>336,280</u>	
End of year		<u>\$ 372,569</u>	

CITY OF APPLE VALLEY

Cable Capital Equipment Capital Projects Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances –
 Budget and Actual
 Year Ended December 31, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Franchise fees	\$ 100,000	\$ 172,257	\$ 72,257
Investment earnings	1,070	4,533	3,463
Total revenue	<u>101,070</u>	<u>176,790</u>	<u>75,720</u>
Expenditures			
Current			
Public works	<u>25,370</u>	<u>16,424</u>	<u>(8,946)</u>
Excess of revenue over expenditures	75,700	160,366	84,666
Other financing sources (uses)			
Transfers (out)	<u>(20,000)</u>	<u>(47,483)</u>	<u>(27,483)</u>
Net change in fund balances	<u>\$ 55,700</u>	112,883	<u>\$ 57,183</u>
Fund balances			
Beginning of year		<u>330,894</u>	
End of year		<u>\$ 443,777</u>	

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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 a Dental Insurance Internal Service Fund, a Benefits/Other Insurance 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, 2015

	Dental Insurance (7100)	Benefits/ Other Insurance (7200)	Vehicle Equipment Replacement (7400-7430)	Totals
Assets				
Current assets				
Cash and investments	\$ 17,390	\$ 3,402,220	\$ 406,599	\$ 3,826,209
Receivables				
Accounts	-	1,388	-	1,388
Prepays	-	67,216	-	67,216
Total current assets	<u>17,390</u>	<u>3,470,824</u>	<u>406,599</u>	<u>3,894,813</u>
Noncurrent assets				
Capital assets				
Construction in progress	-	-	249,673	249,673
Furniture and equipment	-	-	4,516,453	4,516,453
Less accumulated depreciation	-	-	(2,900,104)	(2,900,104)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,866,022</u>	<u>1,866,022</u>
Total assets	<u>\$ 17,390</u>	<u>\$ 3,470,824</u>	<u>\$ 2,272,621</u>	<u>\$ 5,760,835</u>
Liabilities and Net Position				
Current liabilities				
Accounts payable	\$ -	\$ 117,654	\$ 1,519	\$ 119,173
Claims payable	6,767	-	-	6,767
Accrued compensated absences	-	1,633,300	-	1,633,300
Total current liabilities	<u>6,767</u>	<u>1,750,954</u>	<u>1,519</u>	<u>1,759,240</u>
Noncurrent liabilities				
Accrued compensated absences	-	1,086,605	-	1,086,605
Total liabilities	6,767	2,837,559	1,519	2,845,845
Net position				
Net investment in capital assets	-	-	1,866,022	1,866,022
Unrestricted	10,623	633,265	405,080	1,048,968
Total net position	<u>10,623</u>	<u>633,265</u>	<u>2,271,102</u>	<u>2,914,990</u>
Total liabilities and net position	<u>\$ 17,390</u>	<u>\$ 3,470,824</u>	<u>\$ 2,272,621</u>	<u>\$ 5,760,835</u>

CITY OF APPLE VALLEY

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Net Position
 Year Ended December 31, 2015

	Dental Insurance (7100)	Benefits/ Other Insurance (7200)	Vehicle Equipment Replacement (7400-7430)	Totals
Operating revenue				
Charges to other funds	\$ 224,458	\$ 1,131,191	\$ 494,268	\$ 1,849,917
Operating expenses				
Personal services	209,773	464,343	-	674,116
Contractual services	-	23,787	-	23,787
Other charges	-	761,242	6,928	768,170
Depreciation	-	-	363,712	363,712
Total operating expenses	<u>209,773</u>	<u>1,249,372</u>	<u>370,640</u>	<u>1,829,785</u>
Operating income (loss)	14,685	(118,181)	123,628	20,132
Nonoperating revenue (expense)				
Investment earnings	48	43,835	2,685	46,568
(Loss) on sale of capital assets	-	-	(7,837)	(7,837)
Total nonoperating revenue (expense)	<u>48</u>	<u>43,835</u>	<u>(5,152)</u>	<u>38,731</u>
Change in net position	14,733	(74,346)	118,476	58,863
Net position				
Beginning of year	<u>(4,110)</u>	<u>707,611</u>	<u>2,152,626</u>	<u>2,856,127</u>
End of year	<u>\$ 10,623</u>	<u>\$ 633,265</u>	<u>\$ 2,271,102</u>	<u>\$ 2,914,990</u>

CITY OF APPLE VALLEY

Internal Service Funds
 Combining Statement of Cash Flows
 Year Ended December 31, 2015

	Dental Insurance (7100)	Benefits/ Other Insurance (7200)	Vehicle Equipment Replacement (7400-7430)	Totals
Cash flows from operating activities				
Cash receipts on interfund services provided	\$ 224,458	\$ 1,131,401	\$ 494,268	\$ 1,850,127
Cash payments to suppliers	(212,025)	(979,600)	(10,495)	(1,202,120)
Cash payments to employees for services	–	(25,668)	–	(25,668)
Net cash flows from operating activities	12,433	126,133	483,773	622,339
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	–	–	(405,592)	(405,592)
Proceeds from sale of capital assets	–	–	17,707	17,707
Net cash flows from capital and related financing activities	–	–	(387,885)	(387,885)
Cash flows from investing activities				
Interest received on investments	48	43,835	2,685	46,568
Net increase in cash and cash equivalents	12,481	169,968	98,573	281,022
Cash and investments				
Beginning of year	4,909	3,232,252	308,026	3,545,187
End of year	\$ 17,390	\$ 3,402,220	\$ 406,599	\$ 3,826,209
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 14,685	\$ (118,181)	\$ 123,628	\$ 20,132
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	–	–	363,712	363,712
Change in assets and liabilities				
Receivables				
Accounts	–	210	–	210
Prepays	–	76,312	–	76,312
Accounts payable	(1,643)	108,991	(3,567)	103,781
Claims payable	(609)	–	–	(609)
Accrued compensated absences	–	58,801	–	58,801
Net cash flows from operating activities	\$ 12,433	\$ 126,133	\$ 483,773	\$ 622,339
Net book value of capital asset disposals	\$ –	\$ –	\$ (25,544)	\$ (25,544)

STATISTICAL SECTION

STATISTICAL SECTION (UNAUDITED)

This part of the City of Apple Valley, Minnesota'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. 123

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant revenue source, including property tax and utility revenue. 133

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. 140

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. 149

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. 151

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

CITY OF APPLE VALLEY

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

				Fiscal Year
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 37,570,960	\$ 34,412,008	\$ 41,867,201	\$ 43,981,788
Restricted	37,773,983	44,173,435	30,525,737	24,664,257
Unrestricted	10,819,067	12,745,088	30,010,778	36,290,872
Total governmental activities net assets	\$ 86,164,010	\$ 91,330,531	\$ 102,403,716	\$ 104,936,917
Business-type activities				
Net investment in capital assets	\$ 93,728,440	\$ 97,927,988	\$ 100,280,579	\$ 101,447,457
Restricted	-	-	275,000	289,049
Unrestricted	18,078,297	19,088,334	17,998,903	19,100,650
Total business-type activities net assets	\$ 111,806,737	\$ 117,016,322	\$ 118,554,482	\$ 120,837,156
Primary government				
Net investment in capital assets	\$ 131,299,400	\$ 132,339,996	\$ 142,147,780	\$ 145,429,245
Restricted	37,773,983	44,173,435	30,800,737	24,953,306
Unrestricted	28,897,364	31,833,422	48,009,681	55,391,522
Total primary government net assets	\$ 197,970,747	\$ 208,346,853	\$ 220,958,198	\$ 225,774,073

Note 1: The City implemented GASB Statement No. 65 in 2012. Net position for 2011 was restated for the effects of implementing this standard. Net position for previous years has not been restated.

Note 2: The City implemented GASB Statement No. 68 in 2015, resulting in a restatement of beginning net position for the effects of implementing this standard. Net position for previous years has not been restated.

Table 1

2010	2011	2012	2013	2014	2015
\$ 45,477,393	\$ 54,928,735	\$ 64,226,520	\$ 70,526,658	\$ 78,398,734	\$ 86,664,918
24,656,491	21,580,777	17,001,111	18,619,396	15,253,042	16,541,831
38,798,761	42,115,459	43,609,670	38,654,601	36,056,447	26,805,077
<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>	<u>\$ 130,011,826</u>
\$ 102,320,160	\$ 104,198,009	\$ 110,376,210	\$ 118,410,631	\$ 120,092,250	\$ 118,288,727
291,591	309,518	319,582	303,823	329,167	178,529
20,094,976	19,431,679	19,030,882	13,228,257	14,998,933	14,230,604
<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>	<u>\$ 132,697,860</u>
\$ 147,797,553	\$ 159,126,744	\$ 174,602,730	\$ 188,937,289	\$ 198,490,984	\$ 204,953,645
24,948,082	21,890,295	17,320,693	18,923,219	15,582,209	16,720,360
58,893,737	61,547,138	62,640,552	51,882,858	51,055,380	41,035,681
<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>	<u>\$ 262,709,686</u>

CITY OF APPLE VALLEY

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

	Fiscal Year			
	2006	2007	2008	2009
Expenses				
Governmental activities				
General government	\$ 6,632,165	\$ 7,856,220	\$ 8,147,712	\$ 8,685,487
Public safety	8,731,171	9,543,225	10,223,407	10,306,540
Public works	6,128,560	6,212,755	7,349,899	8,393,981
Park and recreation	4,417,497	5,235,779	5,011,287	5,754,969
Interest on long-term debt	1,881,814	1,540,980	2,102,579	1,773,863
Total governmental activities expenses	\$ 27,791,207	\$ 30,388,959	\$ 32,834,884	\$ 34,914,840
Business-type activities				
Municipal Liquor	\$ 6,144,064	\$ 6,247,330	\$ 6,985,584	\$ 8,062,876
Municipal Golf Course	961,616	886,143	1,047,254	1,011,443
Sports Arena	727,323	714,437	755,102	771,198
Water and Sewer	7,093,682	7,265,384	7,983,126	7,226,393
Storm Drainage	937,185	1,228,726	926,799	869,376
Cemetery	33,361	46,284	45,882	56,518
Street Light Utility	-	-	-	-
Total business-type activities	15,897,231	16,388,304	17,743,747	17,997,804
Total primary government expenses	\$ 43,688,438	\$ 46,777,263	\$ 50,578,631	\$ 52,912,644
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 3,300,137	\$ 3,520,909	\$ 3,470,858	\$ 2,363,002
Public safety	507,185	565,351	647,651	603,425
Public works	259,375	211,770	112,651	457,516
Park and recreation	1,185,441	1,027,078	1,027,675	1,259,959
Operating grants and contributions	680,177	1,028,408	1,153,964	1,577,419
Capital grants and contributions	3,272,979	5,926,863	10,345,742	2,451,327
Total governmental activities program revenues	\$ 9,205,294	\$ 12,280,379	\$ 16,758,541	\$ 8,712,648

Table 2

	2010	2011	2012	2013	2014	2015
\$	10,081,345	\$ 7,086,321	\$ 7,398,895	\$ 5,012,638	\$ 6,107,245	\$ 5,468,843
	10,092,977	10,548,223	11,101,520	11,336,972	11,946,671	12,464,603
	7,008,886	5,744,780	6,382,138	6,905,011	9,011,324	7,038,033
	6,261,801	6,169,552	6,166,397	6,345,937	6,403,907	6,543,162
	1,556,130	1,459,728	1,235,352	1,194,974	1,037,527	1,037,567
\$	<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>	<u>32,552,208</u>
\$	8,285,841	\$ 8,177,679	\$ 8,377,991	\$ 8,419,472	\$ 8,332,921	\$ 7,772,369
	1,057,715	1,051,605	1,292,371	1,507,451	1,526,108	1,653,759
	748,541	799,993	778,931	759,930	853,315	770,215
	7,302,254	7,309,277	7,194,007	7,794,274	8,186,262	8,154,989
	846,743	917,054	1,001,140	1,052,087	1,257,566	1,444,800
	68,868	69,004	69,376	51,472	51,646	49,086
	410,787	398,114	447,954	444,106	424,670	446,644
	18,720,749	18,722,726	19,161,770	20,028,792	20,632,488	20,291,862
\$	<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>	<u>52,844,070</u>
\$	2,423,051	\$ 2,435,834	\$ 2,413,190	\$ 2,315,613	\$ 2,828,709	\$ 1,696,786
	755,339	587,486	554,820	549,371	541,947	496,566
	1,046,007	1,055,995	1,543,446	892,267	1,001,148	2,620,283
	1,721,486	1,314,377	1,504,546	1,271,031	2,030,716	1,989,084
	1,872,316	534,041	579,675	900,223	837,763	771,220
	3,271,761	4,398,403	4,445,816	3,250,152	1,897,081	5,918,652
\$	<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>	<u>13,492,591</u>

(continued)

CITY OF APPLE VALLEY

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

	Fiscal Year			
	2006	2007	2008	2009
Program revenues (continued)				
Business-type activities				
Charges for services				
Municipal liquor	\$ 6,622,752	\$ 6,974,113	\$ 7,390,696	\$ 8,772,571
Municipal golf course	834,872	922,648	1,049,707	1,085,429
Sports arena	607,559	555,262	538,694	627,595
Water and sewer	8,145,197	8,635,246	8,670,265	9,250,812
Storm drainage	1,225,052	1,141,260	1,227,331	1,233,346
Cemetery	94,690	93,780	110,175	95,320
Street light utility	-	-	-	-
Operating grants and contributions	4,207	142,686	47,285	25,190
Capital grants and contributions	-	-	324,323	316,200
Total business-type activities program revenues	<u>17,534,329</u>	<u>18,464,995</u>	<u>19,358,476</u>	<u>21,406,463</u>
Total primary government program revenues	<u>\$ 26,739,623</u>	<u>\$ 30,745,374</u>	<u>\$ 36,117,017</u>	<u>\$ 30,119,111</u>
Net (expense) revenue				
Governmental activities	\$ (18,585,913)	\$ (18,108,580)	\$ (16,076,343)	\$ (26,202,192)
Business-type activities	<u>1,637,098</u>	<u>2,076,691</u>	<u>1,614,729</u>	<u>3,408,659</u>
Total primary government net expense	<u>\$ (16,948,815)</u>	<u>\$ (16,031,889)</u>	<u>\$ (14,461,614)</u>	<u>\$ (22,793,533)</u>
General revenues and other changes in net position				
Governmental activities				
Property taxes	\$ 18,051,659	\$ 19,027,159	\$ 19,942,701	\$ 21,892,939
Tax increments	1,861,288	1,981,344	2,040,480	2,185,762
Franchise taxes	941,035	972,270	1,023,368	1,096,578
Lodging tax	38,955	42,038	65,073	56,300
Gravel tax	64,155	26,378	37,209	40,692
Unallocated state and county aids	67,040	959,190	584,294	292,225
Other general revenue	54,087	119,010	143,403	433,956
Unrestricted investment earnings	1,897,055	2,166,594	1,352,749	912,413
Transfers	<u>(1,317,741)</u>	<u>(2,018,882)</u>	<u>955,251</u>	<u>1,824,528</u>
Total governmental activities	<u>\$ 21,657,533</u>	<u>\$ 23,275,101</u>	<u>\$ 26,144,528</u>	<u>\$ 28,735,393</u>
Business-type activities				
Unrestricted investment earnings	\$ 720,940	\$ 992,512	\$ 672,485	\$ 426,300
Property taxes	123,500	121,500	125,000	120,000
Other	-	-	81,197	152,243
Transfers	<u>1,317,741</u>	<u>2,018,882</u>	<u>(955,251)</u>	<u>(1,824,528)</u>
Total business-type activities	<u>2,162,181</u>	<u>3,132,894</u>	<u>(76,569)</u>	<u>(1,125,985)</u>
Total primary government	<u>\$ 23,819,714</u>	<u>\$ 26,407,995</u>	<u>\$ 26,067,959</u>	<u>\$ 27,609,408</u>
Change in net position				
Governmental activities	\$ 3,071,620	\$ 5,166,521	\$ 10,068,185	\$ 2,533,201
Business-type activities	<u>3,799,279</u>	<u>5,209,585</u>	<u>1,538,160</u>	<u>2,282,674</u>
Total primary government	<u>\$ 6,870,899</u>	<u>\$ 10,376,106</u>	<u>\$ 11,606,345</u>	<u>\$ 4,815,875</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 has not been restated for the reclassifications made in fiscal 2013.

Table 2 (continued)

	2010	2011	2012	2013	2014	2015
\$	9,032,194	\$ 9,005,660	\$ 9,231,890	\$ 9,380,818	\$ 9,292,269	\$ 8,480,414
	1,114,395	1,023,866	1,122,791	1,168,154	1,289,089	1,387,821
	606,262	650,350	647,134	643,855	746,351	722,270
	8,439,232	8,361,750	9,256,709	8,951,798	8,913,191	8,995,642
	1,360,483	1,370,348	1,517,090	1,525,136	1,567,066	1,631,761
	89,695	114,365	127,735	123,197	104,128	132,305
	465,552	433,464	454,477	449,885	465,584	483,680
	–	10,170	13,890	80,707	–	–
	645,427	643,164	3,201,690	1,497,501	1,612,392	2,110,667
	<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>23,944,560</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>	<u>37,437,151</u>
\$	(23,911,179)	\$ (20,682,468)	\$ (21,242,809)	\$ (21,616,875)	\$ (25,369,310)	\$ (19,059,617)
	3,032,491	2,890,411	6,411,636	3,792,259	3,357,582	3,652,698
\$	<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>	<u>(15,406,919)</u>
\$	21,697,421	\$ 21,460,141	\$ 21,769,647	\$ 22,144,883	\$ 23,067,164	\$ 23,038,450
	2,311,405	2,240,269	2,012,281	544,283	611,662	489,617
	1,160,771	1,177,715	1,197,288	1,262,393	1,272,428	1,259,271
	67,311	74,105	75,472	73,504	89,859	93,492
	36,314	38,666	36,439	45,890	50,612	39,215
	95,019	117,000	145,755	40,397	36,710	40,061
	271,622	176,575	116,558	186,872	78,478	7,387
	643,741	2,372,693	1,026,594	(1,056,882)	1,562,329	863,798
	1,623,303	2,717,630	1,075,105	1,338,889	507,636	4,681,392
\$	<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>	<u>30,512,683</u>
\$	320,166	\$ 888,863	\$ 388,923	\$ (358,333)	\$ 506,693	\$ 235,424
	125,000	120,000	120,000	121,000	121,000	121,000
	15,217	50,835	43,845	–	–	–
	(1,623,303)	(2,717,630)	(1,075,105)	(1,338,889)	(507,636)	(4,681,392)
	<u>(1,162,920)</u>	<u>(1,657,932)</u>	<u>(522,337)</u>	<u>(1,576,222)</u>	<u>120,057</u>	<u>(4,324,968)</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>	<u>26,187,715</u>
\$	3,995,728	\$ 9,692,326	\$ 6,212,330	\$ 2,963,354	\$ 1,907,568	\$ 11,453,066
	1,869,571	1,232,479	5,889,299	2,216,037	3,477,639	(672,270)
\$	<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>	<u>10,780,796</u>

CITY OF APPLE VALLEY

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

	Fiscal Year			
	2006	2007	2008	2009
General Fund				
Reserved	\$ 112,094	\$ 161,283	\$ 122,232	\$ 40,515
Unreserved	13,354,939	11,005,460	11,103,476	12,181,208
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 13,467,033</u>	<u>\$ 11,166,743</u>	<u>\$ 11,225,708</u>	<u>\$ 12,221,723</u>
All other governmental funds				
Reserved reported in				
Special revenue funds	\$ -	\$ -	\$ -	\$ -
Debt service funds	24,664,247	-	-	-
Capital projects funds	3,475,896	-	-	-
Unreserved reported in				
Special revenue funds	295,462	286,647	361,472	342,464
Debt service funds	(4,618,885)	19,405,845	20,923,916	16,996,037
Capital projects funds	2,361,571	12,051,437	12,447,954	10,965,444
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 26,178,291</u>	<u>\$ 31,743,929</u>	<u>\$ 33,733,342</u>	<u>\$ 28,303,945</u>
Total all funds	<u>\$ 39,645,324</u>	<u>\$ 42,910,672</u>	<u>\$ 44,959,050</u>	<u>\$ 40,525,668</u>

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

Table 3

2010	2011	2012	2013	2014	2015
\$ 53,113	\$ -	\$ -	\$ -	\$ -	\$ -
12,594,013	-	-	-	-	-
-	118,661	239,462	90,745	337,564	345,004
-	-	-	-	-	-
-	165,872	210,005	154,100	146,300	405,990
-	278,724	279,973	151,502	54,416	20,000
-	12,142,496	12,646,076	13,830,037	14,617,170	15,321,110
<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>	<u>\$ 16,092,104</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
324,251	-	-	-	-	-
15,892,926	-	-	-	-	-
14,011,232	-	-	-	-	-
-	-	1,750	-	-	1,750
-	15,537,787	11,435,144	20,966,147	21,772,784	27,424,225
-	28,795,063	31,538,043	26,215,087	27,614,620	27,008,733
-	(13,395,872)	(12,381,234)	(9,561,124)	(11,108,352)	(9,539,062)
<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>\$ 44,895,646</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>	<u>\$ 60,987,750</u>

CITY OF APPLE VALLEY

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

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
General property taxes	\$ 18,004,451	\$ 18,994,579	\$ 19,916,783	\$ 21,544,567
Tax increments	1,861,288	1,981,344	2,040,480	2,185,762
Other taxes	103,110	68,416	102,282	96,992
Special assessments	1,241,912	2,384,730	1,419,869	2,471,962
Licenses and permits	877,166	1,094,222	561,594	755,444
Intergovernmental	1,056,957	2,344,740	1,934,886	2,429,800
Charges for services	1,319,731	1,358,148	1,454,353	1,145,890
Franchise fees	941,034	972,270	1,023,368	1,096,578
Fines and forfeits	327,584	339,819	324,461	316,324
Investment income	1,852,136	2,102,608	1,256,353	840,898
Rentals	263,907	311,731	271,758	444,877
Contributions and donations	13,444	3,561	11,045	7,150
Administrative fees	931,777	915,543	1,311,479	651,052
Other	583,582	218,690	772,437	509,778
Refunds and reimbursements	270,826	235,531	341,756	165,345
Total revenues	<u>29,648,905</u>	<u>33,325,932</u>	<u>32,742,904</u>	<u>34,662,419</u>
Expenditures				
Current				
General government	5,381,510	5,961,983	6,310,842	6,159,832
Public safety	8,545,705	8,757,650	9,470,152	9,635,166
Public works	2,517,120	2,812,372	3,355,405	3,501,792
Park and recreation	3,957,320	4,106,632	4,373,278	4,692,052
Capital outlay	7,128,776	10,615,297	11,666,201	11,727,599
Debt service				
Principal	3,885,000	5,125,000	5,070,000	5,060,000
Interest and fiscal charges	1,891,707	1,468,677	2,001,578	1,880,399
Total expenditures	<u>33,307,138</u>	<u>38,847,611</u>	<u>42,247,456</u>	<u>42,656,840</u>
Excess (deficiency) of revenues over expenditures	(3,658,233)	(5,521,679)	(9,504,552)	(7,994,421)
Other financing sources (uses)				
Transfers in	9,963,636	20,100,223	4,290,930	17,777,689
Transfers out	(9,052,561)	(21,303,155)	(2,967,903)	(14,701,754)
Bonds issued	6,645,000	10,000,000	11,520,000	2,775,000
Payment of refunded debt	(11,340,000)	-	(2,360,000)	(2,400,000)
Premium on debt issued	6,760	-	54,759	61,795
Discount on debt issued	(4,953)	(116,483)	(110,621)	-
Sale of capital assets	-	106,442	120,765	48,309
Total other financing sources (uses)	<u>(3,782,118)</u>	<u>8,787,027</u>	<u>10,547,930</u>	<u>3,561,039</u>
Net change in fund balances	<u>\$ (7,440,351)</u>	<u>\$ 3,265,348</u>	<u>\$ 1,043,378</u>	<u>\$ (4,433,382)</u>
Debt service as a percentage of noncapital expenditures	<u>22.1%</u>	<u>23.4%</u>	<u>23.1%</u>	<u>22.4%</u>

Table 4

2010	2011	2012	2013	2014	2015
\$ 21,709,126	\$ 21,408,873	\$ 21,773,048	\$ 22,252,162	\$ 23,161,124	\$ 22,969,161
2,311,405	2,240,269	2,012,281	544,283	611,662	489,617
103,625	152,020	154,126	169,413	193,018	186,512
2,055,783	2,125,776	4,015,591	4,073,061	5,457,959	3,859,401
1,018,847	796,316	1,033,797	1,140,603	1,644,338	2,147,477
2,996,658	2,407,596	2,642,018	2,388,922	3,459,585	2,330,695
1,349,123	1,436,256	1,783,390	1,712,660	1,763,940	2,711,884
1,160,771	1,177,715	1,197,288	1,262,393	1,272,428	1,259,271
258,165	288,946	278,913	257,345	236,943	225,804
593,336	2,232,966	965,333	(991,703)	1,461,765	817,230
592,831	511,453	559,702	642,422	774,364	806,915
11,484	2,750	1,801	51,425	13,176	4,852
778,400	828,999	788,171	785,927	770,000	809,000
697,054	321,565	338,142	545,994	1,497,913	312,708
450,972	139,581	127,166	99,024	202,518	90,148
<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>	<u>39,020,675</u>
7,418,012	4,679,394	4,355,811	4,518,602	5,655,482	5,014,867
9,728,340	9,890,086	9,987,493	10,538,043	11,118,268	11,467,187
3,593,951	3,675,687	3,674,876	4,031,492	4,010,339	3,621,872
4,768,656	4,855,184	4,847,194	4,978,896	5,135,573	5,198,446
5,879,024	6,370,109	13,266,487	8,716,540	13,453,625	6,462,646
4,160,000	4,665,000	8,280,000	3,625,000	3,415,000	3,575,000
1,615,929	1,487,399	1,224,409	1,268,227	1,072,847	1,100,649
<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>	<u>36,440,667</u>
(1,076,332)	448,222	(7,965,503)	(2,742,869)	(1,340,401)	2,580,008
5,734,691	5,874,339	5,634,873	11,182,608	9,800,593	9,678,084
(3,680,241)	(3,156,709)	(4,559,768)	(9,843,719)	(7,745,923)	(8,139,084)
3,965,000	1,345,000	6,775,000	9,000,000	680,000	4,255,000
(2,750,000)	(3,920,000)	-	-	-	(1,030,000)
47,191	6,568	330,981	81,545	25,505	113,988
-	-	-	-	-	-
109,558	169,776	110,905	199,710	168,234	95,252
<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>4,973,240</u>
\$ 2,349,867	\$ 767,196	\$ 326,488	\$ 7,877,275	\$ 1,588,008	\$ 7,553,248
<u>18.5%</u>	<u>20.5%</u>	<u>27.5%</u>	<u>16.7%</u>	<u>13.1%</u>	<u>15.3%</u>

CITY OF APPLE VALLEY

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
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
2015	34,412,031	9,071,960	859,888	85,694	2,864,337

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
\$ 4,505	\$ 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
2,369	790,695	48,086,974	45.274	4,228,421,500	1.14

CITY OF APPLE VALLEY

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)
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
2015	45.265	0.009	45.274	29.633	23.271	5.033

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	
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
2015	0.000204	0.000204	-	0.002548	0.002548	0.002752

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

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

(1) Independent School District No. 196

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

Source: Dakota County

Table 6

<u>Total Overlapping</u>	<u>Total Direct and Overlapping Tax Rate</u>
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
57.937	103.211

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CITY OF APPLE VALLEY

Table 7

Principal Property Taxpayers
Current Fiscal Year and Nine Years Prior

Taxpayer	2015			2006		
	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

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
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
2015	23,134,000	(2,881,124)	20,252,876	20,069,635	99.10

Table 8

Delinquencies Collected as of Most Recent Report	Total Collections to Date	
	Amount	Percentage of Levy
\$ 212,772	\$ 16,372,034	99.99 %
284,364	17,331,647	99.99
287,054	18,011,989	99.86
294,929	19,122,979	99.65
98,268	18,821,462	99.06
171,717	19,018,598	99.64
65,010	19,061,572	99.26
240,588	19,652,170	99.96
97,372	19,705,131	99.86
–	20,069,635	99.10

CITY OF APPLE VALLEY

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
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
2015	-	29,275,000	2,605,000	590,000	13,225,000	97,919

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

(1) See the Demographic and Economic Statistics schedule for personal income and population data.

(2) Personal income at the level of the City not available for years prior to 2007.

(3) City personal income not available for 2015.

Table 9

Total Debt Issuance Premiums/ (Discounts)	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ (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	2.40	924
622,550	46,415,469	N/A (Note 3)	925

CITY OF APPLE VALLEY

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 (4)
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)	7,816,415
2009	1,050,000	24,295,000	13,750,000	2,775,000	(75,771)	10,034,145
2010	865,000	20,535,000	14,750,000	2,775,000	(60,584)	14,386,682
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	15,297,560
2014	-	26,700,000	4,935,000	1,185,000	541,122	13,581,184
2015	-	29,275,000	2,605,000	590,000	622,550	17,807,062

- 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 not available for years prior to 2007.
 - (3) City personal income not available for 2015.
 - (4) Amounts available include restricted amounts held in escrow for advance refunding bond issues.

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>
\$ 28,396,779	0.60 %	N/A (Note 2)	\$ 581
35,640,105	0.70	2.12 %	721
38,654,622	0.74	2.09	773
31,760,084	0.62	1.78	643
24,477,734	0.51	1.41	499
22,184,973	0.50	1.23	445
22,356,106	0.55	1.24	448
20,652,720	0.54	1.11	410
19,779,938	0.51	1.02	393
15,285,488	0.36	N/A (Note 3)	305

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CITY OF APPLE VALLEY

Table 11

Direct and Overlapping Governmental Activities Debt
December 31, 2015

	Net Debt Outstanding (1)	Percentage of Debt Applicable to City	City of Apple Valley's Share of Overlapping Debt
Overlapping			
Dakota County	\$ 23,420,000	11.04 %	\$ 2,585,568
School districts			
ISD No. 191, Burnsville – Eagan – Savage	163,005,000	0.85	1,385,543
ISD No. 196, Rosemount – Apple Valley – Eagan	69,775,000	29.91	20,869,703
Metropolitan Council (2)	12,625,000	1.42	179,275
Metro Transit (3)	193,395,000	1.61	3,113,660
Total overlapping	<u>462,220,000</u>		<u>28,133,749</u>
City of Apple Valley direct debt	<u>32,470,000</u>	100.00	<u>32,470,000</u>
Total direct and overlapping debt	<u>\$ 494,690,000</u>		<u>\$ 60,603,749</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, 2015, unless noted otherwise.
- (2) Deductions – \$1,205,171,649 Metropolitan Waste Control Commission Debt as of December 2, 2015.
 - (a) Debt service on above is 100 percent self-supported from revenues of the Metro Sanitary Sewer System, although the bonds are full faith and credit bonds.
 - (b) The only tax supported bond indebtedness is \$12,625,000 as of December 2, 2015.
- (3) Metro Transit has bond indebtedness of \$193,395,000 as of December 31, 2015. This amount excludes \$8,700,000 of general obligation grant anticipation 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

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Debt limit	\$ 94,085,734	\$ 101,655,976	\$ 156,063,906	\$ 154,069,326
Total net debt applicable to limit	<u>17,370,000</u>	<u>21,940,000</u>	<u>25,795,000</u>	<u>24,295,000</u>
Legal debt margin	<u>\$ 76,715,734</u>	<u>\$ 79,715,976</u>	<u>\$ 130,268,906</u>	<u>\$ 129,774,326</u>
Total net debt applicable to the limit as a percentage of debt limit	18.46%	21.58%	16.53%	15.77%

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

Table 12

2010	2011	2012	2013	2014	2015
\$ 143,630,736	\$ 133,721,061	\$ 121,852,877	\$ 123,111,918	\$ 116,911,737	\$ 126,852,645
20,535,000	19,830,000	19,845,000	27,590,000	26,700,000	29,275,000
<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>	<u>\$ 97,577,645</u>
14.30%	14.83%	16.29%	22.41%	22.84%	23.08%

Legal Debt Margin Calculation for Fiscal Year 2015

Market value	\$ 4,228,421,500
Debt limit (3% of assessed value)	126,852,645
Debt applicable to limit	<u>29,275,000</u>
Legal debt margin	<u>\$ 97,577,645</u>

CITY OF APPLE VALLEY

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				
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
2015	2,443,210	1,626,498	816,712	200,000	71,256	3.011	1,629,361	1,376,670	252,691

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 Revenues/ Gross Profit	Less Operating Expense	Net Available Revenue	Debt Service		
Principal	Interest	Coverage				Principal	Interest	Coverage
\$ 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
150,000	73,036	1.133	8,988,411	7,950,081	1,038,330	365,000	215,125	1.79

CITY OF APPLE VALLEY

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)
2006	48,862	N/A	N/A	11,655	3.20%
2007	49,456	\$ 1,679,525,760	\$ 33,960	11,445	3.60%
2008	49,983	1,850,720,541	37,027	11,348	5.30%
2009	49,376	1,782,325,472	36,097	11,216	6.80%
2010	49,084	1,740,027,800	35,450	11,291	6.50%
2011	49,801	1,801,750,379	36,179	11,264	4.80%
2012	49,895	1,801,658,555	36,109	11,219	4.20%
2013	50,326	1,855,167,338	36,863	11,189	3.60%
2014	50,330	1,934,886,520	38,444	11,312	2.80%
2015	50,161	N/A	N/A	11,272	2.60%

N/A – Not Available

Sources:

- (1) U.S. Census Bureau, Population Division
- (2) City of Apple Valley, American Community Survey, U.S. Census Bureau (data for the City not available prior to 2007); 2015 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)

ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2006 through 2007	1.250	1.000	0.557	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015	1.000	1.000	0.550	1.000	1.000	1.000	1.200

- (4) Minnesota Department of Employment and Economic Development

CITY OF APPLE VALLEY

Table 15

Principal Employers
Current Fiscal Year and Nine Years Ago

Taxpayer	2015			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
ISD No. 196	1,448	1	9.72 %	1,913	1	14.15 %
Target	515	2	3.46	500	2	3.70
Uponor	480	3	3.22	–	–	–
Wal-Mart	365	4	2.45	340	4	2.52
Dakota County	364	5	2.44	349	3	2.58
Minnesota Zoological Gardens	331	6	2.22	260	7	1.92
Apple Valley Redi-Mix	302	7	2.03	199	9	1.47
Wings Financial Federal Credit Union	292	8	1.96	–	–	–
Augustana Health Care Center	285	9	1.91	250	8	1.85
Apple Valley Ford	284	10	1.91	–	–	–
Cub Foods	–	–	–	300	5	2.22
Fischer Sand and Aggregate Co.	–	–	–	295	6	2.18
Sam's Club	–	–	–	196	10	1.45
Total	4,666		31.33 %	4,406		32.60 %

Source: City of Apple Valley Community Development Department

CITY OF APPLE VALLEY

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

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
General government						
Administration	3.00	3.00	3.00	3.00	3.00	2.81
Finance and data processing	5.00	5.00	5.00	4.95	5.00	5.00
Information and technology	3.13	3.21	3.21	3.20	3.17	3.21
Human resources	6.02	5.98	5.67	5.92	6.00	5.38
City clerk/elections	1.20	1.42	1.68	1.50	1.65	1.73
General government buildings	3.00	3.00	3.00	3.00	3.00	2.46
Community development	4.65	4.87	5.00	5.00	5.01	5.02
Code enforcement	2.77	3.00	2.98	2.15	2.00	1.71
Total general government	28.77	29.48	29.54	28.72	28.83	27.32
Public safety						
Police	71.86	63.62	63.97	64.00	62.00	60.09
Fire	16.17	17.43	16.49	18.94	16.44	18.45
Building inspections	5.74	5.86	5.91	5.99	4.93	4.02
Total public safety	93.77	86.91	86.37	88.93	83.37	82.56
Public works						
Public works administration	4.15	4.76	5.90	6.00	7.13	8.48
Central maintenance facility	5.80	5.53	5.51	5.50	5.52	5.48
Streets	16.16	16.17	17.36	17.07	17.19	17.32
Engineering (1)	-	-	-	-	-	0.73
Total public works	26.11	26.46	28.77	28.57	29.84	32.01
Culture and recreation						
Park and recreation administration	8.32	7.78	8.26	7.29	7.81	7.82
Recreation programs	7.18	7.32	7.25	7.02	7.84	7.41
Park maintenance	25.09	25.00	25.93	25.96	25.27	25.06
Redwood Pool (2)	2.71	2.40	2.50	2.80	2.13	1.94
Aquatic swim center	9.71	9.81	9.27	13.92	12.85	11.28
Community center	4.38	4.65	4.15	4.56	3.76	4.03
Apple Valley Senior Center	-	-	-	1.15	2.04	1.89
Cable TV	1.69	2.32	2.65	2.58	2.61	2.43
Total culture and recreation	59.08	59.28	60.01	65.28	64.31	61.86
Total general government	207.73	202.13	204.69	211.50	206.35	203.75
Enterprise funds						
Municipal liquor (3)	15.20	14.98	16.85	19.91	19.49	18.99
Municipal golf (4)	13.83	12.33	13.25	13.83	13.76	14.44
Sports arena	6.53	6.28	6.04	6.29	6.05	6.72
Stormwater Drainage Utility (5)	-	-	-	-	-	-
Water and sewer	17.61	17.94	18.11	18.88	18.58	18.45
Total enterprise funds	53.17	51.53	54.25	58.91	57.88	58.60
Total	260.90	253.66	258.94	270.41	264.23	262.35

- (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 2,080 hours per year

Table 16

2012	2013	2014	2015
3.00	3.00	3.00	3.00
4.71	4.00	4.00	4.00
3.33	3.24	3.53	3.64
3.97	4.00	4.63	5.00
2.05	1.81	4.84	2.00
2.00	2.00	2.00	2.00
5.16	5.00	5.00	4.77
1.82	2.00	2.00	2.44
<u>26.04</u>	<u>25.05</u>	<u>29.00</u>	<u>26.85</u>
58.72	61.16	60.22	62.27
18.40	18.63	16.21	15.46
5.07	5.22	5.75	6.93
<u>82.19</u>	<u>85.01</u>	<u>82.18</u>	<u>84.66</u>
6.25	5.99	5.30	3.83
5.25	5.34	5.44	5.51
16.63	16.66	16.66	16.92
4.28	4.24	4.49	4.03
<u>32.41</u>	<u>32.23</u>	<u>31.89</u>	<u>30.29</u>
7.28	7.87	7.82	7.83
6.16	6.76	5.06	6.88
25.02	23.09	23.24	22.97
2.32	2.47	2.55	2.35
13.25	12.80	11.95	12.25
5.07	5.67	5.95	4.64
1.92	2.27	3.13	3.03
2.27	2.44	2.46	2.61
<u>63.29</u>	<u>63.37</u>	<u>62.16</u>	<u>62.56</u>
203.93	205.66	205.23	204.36
18.98	18.86	18.51	17.51
15.96	20.41	20.10	19.68
6.47	6.88	7.09	6.57
-	-	0.28	1.96
18.84	18.14	18.26	18.07
<u>60.25</u>	<u>64.29</u>	<u>64.24</u>	<u>63.79</u>
<u>264.18</u>	<u>269.95</u>	<u>269.47</u>	<u>268.15</u>

CITY OF APPLE VALLEY

Operating Indicators by Function
Last Ten Years

Function/Program	Fiscal Year			
	2006	2007	2008	2009
General government				
Elections	2	1	2	N/A
Registered voters	33,315	30,341	36,003	N/A
Number of voters casting votes	21,964	4,518	29,262	N/A
Number of absentee ballots received	1,388	126	3,348	N/A
Percentage of absentee ballots to total votes	6.3%	2.8%	11.4%	N/A
Voter participation (registered) (elections are held every other year)	65.93%	14.89%	81.28%	N/A
Public safety				
Police				
Crimes – Part I (2)	1,590	1,002	1,555	1,366
Crimes – Part II (2)	3,700	2,087	2,901	2,542
Total arrests	3,106	2,400	2,278	2,137
DWI arrests	302	294	251	288
Traffic citations issued	9,873	9,717	8,088	7,997
Total calls for service	40,606	39,860	41,682	41,049
Fire				
Calls for service	1,092	1,261	1,380	1,307
Medical	657	742	840	735
Fire	435	519	540	572
Fire call responses times under 5 minutes	N/A	N/A	40%	41%
Fire call responses times 6–10 minutes	N/A	N/A	51%	48%
Fire call responses times over 10 minutes	N/A	N/A	9%	11%
Public works				
Building permits issued	689	745	672	577
Permits issued for new dwelling units	67	92	41	91
Commercial building permits issued	93	118	110	73
Plumbing permits issued	1,019	1,024	900	912
Heating permits issued	582	622	521	557
Building permits issued	1,667	3,439	3,017	2,688
Building inspections	3,813	4,510	4,028	3,470
Streets maintained (lane miles)	399	401	404	405
Cul-de-sacs maintained	312	313	313	314
Snow/ice events	22	34	50	48
Signs replaced	277	315	271	385
Boulevard trees trimmed	1,256	1,000	1,256	1,600
Fleet division vehicle work orders	1,584	1,561	1,689	1,733
Diseased elm and oak trees mitigated	637	738	863	729
Lakes and ponds monitored with water quality samples	15	17	17	18
Sump catch basins cleaned	1,498	1,338	1,492	1,406
Sewage pumped (million gallons)	1.2	1.2	1.2	1.2
Miles of sanitary sewer cleaned	57.7	57.0	69.2	47.6
Sanitary lift station inspections	1,716	1,716	1,716	1,716
Water produced (million gallons)	2.6	2.6	2.5	2.4
Water samples taken	1,098	1,128	1,098	1,098
Fire hydrants maintained	2,083	2,230	2,388	2,401
Pressure stations inspected	13	13	13	13
Air relief manholes inspected	15	15	15	15
Hydrant flushing	5,400	3,845	7,045	3,050
Hydrant flushing (minutes)	–	–	–	–
Water breaks repaired	9	9	7	20
Burial sites sold	52	43	59	50
Burials	31	37	40	32

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 departments

Table 17

2010	2011	2012	2013	2014	2015
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%	N/A
1,565	1,230	1,187	1,124	1,098	1,207
2,364	2,072	1,970	1,756	1,627	1,833
1,985	1,963	1,962	1,307	1,096	969
205	213	145	160	152	120
6,329	7,587	6,670	5,726	4,735	4,246
38,335	40,272	39,223	35,215	34,497	35,510
1,340	1,408	1,417	1,454	1,412	1,397
712	792	639	636	623	668
628	616	778	818	789	729
37%	40%	42%	44%	43%	43%
52%	51%	49%	46%	46%	48%
11%	9%	9%	10%	11%	9%
1,241	1,630	1,398	1,005	1,893	1,785
228	31	47	63	71	115
102	71	96	113	115	197
920	886	1,027	1,090	1,173	1,334
771	540	692	786	851	951
2,995	4,248	4,248	4,248	5,430	5,755
3,621	5,187	6,890	6,848	8,636	10,543
407	408	410	410	416	416
329	329	330	331	322	324
35	29	25	53	45	29
500	460	700	411	657	451
1,800	5,200	2,137	1,990	1,175	1,250
1,735	1,751	1,850	1,890	2,148	1,486
588	486	260	430	340	322
18	18	18	18	17	18
1,505	1,303	1,400	885	1,455	983
1.2	1.2	1.2	1.3	1.1	1.2
64.2	72.1	75.0	77.0	79.0	54.0
1,716	1,716	1,716	1,716	1,716	1,716
2.1	2.3	2.4	2.4	2.1	2.0
1,128	1,098	1,098	1,098	1,098	1,098
2,405	2,410	2,410	2,444	2,454	2,466
13	13	13	13	13	13
15	15	15	15	15	16
5,250	1,020	-	-	-	-
-	-	24,455	24,189	23,987	24,916
12	16	10	16	11	16
44	56	70	59	57	69
36	38	43	45	34	50

CITY OF APPLE VALLEY

Capital Assets Statistics by Function/Program
Last Ten Years

Function/Program	Fiscal Year			
	2006	2007	2008	2009
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				
City-owned lights	107	107	107	126
Dakota Electric Association-owned	1,937	2,066	2,076	2,124
Xcel owned lights	301	301	301	301
Streets (centerline miles)	171	171	171	171
Cul-de-sacs	312	313	313	314
Roundabouts	3	3	3	3
Trees (number of boulevard trees)	7,000	7,000	7,000	9,500
Parks				
Parks				
Parks	49	49	49	49
Total park acreage	847	847	847	847
Trails – street side 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				
Number of connections	15,279	15,342	15,413	15,464
Miles of water mains and laterals				
Miles of water mains and laterals	233	235	240	240
Wells				
Wells	18	19	19	19
Water valves				
Water valves	3,565	3,600	3,680	3,705
Fire hydrants				
Fire hydrants	2,083	2,230	2,388	2,401
Water reservoirs				
Water reservoirs	4	5	5	5
Reservoir capacity (millions of gallons)				
Reservoir capacity (millions of gallons)	11.0	12.5	12.5	12.5
Sanitary sewer				
Number of connections				
Number of connections	14,889	14,940	14,989	15,033
Miles of sanitary sewer mains and laterals				
Miles of sanitary sewer mains and laterals	190	191	193	193
Sanitary lift stations				
Sanitary lift stations	9	9	9	9
Sanitary manholes				
Sanitary manholes	5,315	5,315	5,335	5,360
Storm sewer				
Lift stations				
Lift stations	10	11	12	12
Mile of storm sewers				
Mile of storm sewers	N/A	N/A	N/A	162

N/A – Not Available

Source: Various city departments

Table 18

2010	2011	2012	2013	2014	2015
1	1	1	1	1	1
20	23	23	23	24	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
246	246	261	261	271	271
2,207	2,270	2,494	2,718	2,942	3,167
301	301	301	301	301	301
171	172	172	175	177	177
329	329	329	329	329	324
3	3	3	3	3	4
9,500	9,500	9,500	9,330	9,250	9,175
50	50	50	50	50	50
879	879	879	879	879	879
65	65	65	65	65	65
5	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
15,518	15,566	15,596	15,674	15,752	15,409
241	241	241	245	247	248
19	19	19	19	19	19
3,712	3,726	3,751	3,774	3,812	3,836
2,405	2,410	2,410	2,438	2,454	2,466
5	5	5	5	5	5
12.5	12.5	12.5	13	13	13
15,087	15,130	15,160	15,229	15,307	15,422
193	194	194	200	204	204
9	9	9	9	9	9
5,372	5,384	5,384	5,466	5,514	5,538
12	12	12	12	12	12
162	163	164	165	167	170

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