



# COMPREHENSIVE ANNUAL FINANCIAL REPORT



City of Apple Valley

Minnesota

Year Ended December 31, 2011

**COMPREHENSIVE**

**ANNUAL FINANCIAL REPORT**

**OF THE**

**CITY OF APPLE VALLEY,**  
**MINNESOTA**

**For the Year Ended**

**December 31, 2011**

Prepared by

FINANCE DEPARTMENT

CITY OF APPLE VALLEY  
7100 147<sup>th</sup> St. W.  
Apple Valley, Minnesota 55124

# CITY OF APPLE VALLEY

## TABLE OF CONTENTS

	Page
<b>INTRODUCTORY SECTION</b>	
Elected Officials and Administration.....	1
Organizational Chart.....	2
Letter of Transmittal .....	3
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	11
Management’s Discussion and Analysis.....	13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	26
Statement of Activities.....	27
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	28
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds.....	31
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds .....	34
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	35
Statement of Net Assets – Proprietary Funds .....	36
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds.....	38
Statement of Cash Flows – Proprietary Funds.....	40
Notes to the Financial Statements.....	43
Required Supplementary Information Other Than Management’s Discussion and Analysis:	
Schedule of Funding Progress – Other Post Employment Benefits.....	74
Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	86
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	96
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road Improvements Capital Projects Fund.....	101
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Future Capital Projects Fund.....	102
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Cable TV Special Revenue Fund .....	103
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Equipment Certificate Capital Projects Fund.....	104

# CITY OF APPLE VALLEY

## TABLE OF CONTENTS

Page

### FINANCIAL SECTION

Supplementary Information: (Continued)

Combining Statement of Net Assets – Internal Service Funds .....	105
Combining Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Funds .....	106
Combining Statement of Cash Flows – Internal Service Funds .....	107

### STATISTICAL SECTION

Net Assets by Component .....	110
Changes in Net Assets .....	111
Fund Balances of Governmental Funds .....	113
Changes in Fund Balances of Governmental Funds .....	114
Assessed and Estimated Actual Value of Taxable Property .....	115
Property Tax Capacity Rates Direct and Overlapping Governments.....	116
Principal Property Taxpayers .....	117
Property Tax Levies and Collections .....	118
Ratios of Outstanding Debt by Type.....	119
Ratios if General Bonded Debt .....	120
Direct and Overlapping Governmental Activities Debt.....	121
Legal Debt Margin Information .....	122
Pledged Revenue Coverage .....	123
Demographic and Economic Statistics .....	124
Principal Employers .....	125
Full-Time Equivalent City Government Employees by Function.....	126
Operating Indicators by Function/Program.....	127
Capital Asset Statistics by Function/Program.....	128

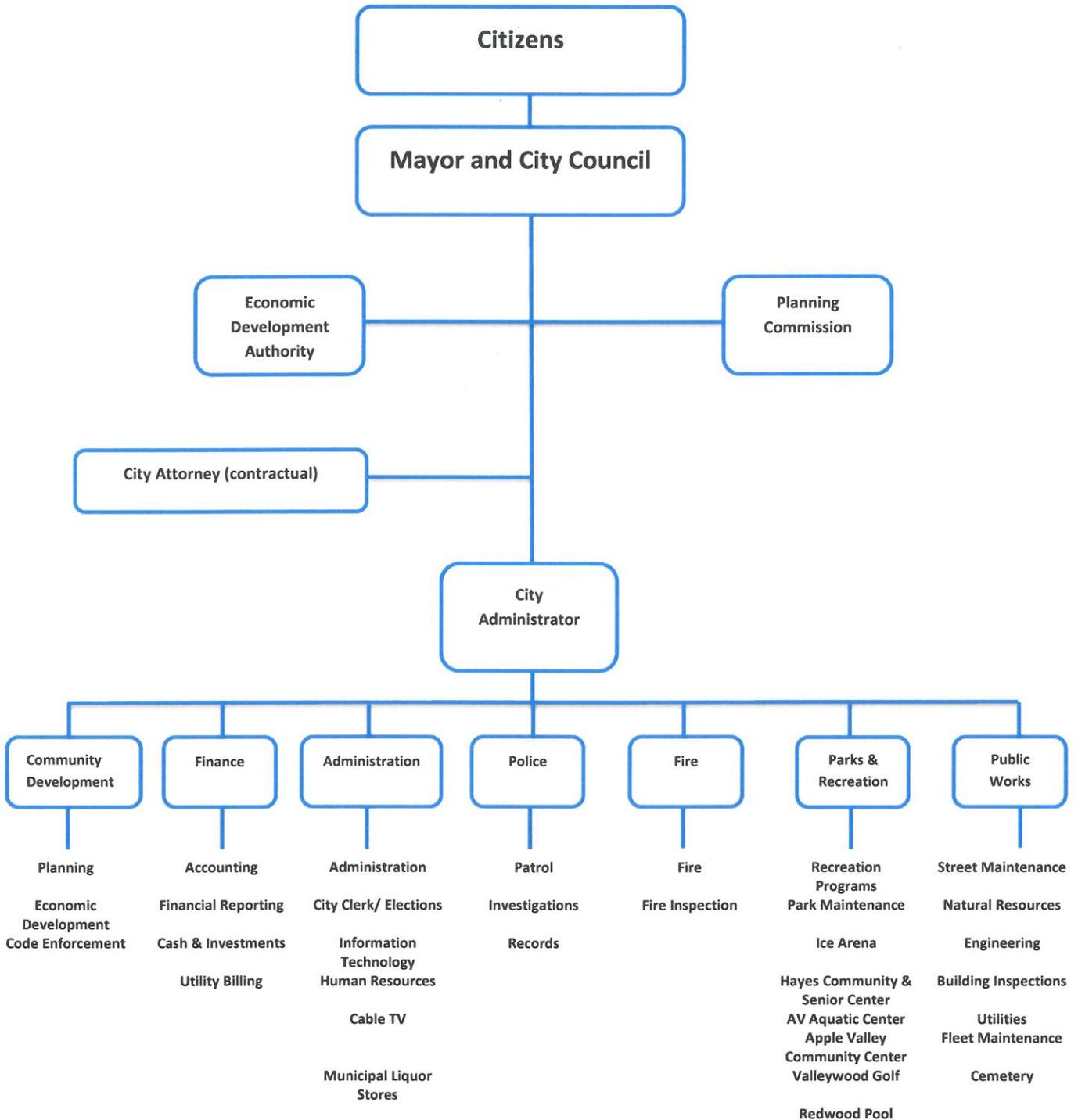
**CITY OF APPLE VALLEY**

**ELECTED OFFICIALS AND ADMINISTRATION  
December 31, 2011**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Mary Hamann-Roland	Mayor	December 31, 2014
Thomas Goodwin	Council Member	December 31, 2012
Ruth Grendahl	Council Member	December 31, 2012
John Bergman	Council Member	December 31, 2014
Clint Hooppaw	Council Member	December 31, 2014
<u>Administration</u>		
M. Thomas Lawell	City Administrator	
Pamela Gackstetter	City Clerk	
Ronald Hedberg	Finance Director/Treasurer	

# Organizational Structure City of Apple Valley

---



June 14, 2012

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

The comprehensive annual financial report of the City of Apple Valley, Minnesota, for the year ended December 31, 2011, is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) 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 GAAP. 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 financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Kern, DeWenter, Viere, Ltd. 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, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates used by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was reasonable basis for rendering an unqualified opinion that the City's financial statements, for the year ended December 31, 2011, are fairly presented in conformity with GAAP. The independent auditors report is present in the financial section of this report.

This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found in the financial section of this report immediately following the report of the independent auditors.

## **Profile of the City of Apple Valley**

Apple Valley was incorporated as a village on January 1, 1969 and incorporated as a city on January 1, 1974. Apple Valley is a suburban community located 17 miles south of downtown Minneapolis within Dakota County. Apple Valley has a convenient location, a comprehensive system of highways, and is 8 miles from the Minneapolis-St. Paul International Airport. Apple Valley is within the Seven County Twin Cities Metropolitan Region. The City has a land area of 17.5 square miles and serves a community with a population of 49,801.

The City of Apple Valley operates as a Statutory Plan A City, the Mayor-Council form, under Minnesota law. The governing body, consisting of the Mayor and four council members, is elected at large and on a non-partisan basis. Terms of office are four years, with elections held in each even-numbered year; not more than two council members terms expire in any one-year. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to various advisory committees and commissions, and hiring the City Administrator and other city employees. The City Administrator is responsible for carrying out the policies, ordinances and directions of the City Council and for over-seeing 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](http://www.ci.apple-valley.mn.us).

The Apple Valley Economic Development Authority (EDA) is a separate legal entity organized pursuant to Minnesota Statute 469. The EDA is included as a blended component unit. The EDA is considered a component unit because the City Council appoints the members of the EDA and because the EDA is in a relationship of financial benefit or burden of the City.

The annual budget serves as the foundation for the City of Apple Valley's financial planning and control. Departments submit department requests to the Finance Department in June and the City Council conducts workshops during August, a preliminary budget and property tax levy is adopted by September 15<sup>th</sup> of each year. The City Council holds a public meeting on the proposed budget and adopts the final budget no later than December 28<sup>th</sup> of each year. Budgets are adopted on a basis consistent with GAAP. Annual budgets are adopted for the General Fund in addition to certain special revenue and capital projects funds.

### **Economic Condition and Outlook**

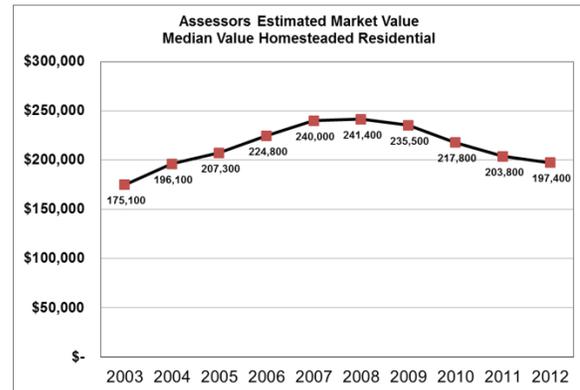
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment with which the City of Apple Valley operates.

## Housing Values

Like many areas of the State and Country, housing values have trended downward in recent years. The assessors estimated market for residential market values declined on the median valued home approximately 6.4 % for 2011.

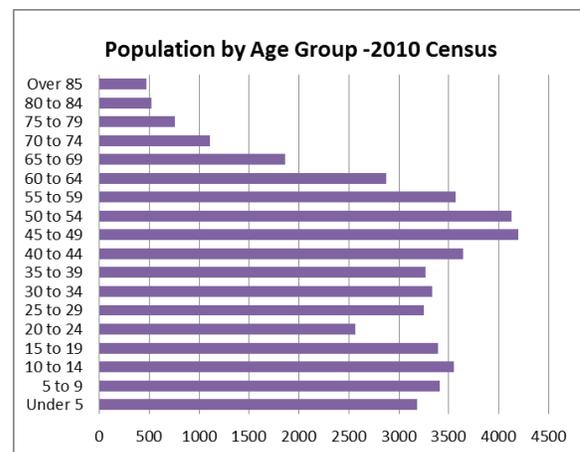
### Average Decline in Median Value Home:

2010	(7.5%)
2011	(6.4%)
2012	(3.1%)



## Local Economy

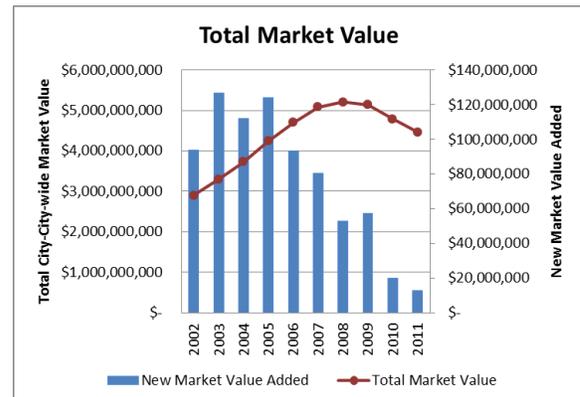
The population of Apple Valley has increased from 585 in 1960 to 49,084 according to the 2010 census and is estimated at 49,801 for 2011. Most of the population of the City concentrates in two age groups; 45-54 years and 5-14 years, 17.0% and 14.2% respectively. According to the 2010 census, the average age is 32 years and the median family income was \$65,825.



Apple Valley is the home to Uponor-US and Wings Financial Credit Union; other major employers in the area include Target, Wal-Mart, the MN Zoo, Apple Valley Health Care Center and Apple Valley Red-E-Mix.

## Market Value Growth

Apple Valley has been adding new tax base but at or near historic low levels. In 2011, a total of \$12.9 million of market value was added to the City's tax base. The total city-wide market value has declined to \$4.46 billion for 2011.



## Major Initiatives

The City Council identified key road improvement projects in 2011 that will complete the ring route serving the business district, with construction to be completed in 2012. These road improvements include the extension of Flagstone Ave connecting County Road 42 with 140<sup>th</sup> Street. The second key road project is the extension of 147<sup>th</sup> Street, connecting Pilot Knob Road (County Road 31) to Flagstaff Avenue and to the western border of the commercial district. The portion of the 147<sup>th</sup> street project to be completed in 2012 includes the lowering of a significant petroleum pipeline. The costs of these projects will be funded by a combination of special assessments to benefiting properties and available Tax Increment Financing resources. These road projects will lead to the construction of two office/warehouse buildings totaling 100,000 square feet just north of 147<sup>th</sup> Street.

In 2011, investment continued in Apple Valley as new businesses opened and new developments were approved. The City also continued planning for the Cedar Avenue corridor, which will be the first Bus Rapid Transit (BRT) line in Minnesota. The Cedar Avenue BRT line, also called the “Red Line”, will begin service in 2012. What follows is a sample of some of the development projects that were reviewed, approved, began construction, or completed in 2011, as well as some of the long-range planning and economic development initiatives that will help maintain Apple Valley’s high quality of life.

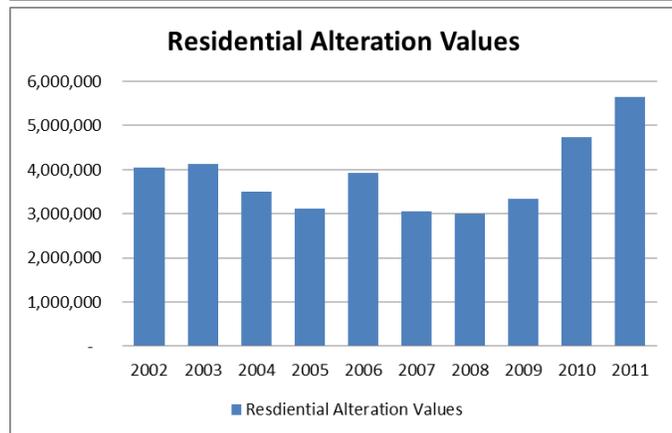
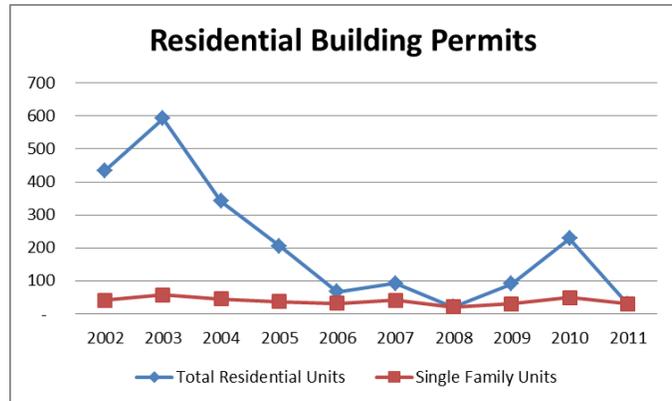
## Residential Development

Over the past ten years single family construction has averaged 39 units per year, and 2011 saw 31 units constructed. Multi-family residential construction has slowed in recent years reflecting a nationwide trend of focus away from Multi-family dwelling units.

While the construction of new single family homes has slowed, the valuation added by remodeling and renovations has increased over the past couple of years. This reflects the homeowners continued interest in investing in their property.

The following new residential developments were approved in 2011:

Cobblestone Lake South Shore 5th Addition will be a 53-lot single family development located at the corner of 160th Street and Elmhurst Lane in the Cobblestone Lake neighborhood.  
 Cobblestone Lake South Shore 6th Addition will provide 10 twin-home dwelling units and one single-family home. Included in the project is a 7.1 acre outlot for park purposes.



In 2011, the City received two grants from the Metropolitan Council that will support residential development projects:

Cobblestone Lake Senior Complex and Park Improvements - Part of the \$896,500 grant will go towards land acquisition to support additional senior housing options near transit and retail services in the Cobblestone Lake neighborhood, and a smaller portion will be used for the construction of a restroom/ kiosk building, performance stage, trail connections, and site furnishings in Cobblestone Lake Park.

Enclave Trails - A \$174,800 grant will allow for the construction of sidewalks, trails, and lighting to improve pedestrian and bicycle connections between the Apple Valley Transit Station and future high density housing in the Central Village area.

## Commercial Development

Commercial and industrial development has declined in recent years and 2011 activity is related to leasehold improvements and alterations.

The Augustana Health Center was approved for a two story, 40-unit transitional care unit facility to be attached to the existing long-term care facility at 14610 Garrett Avenue. Although construction of these facilities is not proceeding at this time, interior remodeling of the existing facility is underway.



Despite the economic downturn, several businesses opened, expanded, or made significant reinvestments in their businesses in Apple Valley in 2011: Think Bank, Buffalo Wild Wings, Culver's Restaurant, Sam's Club, Home Depot, McCormick Computer Resale, Kwik Copy, ABE Center, Nystrom & Associates, Panda Express, Running Room, Great Lakes Window and Siding, Red Tag Cleaners, Revive Salon & Spa, Burger Time, Grace Acupuncture, Apple Valley Sleep Center and Sister Kenny Institute, Flooring Expo, Spoon Restaurant, Ulta Beauty, Valley Tap House, iBeach Tan, Kumon Math and Reading Center, Massage Envy, Sun Thisweek Newspaper, and A.B.L.E. Chiropractic.

A 18,200 sq. ft. building was approved for Lifeworks Services at the corner of Upper 147th Street West and Johnny Cake Ridge Road construction will be completed in 2012.

The City is working with a consultant on analysis of the market mix and economic feasibility of potential future users of the now-vacant 80 acres Hanson Concrete site northwest of the intersection of Johnny Cake Ridge Road and County Road 42, this 80 acre parcel will also be serviced by the extension of 147<sup>th</sup> Street. The study, supported by a grant from the Metropolitan Council, should be completed by mid-2012.

## Institutional Development

Construction is underway on the City of Apple Valley's new 16,400 sq. ft. two story Valleywood Golf Course Clubhouse, which will feature a food service area, a commercial kitchen, a new pro shop, offices, and a patio.

Apple Valley Transit Station Expansion - The Apple Valley Transit Station expanded this year to include an additional 885 sq. ft. covered passenger loading area for express buses at the northbound station, and a 3,750 sq. ft. of uncovered loading area at the southbound station.

## **Transit Oriented Development**

The City's participation in the design of Cedar Avenue reconstruction for the Bus Rapid Transit (BRT) is ongoing. Construction on the first phase of the Cedar Avenue improvements was completed in 2011, and will continue in 2012. To help facilitate the development vision for the Cedar Avenue corridor, the City participated in the American Institute of Architects' 2011 Sustainable Design Assessment Team program. This program brought together a multidisciplinary team of professionals to work with community decision-makers and stakeholders for an intensive planning process that focused on the Cedar Avenue corridor and the changes and sustainable transit oriented development (TOD) opportunities associated with the first BRT system in the state. The team's final report was delivered in October, and in 2012, the City will prepare an action plan.

As part of the action plan, the City will work with a consultant to create a station area guide plan, conduct a market study, and create land use controls and design standards for properties within the ½ mile area surrounding the on-line Cedar Avenue transit stations. These stations include the Apple Valley Transit Station, as well as planned stops at 140th Street and 147th Street. The work is supported by a \$60,000 grant from the Metropolitan Council.

Also part of the planning for the Cedar Avenue BRT, the "Corridors of Opportunity" (CoO) initiative is underway to promote sustainable, vibrant, and healthy communities, using the region's transitway corridors as a development focus. This is a 3-year, \$5 million Metro-wide program, and Cedar Avenue is one of seven corridors within the planned regional transitway system that will be studied in connection with the project.

## **Long-Term Financial Planning**

In 2011, Apple Valley continued its progress on an expansion of the water treatment facility to expand capacity to meet ultimate demands of the utility customers once fully developed. Planning continued in 2011 and construction will begin in 2012. The total cost of the treatment plant expansion is estimated at \$14 million and will be financed by cash on hand in the utility of \$3 million along with \$11 million long term water utility revenue bonds. revenues.

## **Relevant Financial Policies**

The City has utilized various financial and budget policies to guide the City Council and staff when making financial decisions. These include; adoption of a balanced budget minimizing the reliance on state revenues which have proven to be unpredictable, setting of a 50% minimum fund balance level to provide for cash flow purposes, 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 money market instruments and US government agency obligations. Apple Valley'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, 2011, the effective duration of the investment portfolio was 2.96 years. The City's average return on investments in 2011 was 5.7%

## **Acknowledgements**

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 on a fiscally prudent and progressive manner.

Respectfully Submitted,

CITY OF APPLE VALLEY, MINNESOTA

A handwritten signature in black ink, appearing to read "Ronald Hedberg", is written over a light gray rectangular background.

Ronald Hedberg,  
Finance Director

(THIS PAGE LEFT BLANK INTENTIONALLY)



*Expert advice. When you need it.<sup>SM</sup>*

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Apple Valley, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Apple Valley, Minnesota, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 17, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits on page 74, 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 required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

The information identified in the Table of Contents as the Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the financial statements. This information has 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.

*Kern, Dewenter, Viere, Ltd*

KERN, DEWENTER, VIERE, LTD.  
St. Cloud, Minnesota  
June 18, 2012

## CITY OF APPLE VALLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

As management of the City of Apple Valley (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found on pages 3 to 9 of this report.

#### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 242,564,177 (net assets). Of this amount, \$ 61,547,138 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$ 10,924,805
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 43,642,731, an increase of \$ 767,196 from the prior year. Further comparative analysis of governmental fund balances reporting is limited due to changes in category descriptions resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54.
- At the end of the current fiscal year, the General Fund balance was \$ 12,705,753, an increase of \$ 58,627 from the previous fiscal year.
- The City's capital assets increased by \$ 4.0 million, or 2.1%. Please see the tables on pages 56 and 57 for further detail of capital assets in Note 4.
- The City's long-term debt decreased by \$ 5.1 million, or 11.2% during the current fiscal year. Please see the table on page 62 and for further detail of long-term debt see note 6.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

## CITY OF APPLE VALLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

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

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

The government-wide financial statements can be found on pages 26-27 of this report.

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

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

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

The City maintained 61 individual governmental funds during 2011. Of these funds, six are considered major funds. Information on the major funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Closed Bond Issues Debt Service Fund, Improvement Bonds of 2006 Debt Service Fund, Improvement Bonds of 2007 Debt Service Fund, Future Capital Projects Fund and the Road Improvements Capital Projects Fund all of which are considered to be major funds. Data from the other 55 governmental funds are combined into a single, aggregated presentation on the combining statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts annual appropriated budgets for the following major funds: General Fund, Road Improvements Capital Projects Fund and the Future Capital Projects Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**CITY OF APPLE VALLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

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

**Proprietary Funds** – The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor, municipal golf course, sports arena, water and sewer, storm drainage, street light utility and cemetery operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses two Internal Service Funds to account for the risk insurance activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 36-41 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 43-72 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding the post employments benefit plan. This supplemental information can be found on page 74 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplemental information on the funding progress of the post employment benefit plan. The combining statements can be found on pages 76-95 of this report.

## **STATEMENT OF NET ASSETS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$242,564,177 at the close of the most recent fiscal year.

The largest portion of the City's net assets, \$ 159,126,744, or 65.6%, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF APPLE VALLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

**City of Apple Valley's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 69,245,677	\$ 68,146,561	\$ 23,003,982	\$ 22,128,475	\$ 92,249,659	\$ 90,275,036
Capital Assets, Net	85,884,886	84,402,393	109,053,853	106,504,371	194,938,739	190,906,764
Total Assets	155,130,563	152,548,954	132,057,835	128,632,846	287,188,398	281,181,800
Long-Term Liabilities	29,958,210	32,292,963	5,863,223	4,027,425	35,821,433	36,320,388
Other Liabilities	6,547,382	11,323,346	2,255,406	1,898,694	8,802,788	13,222,040
Total Liabilities	36,505,592	43,616,309	8,118,629	5,926,119	44,624,221	49,542,428
Net Assets:						
Invested in Capital, Net of Related Debt	54,928,735	45,477,393	104,198,009	102,320,160	159,126,744	147,797,553
Restricted	21,580,777	24,656,491	309,518	291,591	21,890,295	24,948,082
Unrestricted	42,115,459	38,798,761	19,431,679	20,094,976	61,547,138	58,893,737
Total Net Assets	\$ 118,624,971	\$ 108,932,645	\$ 123,939,206	\$ 122,706,727	\$ 242,564,177	\$ 231,639,372

A portion of the City's net assets, \$ 21,890,295, or 9%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 61,547,138, or 25.4%, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net assets increased by approximately \$ 10.9 million; approximately \$ 4.9 million, 45% of this increase is attributed to the net change in total liabilities. Approximately \$ 9.2 million of bonded debt was retired during the year and of this, \$ 3,920,000 was attributed to the crossover of the 2010a Improvement Refunding Bonds during 2011.

Governmental activities net assets increased \$ 9.7 million, and reflect the addition of \$ 4.6 million in various street improvements including the Gardenvue Drive, 147<sup>th</sup> Street and the Flagstaff Avenue extension project. Net asset additions in the business activities total \$ 1.2 million and include utility improvements related to Deep Well Number 20, rehabilitation of sanitary lift station #2, starting of a multi-year project expanding the water treatment plant and the construction of a new Valleywood Clubhouse.

A portion of the Governmental Fund's increase in net assets relates to an increase in the General Fund's net assets due to revenues in excess of budgeted amounts in building permits, and investment earnings along with realizing savings within the General Fund from vacant positions and other budget savings.

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

**CITY OF APPLE VALLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

**STATEMENT OF ACTIVITIES**

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

**City of Apple Valley's Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>REVENUE:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 5,464,053	\$ 6,017,639	\$ 20,959,803	\$ 21,107,813	\$ 26,423,856	\$ 27,125,452
Operating Grants	2,182,301	1,872,316	10,170	25	2,192,471	1,872,341
Capital Grants	2,750,143	3,271,761	643,164	645,402	3,393,307	3,917,163
<b>General Revenues:</b>						
Taxes	23,813,181	24,112,451	120,000	125,000	23,933,181	24,237,451
Unallocated Aids	117,000	95,019	-	-	117,000	95,019
Franchise Fees	1,107,354	1,089,015	-	-	1,107,354	1,089,015
Investment Earnings	2,372,693	643,741	888,863	320,166	3,261,556	963,907
Gain on Sale of Assets	169,776	109,558	-	-	169,776	109,558
Other General Revenues	6,799	162,064	50,835	15,217	57,634	177,281
Total Revenue	<u>37,983,300</u>	<u>37,373,564</u>	<u>22,672,835</u>	<u>22,213,623</u>	<u>60,656,135</u>	<u>59,587,187</u>
<b>EXPENSES:</b>						
General Government	7,086,321	10,081,345	-	-	7,086,321	10,081,345
Public Safety	10,548,223	10,092,977	-	-	10,548,223	10,092,977
Public Works	5,744,780	7,008,886	-	-	5,744,780	7,008,886
Park and Recreation	6,169,552	6,261,801	-	-	6,169,552	6,261,801
Interest	1,459,728	1,556,130	-	-	1,459,728	1,556,130
Municipal Liquor	-	-	8,177,679	8,285,841	8,177,679	8,285,841
Municipal Golf	-	-	1,051,605	1,057,715	1,051,605	1,057,715
Sports Arena	-	-	799,993	748,541	799,993	748,541
Water and Sewer	-	-	7,309,277	7,302,254	7,309,277	7,302,254
Storm Drainage	-	-	917,054	846,743	917,054	846,743
Street Light Utility	-	-	398,114	410,787	398,114	410,787
Cemetery	-	-	69,004	68,868	69,004	68,868
Total Expenses	<u>31,008,604</u>	<u>35,001,139</u>	<u>18,722,726</u>	<u>18,720,749</u>	<u>49,731,330</u>	<u>53,721,888</u>
Increase (decrease) in net assets before transfers	<u>6,974,696</u>	<u>2,372,425</u>	<u>3,950,109</u>	<u>3,492,874</u>	<u>10,924,805</u>	<u>5,865,299</u>
Transfers	<u>2,717,630</u>	<u>1,623,303</u>	<u>(2,717,630)</u>	<u>(1,623,303)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	9,692,326	3,995,728	1,232,479	1,869,571	10,924,805	5,865,299
Net Assets - Beginning	<u>108,932,645</u>	<u>104,936,917</u>	<u>122,706,727</u>	<u>120,837,156</u>	<u>231,639,372</u>	<u>225,774,073</u>
Net Assets - Ending	<u>\$ 118,624,971</u>	<u>\$ 108,932,645</u>	<u>\$ 123,939,206</u>	<u>\$ 122,706,727</u>	<u>\$ 242,564,177</u>	<u>\$ 231,639,372</u>

## CITY OF APPLE VALLEY

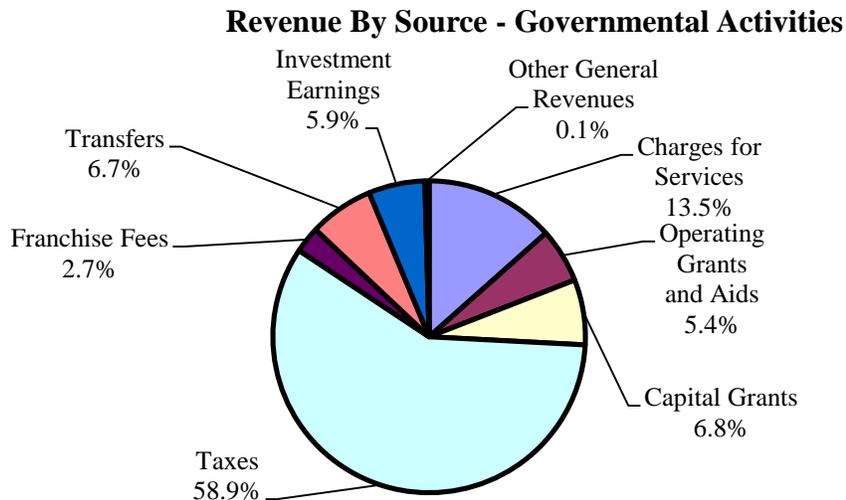
### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

**Governmental Activities** – Governmental activities increased the City's net assets by \$ 9.7 million, accounting for 89% of the total growth in the net assets of the City.

The revenues included in the chart below include all program and general revenues for the governmental activities such as property taxes, grants capital contributions and investment earnings. Property taxes remain the largest component of governmental revenues, approximately 56.5%. Capital grants represent the levying of special assessments for the construction of infrastructure assets, such as water mains, sewer mains, streets and storm sewer services.

Revenues increased \$ 609,736, or 1.6%, the key elements of this change are:

- The decrease in charges for services is attributed to a decline in building permit revenue of approximately \$ 245,000 and fewer park dedication fees collected of approximately \$ 269,000 in the park and recreation area. The 2010 year had seen increase in revenues from home building and the completion of a 134 unit senior apartment building.
- Operating grants increased because of additional support of a municipal state aid road project.
- Capital grants decreased for 2011 because 2010 included a \$ 408,828 one-time energy efficiency grant and fewer amounts received in special assessments for levied assessments.
- Investment earnings for both governmental and business activities increased for 2011 by \$ 1,728,952 and is a result of the increase in the market value of the portfolio related to a decline in the overall fixed income investment market.
- Net transfers for 2011 were \$ 2,717,630 into the governmental funds, an increase of \$ 1,094,327 over the 2010 net transfer. Approximately \$ 311,000 of this increase in net transfers is a transfer out of the storm water utility into a construction fund to reimburse the governmental fund for past storm water activity, an additional \$ 40,000 was transferred from the Municipal Liquor Fund to support general government activities, the remainder of the increase was additional support from the utility funds to support the 2011 street improvement project.



**CITY OF APPLE VALLEY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

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



Expenses in the governmental activities decreased \$ 3,992,535 for 2011. Some of the significant items included in 2011 activities are:

A decrease in the community and economic development area of general government is a result of the City making the final Tax Increment Financing payment of \$ 2.6 million in 2010 for the Fischer Marketplace Development.

The public works area declined \$ 1.3 million for 2011. This reflects less spent on non-capitalizable street maintenance activities in 2011 compared to 2010.

Interest expense is approximately \$ 96,402 lower for 2011 and reflects the reduction in debt service expense through debt retirement and the impact of refunding bonds issued in prior years.

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

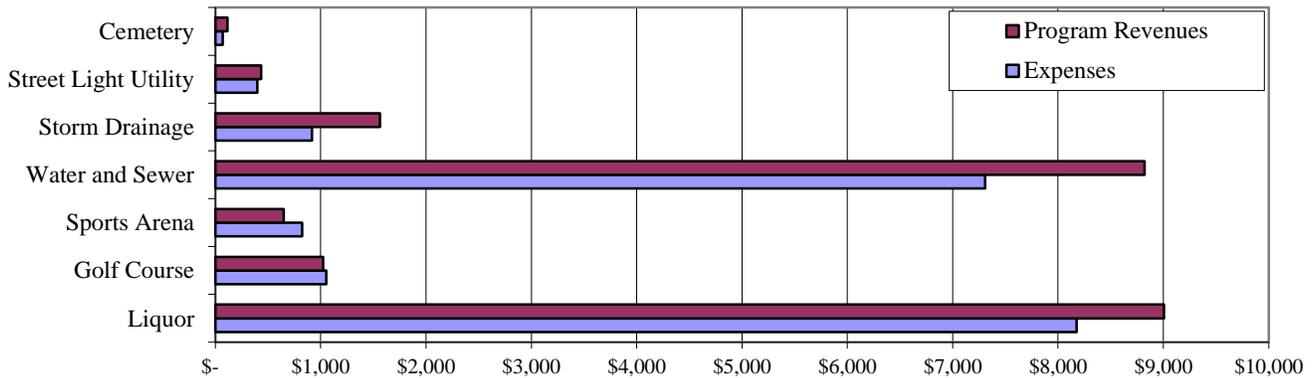
**Business Type Activities.** Business-type activities increased the City's net assets by \$ 1.2 million, accounting for 11% of the increase in the total net assets of the City.

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

## CITY OF APPLE VALLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

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



Overall, total revenues for the business type activities increased \$ 459,212, or 2.1%, for 2011. The key elements making up this change are as follows:

- Charges for services overall were relatively flat although the individual activities showed variances with the prior year.
  - The liquor operations showed a slight decrease in revenues of \$ 26,534, the decline in liquor revenues can be attributed to liquor Store No. 1 which experienced revenue declines of \$ 203,000 and related to the county road construction activities on Cedar Avenue. Declines in Store No. 1 were offset by increases in Store No 3, which experienced an increase of \$ 164,000 in sales.
  - The Water and Sewer utility revenues were down slightly for 2011, by approximately, \$ 8,000. The early summer of 2011 was rainy and wet resulting in lower consumption for irrigation purposes.
  - The Municipal Golf Course experienced declines in revenues of approximately \$ 90,000 which is related to the rainy and wet early summer.
  - The ice arena revenues increased approximately \$ 44,000, and relates to additional rental activity.
  - The storm water utility revenues increased approximately \$ 32,000, or 6.9%, resulting from an increase in the storm water utility rates per residential equivalent unit.

#### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a delegated authority to assign resources for use for particular purposes by the City.

## CITY OF APPLE VALLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$ 43,642,731, an increase of \$ 767,196 in comparison with the prior year. Unassigned fund balance totals a negative \$ 1,253,376, the remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$ 118,661), 2) restricted for particular purposes (\$ 15,537,787), 3) committed for particular purposes (\$ 165,872) or assigned for particular purposes (\$ 29,073,787).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 12,142,496, while total fund balance increased to \$ 12,705,753. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 53% of total General Fund expenditures, while total fund balance represents approximately 55.4% of that same amount. The fund balance of the City's General Fund increased by \$ 58,627 during the current fiscal year. The increase was due to total revenues coming in over the budgeted revenues by \$ 559,426, the most significant of these variances include; franchise fees (\$ 133,782), building permits (\$ 164,872) and investment earnings (\$ 210,341). The total General Fund expenditures came in \$ 1,373,307 under budget in operating expenditures for nearly every program budget area, see the discussion on the General Fund budgetary highlights that follows.

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

Total unrestricted net assets for all enterprise funds for the year were \$ 19,431,679. Unrestricted net assets of the Water and Sewer Fund, the City's largest proprietary fund, at the end of the year amounted to \$ 16,345,034. Current year operations posted a \$ 749,172 increase in net assets for this fund.

Total ending net assets for all enterprise funds was \$ 123,939,206, \$ 104,198,009 of which is invested in capital assets (infrastructure), net of related debt.

The increase in net assets in the Municipal Liquor Fund of \$ 392,306 reflects continued positive operations of the City's liquor stores and is after transferring \$525,000 to the general Fund in support of park and recreation activities. The increase in the Liquor Fund comes from an improvement in gross margin on sales to 28.4%. The Sports Arena Fund posted a decrease in net assets of \$ 21,362. The Municipal Golf Fund operations posted a decline in net assets of \$ 18,597 and can be attributed to increased maintenance activities and costs related to the replacement of the Valleywood Clubhouse. The Water and Sewer Fund posted an increase in net assets of \$ 749,172 which results from a 3% increase in utility rates. The other proprietary funds posted increases of \$ 38,970 in the Street Light Utility, \$ 17,919 in the Storm Drainage Fund and \$ 74,071 in the Cemetery Fund.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The most significant amendment to the 2011 General Fund budget was to remove the costs and the property tax revenues associated with the annual street maintenance program from the General Fund into the Road Maintenance Program. The budgeted property taxes and budgeted expenditures in the streets budget were reduced \$ 1,598,000. The 2011 General Fund budget was also amended to include some projects that were carried over from the prior year 2010 to 2011 in the amount of \$ 185,000, in addition to an amendment to change the allocation of the charges for workers compensation insurance, the original General Fund budget included the workers compensation in the unallocated portion of the budget and the amended budget includes allocating these costs at the department and program level, the total amount reallocated to the program budgets was \$ 320,000 within the General Fund.

## CITY OF APPLE VALLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

During the year, the total revenues exceeded the final amended budgetary estimates by \$ 559,426 and can be attributed to franchise fees, exceeding budget amounts by \$ 133,782, building permits exceeding the budget by \$ 245,000, and investment income exceeding the budget by \$ 210,341. Total actual expenditures were \$ 1,373,307 less than the budgetary estimates and provided the ability to transfer \$ 1,748,000 to the Future Capital Projects Fund in accordance with the fund balance policy. General Fund budget performance can be attributed to curtailing spending where possible and a number of vacant positions held open for extended periods during the year.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounted to \$ 194,938,739, net of accumulated depreciation of \$ 92,415,640. This investment in capital assets includes land, buildings and system improvements other than buildings, furniture and equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$ 4,031,975, or approximately 2.1%, total depreciation charged in 2011 was \$ 6,471,863.

#### City of Apple Valley's Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and Land Improvements	\$ 2,523,813	\$ 2,523,813	\$ 5,816,447	\$ 5,327,130	\$ 8,340,260	\$ 7,850,943
Buildings	18,510,446	19,186,208	8,226,557	8,637,212	26,737,003	27,823,420
Improvements other than Buildings	18,361,051	18,956,095	91,549,290	90,684,284	109,910,341	109,640,379
Furniture and Equipment	5,574,007	5,803,453	1,164,624	1,147,871	6,738,631	6,951,324
Infrastructure	40,366,113	37,667,234	-	-	40,366,113	37,667,234
Construction in Progress	549,456	265,590	2,296,935	707,874	2,846,391	973,464
Total	<u>\$ 85,884,886</u>	<u>\$ 84,402,393</u>	<u>\$ 109,053,853</u>	<u>\$ 106,504,371</u>	<u>\$ 194,938,739</u>	<u>\$ 190,906,764</u>

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

- Street improvement projects including 147<sup>th</sup> Street east of Johnnycake Ridge Road (\$ 1,041,107), the annual mill and overlay project (\$ 910,584), 132<sup>nd</sup> Street, (\$ 283,366), Everest Street reconstruction (\$ 258,300), Gibraltar and Glenhaven Streets (\$ 176,307) along with a few other street and trail improvements totaling \$ 106,017.
- Construction in progress includes costs associated with the extension of Flagstaff Avenue and 147<sup>th</sup> West of Johnnycake Ridge Road to Flagstaff Avenue totaling \$ 372,348, which projects were begun in 2011 and will be completed in 2012.
- Utility improvements including Sanitary Lift Station No. 2 (\$ 704,248).

Additional information on the City's capital assets can be found in Note 4 on pages 56-58 of this report.

**Long-Term Debt** – At the end of the current fiscal year, the City had total debt outstanding of \$ 37,862,975, a net decrease of \$ 5,246,236, or 12.2%. Of the total bonded debt \$ 4,183,091, or 11.1%, is due within one year. Of the total amount, \$ 25,540,000 is backed by the full faith and credit of the City and \$ 9,000,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the debt is backed by the revenues of the enterprise funds.

## CITY OF APPLE VALLEY

### MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
General Obligations bonds <i>(backed by the City)</i>	\$ 24,175,000	\$ 22,685,000	\$ 1,025,000	\$ 2,855,000	\$ 25,200,000	\$ 25,540,000
G.O. Special Assessment Bonds <i>(backed by the City)</i>	14,750,000	9,000,000	-	-	14,750,000	9,000,000
Revenue Bonds <i>(backed by specific revenues)</i>	-	-	3,050,000	3,245,000	3,050,000	3,245,000
Capital Lease <i>(backed by specific revenues)</i>	-	-	109,211	77,975	109,211	77,975
<b>Total</b>	<b>\$ 38,925,000</b>	<b>\$ 31,685,000</b>	<b>\$ 4,184,211</b>	<b>\$ 6,177,975</b>	<b>\$ 43,109,211</b>	<b>\$ 37,862,975</b>

The total debt decreased \$ 5,246,236 during the current fiscal year. A portion of the decline (\$ 3,920,000) was related to the crossover date of the 2010a Refunding Bonds which refunded the 2004, 2006a and 2006b General Obligation (G.O.) Improvement Bonds. The remainder of the decline is because more debt was retired than issued in 2011.

During 2011, the City issued \$ 3,945,000 in bonded debt. The proceeds of the 2011a G.O. Bonds are comprised of two separate uses; one is the remaining amount of the Park Bonds authorized in the referendum of 2007 in the amount of \$ 1,345,000. The second portion will be a G.O. Storm Water Revenue Bond in the amount of \$ 2,600,000, to be repaid from storm water utility fees over the next 20 years. These two uses were combined for issuance purposes to have a somewhat larger bond issue that will be more attractive to market and should attract more interest than two smaller issues.

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

*Minnesota Statutes* limit the amounts of G.O. debt a governmental entity may issue to 2% of the assessed valuation. The current debt limitation for the City is \$ 89,147,374, which is significantly in excess of the City’s outstanding G.O. debt subject to limit.

Additional information on the City’s long-term debt can be found in Note 6 on pages 59-63 of this report.

#### ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Property taxes provide the largest source, approximately 76%, of the resources needed to support the General Fund activities. Minnesota cities are not subject to levy limits for 2012.
- Property values in the City are declining as they are in other locations. The decline in the median valued residential property for the 2012 budget year will be approximately 3.1%, compared to a reduction of 6.4% for the 2011 budget year. The property value declines do not impact the overall property tax revenues because, in Minnesota, the tax extension rate is determined each year by dividing the total amounts levied amount by the total tax capacity of all properties and then applying the resulting tax extension rate to each individual property.

## **CITY OF APPLE VALLEY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2011**

- For the coming year 2012, the State of Minnesota changed the way in which residential properties receive the benefit for homesteaded status. A reduction in state aids to cities was enacted by the State Legislature during the 2004, 2005 and 2006 legislative sessions to help balance the State's budget. Future state budgets are still reducing state revenues; however, some state aid in the form of Market Value Homestead Credit (MVHC) was restored in 2007 and 2008, but is expected to be reduced or eliminated in 2012 and future years. In 2011, the City received \$ 20,295 in MVHC payments from the State. For 2012, the state enacted a new program benefiting homesteaded properties. Instead of providing aid payments to cities through the MVHC program the Market Value Exclusion (MVE) program provides a reduction in the taxable market value for residential properties prior to applying the tax extension rate to determine the property taxes to be paid. For homes valued at \$ 76,000, the new exclusion is equal to 40% of the home's market value. For homes valued above \$ 76,000, the exclusion value is \$ 30,400 minus 9% of the value over \$ 76,000, effectively phasing out the MVE amounts for homes valued over \$ 413,800. The result of the MVE program is that the overall tax base value is reduced but will result in a more stable revenue stream for the City by not having to rely on reimbursements from the State to make up for the credit provided to homeowners.
- A 2.9% reduction in the property tax levy for 2012.
- Anticipated contract settlements with all of the City's unions.
- A 3% increase in the water utility rates were enacted in 2011 and 2012 to fund the expansion of the City's water treatment plant

All of these factors were considered in preparing the City's budget for the 2012 fiscal year.

#### **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF APPLE VALLEY**  
**STATEMENT OF NET ASSETS**  
**December 31, 2011**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments (Including Cash Equivalents)	\$ 45,892,193	\$ 17,976,153	\$ 63,868,346
Cash with Fiscal Agent	-	309,518	309,518
Receivables:			
Taxes Receivable	564,572	-	564,572
Special Assessments Receivable	19,853,965	304,549	20,158,514
Accounts Receivable	371,640	2,396,067	2,767,707
Interest Receivable	415,848	2,494	418,342
Due from Other Governments	1,913,585	287,951	2,201,536
Inventory	59,378	1,441,308	1,500,686
Prepaid Items	174,496	206,659	381,155
Deferred Charges	-	79,283	79,283
Capital Assets not being Depreciated:			
Land and Land Improvements	2,523,813	5,816,447	8,340,260
Construction in Progress	549,456	2,296,935	2,846,391
Capital Assets being Depreciated:			
Buildings	27,324,952	15,180,578	42,505,530
Improvements Other than Buildings	24,112,627	122,525,450	146,638,077
Furniture and Equipment	15,492,475	4,327,069	19,819,544
Infrastructure	67,204,577	-	67,204,577
Less Accumulated Depreciation	(51,323,014)	(41,092,626)	(92,415,640)
Total Assets	\$ 155,130,563	\$ 132,057,835	\$ 287,188,398
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accrued Wages Payable	\$ 751,673	\$ 128,463	\$ 880,136
Accounts Payable	694,787	813,162	1,507,949
Contracts Payable	212,145	332,816	544,961
Interest Payable	69,686	25,420	95,106
Due to Other Governments	42,910	95,234	138,144
Unearned Revenue	48,387	-	48,387
Bond Principal Payable:			
Due Within One Year	3,560,000	590,000	4,150,000
Due in More than One Year	28,125,000	5,510,000	33,635,000
Capital Lease Payable:			
Due Within One Year	-	33,091	33,091
Due in More than One Year	-	44,884	44,884
Compensated Absences Payable:			
Due Within One Year	1,167,794	237,220	1,405,014
Due in More than One Year	1,174,457	195,923	1,370,380
Net Other Post Employment Benefits (OPEB) Obligation	658,753	112,416	771,169
Total Liabilities	36,505,592	8,118,629	44,624,221
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	54,928,735	104,198,009	159,126,744
Restricted for:			
Debt Service	9,914,736	309,518	10,224,254
Capital Acquisition	5,956,163	-	5,956,163
TIF	5,228,377	-	5,228,377
Other Purposes	481,501	-	481,501
Unrestricted	42,115,459	19,431,679	61,547,138
Total Net Assets	118,624,971	123,939,206	242,564,177
Total Liabilities and Net Assets	\$ 155,130,563	\$ 132,057,835	\$ 287,188,398

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

**CITY OF APPLE VALLEY**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 7,086,321	\$ 2,506,195	\$ 25,000	\$ 18,865	\$ (4,536,261)	\$ -	\$ (4,536,261)
Public Safety	10,548,223	587,486	502,621	-	(9,458,116)	-	(9,458,116)
Public Works	5,744,780	1,055,995	6,420	4,379,538	(302,827)	-	(302,827)
Parks and Recreation	6,169,552	1,314,377	-	-	(4,855,175)	-	(4,855,175)
Interest on Long-Term Debt	1,459,728	-	-	-	(1,459,728)	-	(1,459,728)
Total Governmental Activities	<u>31,008,604</u>	<u>5,464,053</u>	<u>534,041</u>	<u>4,398,403</u>	<u>(20,612,107)</u>	<u>-</u>	<u>(20,612,107)</u>
<b>Business-Type Activities</b>							
Municipal Liquor	8,177,679	9,005,660	-	-	-	827,981	827,981
Municipal Golf Course	1,051,605	1,023,866	-	-	-	(27,739)	(27,739)
Sports Arena	799,993	650,350	-	-	-	(149,643)	(149,643)
Water and Sewer	7,309,277	8,361,750	10,000	451,035	-	1,513,508	1,513,508
Storm Drainage	917,054	1,370,348	-	192,129	-	645,423	645,423
Cemetery	69,004	114,365	170	-	-	45,531	45,531
Street Light Utility	398,114	433,464	-	-	-	35,350	35,350
Total Business-Type Activities	<u>18,722,726</u>	<u>20,959,803</u>	<u>10,170</u>	<u>643,164</u>	<u>-</u>	<u>2,890,411</u>	<u>2,890,411</u>
Total Governmental and Business-Type Activities	<u>\$ 49,731,330</u>	<u>\$ 26,423,856</u>	<u>\$ 544,211</u>	<u>\$ 5,041,567</u>	(20,612,107)	2,890,411	(17,721,696)
<b>General Revenues</b>							
Property Taxes					21,460,141	120,000	21,580,141
Tax Increments					2,240,269	-	2,240,269
Lodging Tax					74,105	-	74,105
Gravel Tax					38,666	-	38,666
Unallocated State and County Aids					117,000	-	117,000
Franchise Fees					1,107,354	-	1,107,354
Other General Revenue					6,799	50,835	57,634
Unrestricted Investment Earnings					2,372,693	888,863	3,261,556
Gain on Sale of Assets					169,776	-	169,776
<b>Transfers</b>					2,717,630	(2,717,630)	-
Total General Revenues and Transfers					<u>30,304,433</u>	<u>(1,657,932)</u>	<u>28,646,501</u>
<b>Change in Net Assets</b>					9,692,326	1,232,479	10,924,805
<b>Net Assets - Beginning</b>					<u>108,932,645</u>	<u>122,706,727</u>	<u>231,639,372</u>
<b>Net Assets - Ending</b>					<u>\$ 118,624,971</u>	<u>\$ 123,939,206</u>	<u>\$ 242,564,177</u>

**CITY OF APPLE VALLEY**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2011**

	General Fund (1000)	Debt Service	
		Closed Bond Issues (3205)	Improvement Bonds of 2006 (3330)
<b>ASSETS</b>			
Cash and Investments	\$ 11,329,588	\$ 2,626,050	\$ -
Taxes Receivable - Delinquent	536,256	-	-
Special Assessments Receivable:			
Current	14,947	638,021	186,026
Delinquent	48,519	1,277,979	2,128,838
Deferred	-	6,670,852	1,782,776
Accounts Receivable	224,071	-	-
Interest Receivable	415,848	-	-
Due from Other Funds	-	2,722,322	-
Due from Other Governments	1,750,967	36,449	65,140
Inventory	59,378	-	-
Prepaid Items	59,283	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 14,438,857</u>	<u>\$ 13,971,673</u>	<u>\$ 4,162,780</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accrued Wages Payable	\$ 745,139	\$ -	\$ -
Accounts Payable	290,958	2,625	-
Contracts Payable	8,176	-	-
Due to Other Funds	-	-	1,969,595
Due to Other Governments	40,722	-	-
Deferred Revenue	648,109	8,586,852	4,097,640
Total Liabilities	<u>1,733,104</u>	<u>8,589,477</u>	<u>6,067,235</u>
<b>Fund Balances</b>			
Nonspendable	118,661	-	-
Restricted	-	-	-
Committed	165,872	-	-
Assigned	278,724	5,382,196	-
Unassigned	12,142,496	-	(1,904,455)
Total Fund Balances	<u>12,705,753</u>	<u>5,382,196</u>	<u>(1,904,455)</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balances	<u>\$ 14,438,857</u>	<u>\$ 13,971,673</u>	<u>\$ 4,162,780</u>

Debt Service Improvement Bonds of 2007 (3340)	Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
	Road Improvements (2025)	Future Capital Projects (4930)		
\$ -	\$ -	\$ 6,332,729	\$ 22,268,937	\$ 42,557,304
-	-	-	28,316	564,572
242,242	61,932	-	362,988	1,506,156
1,071,047	-	-	294,599	4,820,982
2,647,575	814,444	-	1,611,180	13,526,827
-	-	-	147,569	371,640
-	-	-	-	415,848
-	-	9,305,836	1,238,626	13,266,784
-	13,805	-	47,224	1,913,585
-	-	-	-	59,378
-	-	-	-	59,283
<u>\$ 3,960,864</u>	<u>\$ 890,181</u>	<u>\$ 15,638,565</u>	<u>\$ 25,999,439</u>	<u>\$ 79,062,359</u>
\$ -	\$ -	\$ -	\$ 6,534	\$ 751,673
-	30,129	-	355,480	679,192
-	38,406	59,000	106,563	212,145
554,838	4,757,872	-	5,984,479	13,266,784
-	2,048	-	140	42,910
3,960,864	876,376	-	2,297,083	20,466,924
<u>4,515,702</u>	<u>5,704,831</u>	<u>59,000</u>	<u>8,750,279</u>	<u>35,419,628</u>
-	-	-	-	118,661
-	-	-	15,537,787	15,537,787
-	-	-	-	165,872
-	-	15,579,565	7,833,302	29,073,787
(554,838)	(4,814,650)	-	(6,121,929)	(1,253,376)
<u>(554,838)</u>	<u>(4,814,650)</u>	<u>15,579,565</u>	<u>17,249,160</u>	<u>43,642,731</u>
<u>\$ 3,960,864</u>	<u>\$ 890,181</u>	<u>\$ 15,638,565</u>	<u>\$ 25,999,439</u>	<u>\$ 79,062,359</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

**CITY OF APPLE VALLEY**

**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
December 31, 2011**

Total Fund Balances - Governmental Funds	\$ 43,642,731
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	137,207,900
Less Accumulated Depreciation	(51,323,014)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond Principal Payable	(31,685,000)
Net OPEB Obligation	(658,753)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property Taxes	564,572
Special Assessments	4,820,982
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Special Assessments	15,032,983
Governmental funds do not report a liability for accrued interest until due and payable.	(69,686)
Internal Service Funds are used by management to charge the costs of insurance and compensated absences to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	1,092,256
Total Net Assets - Governmental Activities	<u><u>\$ 118,624,971</u></u>

**CITY OF APPLE VALLEY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011**

	General Fund (1000)	Debt Service		
		Closed Bond Issues (3205)	Improvement Bonds of 2006 (3330)	Improvement Bonds of 2007 (3340)
<b>REVENUES</b>				
Taxes	\$ 18,008,873	\$ 15,000	\$ -	\$ -
Tax Increments	-	-	-	-
Franchise Fees	583,782	-	-	-
Other Taxes	77,915	-	-	-
Special Assessments	13,765	835,951	688,261	228,589
Licenses and Permits	796,316	-	-	-
Intergovernmental	583,756	-	-	-
Charges for Services	1,411,256	-	-	-
Fines and Forfeitures	288,946	-	-	-
Miscellaneous:				
Investment Income	410,341	239,932	4,260	-
Rentals	431,453	-	-	-
Contributions and Donations	900	-	-	-
Administrative Fees	828,999	-	-	-
Other	37,579	-	-	-
Refunds and Reimbursements	69,421	-	-	-
Total Revenues	<u>23,543,302</u>	<u>1,090,883</u>	<u>692,521</u>	<u>228,589</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	4,262,696	-	-	-
Public Safety	9,862,599	-	-	-
Public Works	3,656,305	-	-	-
Parks and Recreation	4,610,144	-	-	-
<b>Debt Service</b>				
Principal	-	-	400,000	250,000
Interest and Other Charges	-	30,790	95,124	113,911
<b>Capital Outlay</b>				
General Government	183,537	-	-	-
Public Safety	108,068	-	-	-
Public Works	111,913	-	-	-
Parks and Recreation	134,022	-	-	-
Total Expenditures	<u>22,929,284</u>	<u>30,790</u>	<u>495,124</u>	<u>363,911</u>
Excess of Revenues Over (Under) Expenditures	614,018	1,060,093	197,397	(135,322)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Asset	83,089	-	-	-
Bond Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Payment of Refunded Debt	-	-	(1,385,000)	-
Transfers In	1,125,000	-	-	-
Transfers Out	(1,763,480)	(1,087,003)	-	-
Total Other Financing Sources (Uses)	<u>(555,391)</u>	<u>(1,087,003)</u>	<u>(1,385,000)</u>	<u>-</u>
Net Change in Fund Balances	58,627	(26,910)	(1,187,603)	(135,322)
<b>FUND BALANCES</b>				
<b>Beginning of Year</b>	<u>12,647,126</u>	<u>5,409,106</u>	<u>(716,852)</u>	<u>(419,516)</u>
<b>End of Year</b>	<u>\$ 12,705,753</u>	<u>\$ 5,382,196</u>	<u>\$ (1,904,455)</u>	<u>\$ (554,838)</u>

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

Capital Projects			
Road Improvements (2025)	Future Capital Projects (4930)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,598,000	\$ -	\$ 1,787,000	\$ 21,408,873
-	-	2,240,269	2,240,269
-	-	593,933	1,177,715
-	-	74,105	152,020
-	-	359,210	2,125,776
-	-	-	796,316
949,944	15,570	858,326	2,407,596
-	-	25,000	1,436,256
-	-	-	288,946
-	574,342	1,004,091	2,232,966
-	-	80,000	511,453
-	-	1,850	2,750
-	-	-	828,999
-	-	283,986	321,565
13,805	-	56,355	139,581
<u>2,561,749</u>	<u>589,912</u>	<u>7,364,125</u>	<u>36,071,081</u>
-	-	416,698	4,679,394
-	-	27,487	9,890,086
837	-	18,545	3,675,687
-	-	245,040	4,855,184
-	-	4,015,000	4,665,000
-	-	1,247,574	1,487,399
-	-	671,220	854,757
-	-	-	108,068
4,332,373	59,000	416,087	4,919,373
-	-	353,889	487,911
<u>4,333,210</u>	<u>59,000</u>	<u>7,411,540</u>	<u>35,622,859</u>
(1,771,461)	530,912	(47,415)	448,222
-	-	86,687	169,776
-	-	1,345,000	1,345,000
-	-	6,568	6,568
-	-	(2,535,000)	(3,920,000)
1,131,192	1,904,502	1,713,645	5,874,339
(73,101)	-	(233,125)	(3,156,709)
<u>1,058,091</u>	<u>1,904,502</u>	<u>383,775</u>	<u>318,974</u>
(713,370)	2,435,414	336,360	767,196
(4,101,280)	13,144,151	16,912,800	42,875,535
<u>\$ (4,814,650)</u>	<u>\$ 15,579,565</u>	<u>\$ 17,249,160</u>	<u>\$ 43,642,731</u>

**CITY OF APPLE VALLEY**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO  
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2011**

Net Change in Fund Balances - Governmental Funds \$ 767,196

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

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

Capital Outlays	5,633,820
Depreciation Expense	(4,168,745)
Disposal of Capital Assets	(125,820)
Donated Assets	143,238

Net OPEB obligations are recognized as paid in the governmental funds but  
recognized as the expense is incurred in the Statement of Activities. (142,921)

Principal payments on long-term debt are recognized as expenditures in the  
governmental funds but as an increase in the net assets in the Statement of Activities. 4,665,000

Bonds were refunded during the year. The amount of principal paid off is  
reported in the governmental funds as an other use of financing. However, the  
payments are not expenditures in the Statement of Activities, but rather a  
reduction on long-term liabilities in the Statement of Net Assets. 3,920,000

Interest on long-term debt in the Statement of Activities differs from the  
amount reported in the governmental funds because interest is recognized as  
an expenditure in the funds when it is due and thus requires use of current financial  
resources. In the Statement of Activities, however, interest expense is recognized  
as the interest accrues, regardless of when it is due. 21,103

Proceeds from long-term debt are recognized as an other financing source in the  
governmental funds but as a decrease in net assets in the Statement of Activities.  
Issuance of Bonds Payable (1,345,000)

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds. 253,144

The net revenue of certain activities of Internal Service Funds are reported with  
governmental activities. 71,311

Change in Net Assets - Governmental Activities \$ 9,692,326

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

**CITY OF APPLE VALLEY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 19,671,000	\$ 18,073,000	\$ 18,008,873	\$ (64,127)
Franchise Fees	450,000	450,000	583,782	133,782
Other Taxes	35,000	35,000	77,915	42,915
Special Assessments	5,000	5,000	13,765	8,765
Licenses and Permits	601,520	601,520	796,316	194,796
Intergovernmental	528,831	528,831	583,756	54,925
Charges for Services	1,424,625	1,424,625	1,411,256	(13,369)
Fines and Forfeitures	315,000	315,000	288,946	(26,054)
Miscellaneous Revenues:				
Investment Income	200,000	200,000	410,341	210,341
Rentals	459,700	459,700	431,453	(28,247)
Contributions and Donations	-	-	900	900
Administrative Fees	811,200	811,200	828,999	17,799
Other	20,000	20,000	37,579	17,579
Refunds and Reimbursements	60,000	60,000	69,421	9,421
Total Revenues	<u>24,581,876</u>	<u>22,983,876</u>	<u>23,543,302</u>	<u>559,426</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	4,997,587	4,761,007	4,262,696	(498,311)
Public Safety	9,869,805	10,116,290	9,862,599	(253,691)
Public Works	5,436,475	3,910,285	3,656,305	(253,980)
Parks and Recreation	4,792,584	4,849,384	4,610,144	(239,240)
<b>Capital Outlay</b>				
General Government	136,000	184,000	183,537	(463)
Public Safety	207,500	207,500	108,068	(99,432)
Public Works	132,425	132,425	111,913	(20,512)
Parks and Recreation	141,700	141,700	134,022	(7,678)
Total Expenditures	<u>25,714,076</u>	<u>24,302,591</u>	<u>22,929,284</u>	<u>(1,373,307)</u>
Excess of Revenues Over (Under) Expenditures	(1,132,200)	(1,318,715)	614,018	1,932,733
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Asset	20,000	20,000	83,089	63,089
Transfers In	1,125,000	1,125,000	1,125,000	-
Transfers Out	(12,800)	(12,800)	(1,763,480)	(1,750,680)
Total Other Financing Sources (Uses)	<u>1,132,200</u>	<u>1,132,200</u>	<u>(555,391)</u>	<u>(1,687,591)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (186,515)</u>	58,627	<u>\$ 245,142</u>
<b>FUND BALANCES</b>				
Beginning of Year			<u>12,647,126</u>	
End of Year			<u>\$ 12,705,753</u>	

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

**CITY OF APPLE VALLEY**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**December 31, 2011**

	<u>Municipal Liquor (5000, 5030)</u>	<u>Municipal Golf Course (5100)</u>	<u>Sports Arena (5200)</u>	<u>Water and Sewer (5300, 5400)</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments (Including Cash Equivalents)	\$ 1,875,932	\$ 47,571	\$ 106,366	\$ 13,775,310
Special Assessments Receivable	-	-	-	293,950
Accounts Receivable	1,606	-	130,747	1,816,928
Interest Receivable	2,494	-	-	-
Due from Other Governments	-	-	272,854	15,097
Inventory	1,340,103	36,837	-	64,368
Prepaid Items	13,766	219	-	192,674
Total Current Assets	<u>3,233,901</u>	<u>84,627</u>	<u>509,967</u>	<u>16,158,327</u>
<b>Noncurrent Assets</b>				
Restricted Cash with Fiscal Agent	309,518	-	-	-
Deferred Special Assessments Receivable	-	-	-	-
Deferred Charges	44,759	-	5,359	-
Advance to Other Funds	-	-	-	840,616
<b>Capital Assets:</b>				
Land and Land Improvements	1,179,183	991,179	2,000	1,706,821
Buildings	3,423,320	294,496	3,193,129	8,269,633
Other Improvements	25,000	385,269	65,389	78,466,161
Furniture and Equipment	250,732	700,501	172,232	3,113,042
Construction in Progress	1,875	390,557	24,850	1,200,796
Total Capital Assets	<u>4,880,110</u>	<u>2,762,002</u>	<u>3,457,600</u>	<u>92,756,453</u>
Less Accumulated Depreciation	<u>(859,160)</u>	<u>(1,182,491)</u>	<u>(1,989,466)</u>	<u>(27,297,449)</u>
Net Capital Assets	<u>4,020,950</u>	<u>1,579,511</u>	<u>1,468,134</u>	<u>65,459,004</u>
Total Noncurrent Assets	<u>4,375,227</u>	<u>1,579,511</u>	<u>1,473,493</u>	<u>66,299,620</u>
Total Assets	<u>\$ 7,609,128</u>	<u>\$ 1,664,138</u>	<u>\$ 1,983,460</u>	<u>\$ 82,457,947</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 553,635	\$ 23,809	\$ 20,506	\$ 131,213
Contracts Payable	-	146,846	-	185,269
Accrued Wages Payable	44,235	10,768	20,397	53,063
Interest Payable	10,111	2,506	1,267	5,429
Due to Other Governments	51,778	5	14,763	22,254
Long-Term Liabilities Due Within One Year	188,320	49,691	129,500	267,800
Total Current Liabilities	<u>848,079</u>	<u>233,625</u>	<u>186,433</u>	<u>665,028</u>
<b>Noncurrent Liabilities</b>				
Compensated Absences Payable	111,983	80,823	42,728	197,609
Net OPEB Obligation	30,809	13,425	9,110	59,072
Advance from Other Funds	-	-	840,616	-
Capital Lease Payable	-	77,975	-	-
Bonds Payable	2,915,000	-	330,000	120,000
Less Amounts Due Within One Year	<u>(188,320)</u>	<u>(49,691)</u>	<u>(129,500)</u>	<u>(267,800)</u>
Total Noncurrent Liabilities	<u>2,869,472</u>	<u>122,532</u>	<u>1,092,954</u>	<u>108,881</u>
Total Liabilities	<u>3,717,551</u>	<u>356,157</u>	<u>1,279,387</u>	<u>773,909</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	1,105,950	1,501,536	1,138,134	65,339,004
Unrestricted	309,518	-	-	-
	<u>2,476,109</u>	<u>(193,555)</u>	<u>(434,061)</u>	<u>16,345,034</u>
Total Net Assets	<u>3,891,577</u>	<u>1,307,981</u>	<u>704,073</u>	<u>81,684,038</u>
Total Liabilities and Net Assets	<u>\$ 7,609,128</u>	<u>\$ 1,664,138</u>	<u>\$ 1,983,460</u>	<u>\$ 82,457,947</u>

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

<u>Storm Drainage (5500, 5550)</u>	<u>Cemetery (5600, 5700)</u>	<u>Street Light Utility (5800)</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 1,466,887	\$ 678,873	\$ 25,214	\$ 17,976,153	\$ 3,334,889
1,224	-	-	295,174	-
341,753	-	105,033	2,396,067	-
-	-	-	2,494	-
-	-	-	287,951	-
-	-	-	1,441,308	-
-	-	-	206,659	115,213
<u>1,809,864</u>	<u>678,873</u>	<u>130,247</u>	<u>22,605,806</u>	<u>3,450,102</u>
-	-	-	309,518	-
9,375	-	-	9,375	-
29,165	-	-	79,283	-
-	-	-	840,616	-
1,579,077	358,187	-	5,816,447	-
-	-	-	15,180,578	-
42,943,227	640,404	-	122,525,450	-
90,562	-	-	4,327,069	-
678,857	-	-	2,296,935	-
<u>45,291,723</u>	<u>998,591</u>	<u>-</u>	<u>150,146,479</u>	<u>-</u>
<u>(9,646,780)</u>	<u>(117,280)</u>	<u>-</u>	<u>(41,092,626)</u>	<u>-</u>
<u>35,644,943</u>	<u>881,311</u>	<u>-</u>	<u>109,053,853</u>	<u>-</u>
<u>35,683,483</u>	<u>881,311</u>	<u>-</u>	<u>110,292,645</u>	<u>-</u>
<u>\$ 37,493,347</u>	<u>\$ 1,560,184</u>	<u>\$ 130,247</u>	<u>\$ 132,898,451</u>	<u>\$ 3,450,102</u>
\$ 49,562	\$ 2,486	\$ 31,951	\$ 813,162	\$ 15,595
701	-	-	332,816	-
-	-	-	128,463	-
6,107	-	-	25,420	-
5,543	-	891	95,234	-
<u>225,000</u>	<u>-</u>	<u>-</u>	<u>860,311</u>	<u>1,167,794</u>
<u>286,913</u>	<u>2,486</u>	<u>32,842</u>	<u>2,255,406</u>	<u>1,183,389</u>
-	-	-	433,143	2,342,251
-	-	-	112,416	-
-	-	-	840,616	-
-	-	-	77,975	-
2,735,000	-	-	6,100,000	-
<u>(225,000)</u>	<u>-</u>	<u>-</u>	<u>(860,311)</u>	<u>(1,167,794)</u>
<u>2,510,000</u>	<u>-</u>	<u>-</u>	<u>6,703,839</u>	<u>1,174,457</u>
<u>2,796,913</u>	<u>2,486</u>	<u>32,842</u>	<u>8,959,245</u>	<u>2,357,846</u>
34,232,074	881,311	-	104,198,009	-
-	-	-	309,518	-
464,360	676,387	97,405	19,431,679	1,092,256
<u>34,696,434</u>	<u>1,557,698</u>	<u>97,405</u>	<u>123,939,206</u>	<u>1,092,256</u>
<u>\$ 37,493,347</u>	<u>\$ 1,560,184</u>	<u>\$ 130,247</u>	<u>\$ 132,898,451</u>	<u>\$ 3,450,102</u>

**CITY OF APPLE VALLEY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
For the Year Ended December 31, 2011**

	Municipal Liquor (5000, 5030)	Municipal Golf Course (5100)	Sports Arena (5200)
<b>OPERATING REVENUES</b>			
Liquor Sales	\$ 9,005,660	\$ -	\$ -
Golf Fees and Rentals	-	1,023,866	-
Sports Arena Revenues	-	-	650,350
Charges for Services	-	-	-
Total Operating Revenues	<u>9,005,660</u>	<u>1,023,866</u>	<u>650,350</u>
 Cost of Goods Sold	 <u>6,448,087</u>	 <u>177,581</u>	 <u>924</u>
 Gross Profit/Operating Revenues	 2,557,573	 846,285	 649,426
<b>OPERATING EXPENSES</b>			
Personal Services	966,318	563,617	379,799
Contractual Services	175,674	21,835	41,967
Other Charges	183,485	20,440	4,060
Supplies and Repairs	34,902	147,078	45,371
Insurance	47,800	32,000	18,600
Utilities	55,544	34,989	121,208
Depreciation	137,546	60,712	167,178
Sewer Charges	-	-	-
Total Operating Expenses	<u>1,601,269</u>	<u>880,671</u>	<u>778,183</u>
 Operating Income (Loss)	 956,304	 (34,386)	 (128,757)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	87,660	9,142	7,881
Property Taxes	-	-	120,000
Connection Charges	-	-	-
Intergovernmental Revenue	-	-	-
Refunds and Reimbursements	-	-	-
Other Revenue	1,665	-	400
Interest Expense and Agent Fees	(128,323)	(5,323)	(20,886)
Gain on Sale of Capital Assets	-	11,970	-
Total Nonoperating Revenues (Expenses)	<u>(38,998)</u>	<u>15,789</u>	<u>107,395</u>
 Income (Loss) before Capital Contributions and Transfers	 917,306	 (18,597)	 (21,362)
Capital Contributions	-	-	-
Transfers In	-	-	-
Transfers Out	<u>(525,000)</u>	<u>-</u>	<u>-</u>
 Change in Net Assets	 392,306	 (18,597)	 (21,362)
<b>NET ASSETS</b>			
<b>Beginning of Year</b>	<u>3,499,271</u>	<u>1,326,578</u>	<u>725,435</u>
<b>End of Year</b>	<u>\$ 3,891,577</u>	<u>\$ 1,307,981</u>	<u>\$ 704,073</u>

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

Water and Sewer (5300, 5400)	Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Total	Governmental Activities - Internal Service Funds
\$ -	\$ -	\$ -	\$ -	\$ 9,005,660	\$ -
-	-	-	-	1,023,866	-
-	-	-	-	650,350	-
8,361,750	1,370,348	114,365	433,464	10,279,927	1,206,334
8,361,750	1,370,348	114,365	433,464	20,959,803	1,206,334
2,963	-	-	-	6,629,555	-
8,358,787	1,370,348	114,365	433,464	14,330,248	1,206,334
1,392,082	-	1,108	-	3,302,924	684,219
208,944	95,745	24,850	5,225	574,240	8,000
573,365	321,002	7,991	-	1,110,343	582,531
635,567	6,075	16,494	-	885,487	-
150,000	-	-	1,800	250,200	-
402,884	-	838	391,089	1,006,552	-
1,470,412	449,547	17,723	-	2,303,118	-
2,528,136	-	-	-	2,528,136	-
7,361,390	872,369	69,004	398,114	11,961,000	1,274,750
997,397	497,979	45,361	35,350	2,369,248	(68,416)
659,005	93,015	28,540	3,620	888,863	139,727
-	-	-	-	120,000	-
126,619	26,559	-	-	153,178	-
10,000	-	-	-	10,000	-
-	47,000	-	-	47,000	-
1,770	-	170	-	4,005	-
(13,514)	(44,685)	-	-	(212,731)	-
68,590	-	-	-	80,560	-
852,470	121,889	28,710	3,620	1,090,875	139,727
1,849,867	619,868	74,071	38,970	3,460,123	71,311
324,416	165,570	-	-	489,986	-
60,000	-	-	-	60,000	-
(1,485,111)	(767,519)	-	-	(2,777,630)	-
749,172	17,919	74,071	38,970	1,232,479	71,311
80,934,866	34,678,515	1,483,627	58,435	122,706,727	1,020,945
<u>\$ 81,684,038</u>	<u>\$ 34,696,434</u>	<u>\$ 1,557,698</u>	<u>\$ 97,405</u>	<u>\$ 123,939,206</u>	<u>\$ 1,092,256</u>



Water and Sewer (5300, 5400)	Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Total	Governmental Activities - Internal Service Funds
\$ 8,614,471	\$ 1,213,637	\$ 114,365	\$ 368,202	\$ 20,956,680	\$ 1,206,334
(4,528,193)	(465,191)	(51,762)	(365,272)	(13,071,197)	(1,114,046)
(1,370,473)	-	(1,108)	-	(3,291,690)	-
<u>2,715,805</u>	<u>748,446</u>	<u>61,495</u>	<u>2,930</u>	<u>4,593,793</u>	<u>92,288</u>
60,000	-	-	-	60,000	-
(1,485,111)	(767,519)	-	-	(2,777,630)	-
(69,633)	-	-	-	(69,633)	-
-	-	-	-	69,633	-
10,000	-	-	-	10,000	-
1,770	47,000	170	-	171,005	-
<u>(1,482,974)</u>	<u>(720,519)</u>	<u>170</u>	<u>-</u>	<u>(2,536,625)</u>	<u>-</u>
(120,000)	(220,000)	-	-	(606,236)	-
(8,820)	(63,313)	-	-	(223,212)	-
-	2,600,000	-	-	2,600,000	-
68,590	-	-	-	80,560	-
126,619	26,559	-	-	153,178	-
<u>(1,876,508)</u>	<u>(1,972,930)</u>	<u>-</u>	<u>-</u>	<u>(4,119,873)</u>	<u>-</u>
<u>(1,810,119)</u>	<u>370,316</u>	<u>-</u>	<u>-</u>	<u>(2,115,583)</u>	<u>-</u>
659,005	93,015	28,540	3,620	886,397	139,727
81,717	491,258	90,205	6,550	827,982	232,015
<u>13,693,593</u>	<u>975,629</u>	<u>588,668</u>	<u>18,664</u>	<u>17,457,689</u>	<u>3,102,874</u>
<u>\$ 13,775,310</u>	<u>\$ 1,466,887</u>	<u>\$ 678,873</u>	<u>\$ 25,214</u>	<u>\$ 18,285,671</u>	<u>\$ 3,334,889</u>
\$ 997,397	\$ 497,979	\$ 45,361	\$ 35,350	\$ 2,369,248	\$ (68,416)
1,470,412	449,547	17,723	-	2,303,118	-
299,136	(158,816)	-	(65,262)	67,298	-
(34,138)	2,105	-	-	(32,033)	-
(12,277)	-	-	-	(38,388)	-
14,839	-	-	-	14,839	7,996
(9,298)	-	-	-	(38,076)	-
(17,075)	(43,288)	(1,589)	31,951	(66,624)	7,812
(14,800)	919	-	891	3,177	-
4,914	-	-	-	10,785	-
13,389	-	-	-	25,138	-
3,306	-	-	-	(24,689)	144,896
<u>1,718,408</u>	<u>250,467</u>	<u>16,134</u>	<u>(32,420)</u>	<u>2,224,545</u>	<u>160,704</u>
<u>\$ 2,715,805</u>	<u>\$ 748,446</u>	<u>\$ 61,495</u>	<u>\$ 2,930</u>	<u>\$ 4,593,793</u>	<u>\$ 92,288</u>
\$ 95,194	\$ -	\$ -	\$ -	\$ 242,040	\$ -
324,416	165,570	-	-	489,986	-

(THIS PAGE LEFT BLANK INTENTIONALLY)

## CITY OF APPLE VALLEY

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

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

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

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

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

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

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

##### 1. Blended Component Unit

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

##### B. Government-Wide and Fund Financial Statements

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

## CITY OF APPLE VALLEY

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **B. Government-Wide and Fund Financial Statements (Continued)**

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

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

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

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

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

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Description of Funds:**

Major Governmental Funds:

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

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

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

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

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

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

Proprietary Funds:

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

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

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

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

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

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

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

## CITY OF APPLE VALLEY

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

###### Description of Funds: (Continued)

Internal service funds are used to account for financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis. The City reports the following Internal Service Funds:

Insurance Trust Fund (Fund 7100) – This Fund accounts for the dental insurance coverage for City employees.

Risk Management Fund (Fund 7200) – This Fund was established to account for the City's liability insurance coverage and works compensation coverage for all City departments.

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

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

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

##### D. Assets, Liabilities and Net Assets or Equity

###### 1. Cash and Investments

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

## CITY OF APPLE VALLEY

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

###### 1. Cash and Investments (Continued)

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

The City had formal policies in place as of December 31, 2011 to address the risks as indicated below.

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

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

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

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

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

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

## CITY OF APPLE VALLEY

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

###### 2. Receivables and Payables

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

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

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

###### 3. Inventory and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

###### 4. Restricted Assets

Cash held in the Municipal Liquor Fund as debt service reserve funds are classified as restricted assets on the Balance Sheet to subsidize potential deficiencies from the liquor store operations that could adversely affect debt service payments.

###### 5. Capital Assets

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**5. Capital Assets (Continued)**

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

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

<u>Assets</u>	<u>Years</u>
Buildings	7-40
Improvements Other than Buildings	5-40
Furniture and Equipment	3-50
Infrastructure	25-50

Capital assets not being depreciated include land, right of ways and easements and construction in progress.

**6. Compensated Absences**

Full-time employees employed by the City after January 1, 1995 are eligible for 3 to 6 weeks of annual leave depending on their length of service with the City. Annual leave may not accrue in excess of 800 hours. Upon termination of employment with the City, employees in “good standing” are reimbursed for all accrued and unused annual leave. Employees employed by the City prior to January 1, 1995 were eligible to elect to continue earning sick leave and vacation in lieu of the annual leave option. Those employees who elected not to take the annual leave provisions continue to be eligible to earn 12 days of sick leave and 2 to 4 weeks of vacation per year depending on their length of service with the City. Sick leave may carry forward indefinitely. Upon termination of employment in “good standing”, employees with more than 10 years of continuous service shall be paid up to one-third of their accrued and unused sick leave. The maximum amount of vacation that may be accumulated is twice the amount earned in any one year. Upon termination of employment, “good standing” employees shall be paid for their accrued and unused vacation leave. Vacation and sick leave benefits are recorded as expenditures in governmental funds when the obligations are expected to be liquidated with expendable financial resources. Vacation and sick benefits are recorded as expenses in proprietary funds when earned. In accordance with U.S. generally accepted accounting principles, compensated absences are reflected as a liability in the General Fund for employees that have retired but have yet to receive their entire leave balances. Compensated absences payable in the government-wide Statement of Net Assets and the Statement of Net Assets – Proprietary Funds include all leave balances accrued but not yet used by employees, whether or not the employees have terminated employment with the City.

## CITY OF APPLE VALLEY

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

###### 7. Long-Term Obligations

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

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

###### 8. Fund Equity

###### a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventories.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (highest level of decision making authority) and that remain binding unless removed by the City Council through subsequent formal action.
- **Assigned Fund Balance** – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted or committed. The City Council has delegated the power to assign fund balances to the City Administrator and/or the Finance Director/Treasurer.

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**8. Fund Equity (Continued)**

**a. Classification (Continued)**

- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

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

**b. Minimum Fund Balance**

The City's target General Fund balance is to maintain a minimum unassigned General Fund balance of 50% of the subsequent year's budgeted amount for property taxes for working capital in addition to an amount equal to six months of operating expenditures.

**9. Net Assets**

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

**10. Use of Estimates**

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.
5. Expenditures may not legally exceed budgeted appropriations at the fund level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General Fund and Cable TV Special Revenue Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted for most Capital Projects Funds. In 2011, the City also adopted formal budgets for the Road Improvements, Future Capital Projects and Equipment Certificate Capital Projects Funds.
7. The Finance Director/Treasurer presents monthly reports to the City Council explaining any variance from the approved budget.
8. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2011, expenditures exceeded appropriations in the following Funds:

	<u>Expenditures</u>	<u>Appropriations</u>
Road Improvements Capital Projects Fund	\$ 4,333,210	\$ 2,870,500
Future Capital Projects Capital Projects Fund	59,000	-
Nonmajor Fund:		
Cable TV Special Revenue Fund	185,855	184,757

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**C. Deficit Fund Balances**

The following Funds had deficit fund balances at December 31, 2011:

Debt Service:

Improvement Bonds of 2006 (3330)	\$ 1,904,455
Improvement Bonds of 2007 (3340)	554,838
Improvement Bonds of 2003 (3165)	130,781
Improvement Bonds of 1997 (3185)	2,363,790
2001/2008B Refunding Improvement Bonds (3285)	1,985,771
G.O. Refunding Bonds of 2002 (3300)	50,932

Capital Projects:

Road Improvements (2025)	4,814,650
Dakota County Construction Projects (4030)	124,250
1999 Improvement Construction (4225)	48,807
2000 Improvement Construction (4245)	18,621
2008 Construction Projects (4400)	406,036
Engineer Developer Review Nonreimbursable (4600)	40,554
2003 Improvement Construction (4300)	952,387

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 3 – DEPOSITS AND INVESTMENTS**

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

**A. Deposits**

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

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**A. Deposits (Continued)**

Custodial Credit Risk – Deposits: As of December 31, 2011, the City’s bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution’s trust department or agent and in the City’s name.

As of December 31, 2011, the City had deposits and petty cash as follows:

Deposits	\$ 8,098,159
Petty Cash	<u>10,310</u>
Total Deposits and Petty Cash	<u><u>\$ 8,108,469</u></u>

**B. Investments**

As of December 31, 2011, the City had the following investments:

Investment Type	Fair Value	Investment Maturities			
		Less Than One Year	1-5 Years	6-10 Years	Greater Than 10 Years
Money Markets	\$ 1,069,927	\$ 1,069,927	\$ -	\$ -	\$ -
Brokered Certificates of Deposit	981,420	-	981,420	-	-
U.S. Agency Securities	26,167,482	-	3,050,764	15,653,226	7,463,492
Municipal Bonds	<u>27,850,566</u>	<u>1,754,111</u>	<u>14,288,704</u>	<u>10,922,275</u>	<u>885,476</u>
Total Investments	<u><u>\$ 56,069,395</u></u>	<u><u>\$ 2,824,038</u></u>	<u><u>\$ 18,320,888</u></u>	<u><u>\$ 26,575,501</u></u>	<u><u>\$ 8,348,968</u></u>

Interest Rate Risk: Approximately 5% of the City’s investments have maturity dates less than one year while approximately 15% of the City’s investments will mature more than 10 years from December 31, 2011.

Credit Risk: As of December 31, 2011, the City’s investments in municipal bonds were rated A+ by Standard & Poor’s (S&P) and A1 or better by Moody’s Investors Service. The City’s investments in U.S. government agency securities were rated AAA by S&P and Aaa by Moody’s Investors Service.

Concentration of Credit Risk: As of December 31, 2011, the City had investments, as indicated in the following chart, that exceeded 5% of the City’s total investments.

Investment	Market Value	Percent
Total FFCB	\$ 4,814,099	8.63%
Total FHLB	7,707,840	13.82%
Total FNMA	10,841,202	18.80%

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**B. Investments (Continued)**

In addition, the City's cash held with a fiscal agent is also exposed to concentration of credit risk as 96.53% of its balance is invested in a FFCB Bond.

Custodial Credit Risk – Investments: The City's investments held by the broker-dealer were insured by SIPC or other supplemental insurance as of December 31, 2011. However, each investment brokerage firm may have a limit to their supplemental insurance and because of the size of the City's portfolio in relation to the brokerage firm's excess SIPC coverage limits, the portion of the supplemental policy applicable to the City's portfolio is unknown. The City accepts this risk due to the controls in place at the broker-dealer.

**C. Deposits and Investments**

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 8,108,469
Investments (Note 3.B.)	<u>56,069,395</u>
Total Deposits and Investments	<u><u>\$ 64,177,864</u></u>

Deposits and investments are presented in the December 31, 2011 basic financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 63,868,346
Cash with Fiscal Agent	<u>309,518</u>
Total Deposits and Investments	<u><u>\$ 64,177,864</u></u>

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Transfer*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets not being Depreciated:					
Land and Land Improvements	\$ 2,523,813	\$ -	\$ -	\$ -	\$ 2,523,813
Construction in Progress	<u>265,590</u>	<u>-</u>	<u>4,974,270</u>	<u>4,690,404</u>	<u>549,456</u>
Total Capital Assets not being Depreciated	<u>2,789,403</u>	<u>-</u>	<u>4,974,270</u>	<u>4,690,404</u>	<u>3,073,269</u>
Capital Assets being Depreciated:					
Buildings	27,324,952	-	-	-	27,324,952
Improvements Other than Buildings	23,904,607	-	208,020	-	24,112,627
Furniture and Equipment	15,284,345	(31,346)	778,673	539,197	15,492,475
Infrastructure	<u>62,823,898</u>	<u>-</u>	<u>4,380,679</u>	<u>-</u>	<u>67,204,577</u>
Total Capital Assets being Depreciated	<u>129,337,802</u>	<u>(31,346)</u>	<u>5,367,372</u>	<u>539,197</u>	<u>134,134,631</u>
Less Accumulated Depreciation for:					
Buildings	8,138,744	-	675,762	-	8,814,506
Improvements Other than Buildings	4,948,512	-	803,064	-	5,751,576
Furniture and Equipment	9,480,892	(31,346)	1,008,119	539,197	9,918,468
Infrastructure	<u>25,156,664</u>	<u>-</u>	<u>1,681,800</u>	<u>-</u>	<u>26,838,464</u>
Total Accumulated Depreciation	<u>47,724,812</u>	<u>(31,346)</u>	<u>4,168,745</u>	<u>539,197</u>	<u>51,323,014</u>
Total Capital Assets being Depreciated, Net	<u>81,612,990</u>	<u>-</u>	<u>1,198,627</u>	<u>-</u>	<u>82,811,617</u>
Governmental Activities Capital Assets, Net	<u>\$ 84,402,393</u>	<u>\$ -</u>	<u>\$ 6,172,897</u>	<u>\$ 4,690,404</u>	<u>\$ 85,884,886</u>

\* Transfer of a fully depreciated asset to the Golf Enterprise Fund.

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 4 – CAPITAL ASSETS**

	Beginning Balance	Transfer*	Reclassifications*	Increases	Decreases	Ending Balance
Business-Type Activities:						
Capital Assets not being Depreciated:						
Land and Land Improvements	\$ 5,327,130	\$ -	\$ -	\$ 489,317	\$ -	\$ 5,816,447
Construction in Progress	707,874	-	-	3,445,724	1,856,663	2,296,935
Total Capital Assets not being Depreciated	<u>6,035,004</u>	<u>-</u>	<u>-</u>	<u>3,935,041</u>	<u>1,856,663</u>	<u>8,113,382</u>
Capital Assets being Depreciated:						
Buildings	14,945,074	-	235,504	-	-	15,180,578
Improvements Other than Buildings	120,291,446	-	(222,061)	2,540,265	84,200	122,525,450
Furniture and Equipment	4,356,940	31,346	(13,443)	234,617	282,391	4,327,069
Total Capital Assets being Depreciated	<u>139,593,460</u>	<u>31,346</u>	<u>-</u>	<u>2,774,882</u>	<u>366,591</u>	<u>142,033,097</u>
Less Accumulated Depreciation for:						
Buildings	6,307,862	-	167,511	478,648	-	6,954,021
Improvements Other than Buildings	29,607,162	-	(162,591)	1,615,789	84,200	30,976,160
Furniture and Equipment	3,209,069	31,346	(4,920)	208,681	281,731	3,162,445
Total Accumulated Depreciation	<u>39,124,093</u>	<u>31,346</u>	<u>-</u>	<u>2,303,118</u>	<u>365,931</u>	<u>41,092,626</u>
Total Capital Assets being Depreciated, Net	<u>100,469,367</u>	<u>-</u>	<u>-</u>	<u>471,764</u>	<u>660</u>	<u>100,940,471</u>
Business-Type Activities Capital Assets, Net	<u>\$ 106,504,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,406,805</u>	<u>\$ 1,857,323</u>	<u>\$ 109,053,853</u>

\* Transfer of a fully depreciated asset from governmental activities. There were also some reclassifications done between asset types.

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 4 – CAPITAL ASSETS**

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

Governmental Activities:	
General Government	\$ 386,545
Public Safety	575,885
Public Works	2,013,656
Parks and Recreation	<u>1,192,659</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 4,168,745</u></u>
Business-Type Activities:	
Municipal Liquor	\$ 137,546
Municipal Golf Course	60,712
Sports Arena	167,178
Water and Sewer	1,470,412
Storm Drainage	449,547
Cemetery	<u>17,723</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 2,303,118</u></u>

**NOTE 5 – INTERFUND ACTIVITY**

**A. Transfers**

Transfers during the year ended December 31, 2011 were as follows:

	Transfers In					Total
	General Fund	Road Improvements	Future Capital Projects	Water and Sewer	Nonmajor Governmental Funds	
Transfers Out:						
General Fund	\$ -	\$ -	\$ 1,748,007	\$ -	\$ 15,473	\$ 1,763,480
Road Improvements	-	-	-	-	73,101	73,101
Closed Bond Issues	-	-	-	-	1,087,003	1,087,003
Nonmajor Governmental Funds	-	-	156,495	-	76,630	233,125
Municipal Liquor	525,000	-	-	-	-	525,000
Water and Sewer	600,000	885,111	-	-	-	1,485,111
Storm Drainage	-	246,081	-	60,000	461,438	767,519
Total Transfers	<u>\$ 1,125,000</u>	<u>\$ 1,131,192</u>	<u>\$ 1,904,502</u>	<u>\$ 60,000</u>	<u>\$ 1,713,645</u>	<u>\$ 5,934,339</u>

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 5 – INTERFUND ACTIVITY**

**B. Due to/from Other Funds**

Balances as of December 31, 2011 were as follows:

	Amounts Due to			Total
	Closed Bond Issues	Future Capital Projects	Nonmajor Governmental Funds	
Amounts Due from:				
Improvement Bonds of 2006	\$ -	\$ 1,969,595	\$ -	\$ 1,969,595
Improvement Bonds of 2007	554,838	-	-	554,838
Road Improvements	-	4,757,872	-	4,757,872
Nonmajor Governmental Funds	<u>2,167,484</u>	<u>2,578,369</u>	<u>1,238,626</u>	<u>5,984,479</u>
Total Due to/from Other Funds	<u>\$ 2,722,322</u>	<u>\$ 9,305,836</u>	<u>\$ 1,238,626</u>	<u>\$ 13,266,784</u>

Balances represent accruals to absorb temporary negative cash balances.

**C. Advances to/from Other Funds**

	Advances From Water and Sewer
Advances To:	
Sports Arena	<u>\$ 840,616</u>

Balance represents accruals to temporarily cover operations and capital improvements.

**NOTE 6 – LONG-TERM DEBT**

**A. General Obligation Bonds**

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

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 6 – LONG-TERM DEBT**

**B. G.O. Equipment Certificates**

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

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

**C. G.O. Revenue and Revenue Bonds**

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

**D. Components of Long-Term Liabilities**

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-Term Liabilities:					
Governmental Activities:					
G.O. Bonds:					
G.O. Refunding Bonds 2004	2.00%-4.00%	\$ 9,220,000	12/01/17	\$ 5,570,000	\$ 850,000
G.O. Park Bonds 2007A	3.40%-4.40%	6,400,000	12/15/32	6,155,000	110,000
G.O. Park Bonds 2008D	2.40%-4.20%	6,685,000	12/15/32	6,420,000	110,000
G.O. State-Aid Road Refunding Bonds 2009A	2.00%-3.00%	2,775,000	12/01/16	2,760,000	440,000
G.O. Refunding Improvement Bonds 2010A	1.50%-2.00%	435,000	12/01/15	435,000	105,000
G.O. Park Bonds 2011A	2.00%-4.10%	1,345,000	12/15/32	1,345,000	40,000
Total G.O. Bonds				<u>22,685,000</u>	<u>1,655,000</u>
G.O. Improvement Bonds:					
G.O. Improvement Bonds 2007B	3.35%-4.10%	3,600,000	12/15/23	2,725,000	250,000
G.O. Taxable Refunding Bonds 2008A	4.25%-4.55%	2,420,000	12/01/13	1,155,000	605,000
G.O. Improvement Refunding Bonds 2008B	3.25%-4.00%	2,415,000	12/01/15	1,590,000	405,000
G.O. Improvement Refunding Bonds 2010A	1.50%-2.15%	2,135,000	12/01/19	2,135,000	280,000
G.O. Improvement Refunding Bonds 2010A	1.50%-2.00%	1,395,000	12/01/15	1,395,000	365,000
Total G.O. Improvement Bonds				<u>9,000,000</u>	<u>1,905,000</u>
Total Governmental Activities Bonds				<u>31,685,000</u>	<u>3,560,000</u>
Compensated Absences				2,342,251	1,167,794
Total Governmental Activities				<u>\$ 34,027,251</u>	<u>\$ 4,727,794</u>

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 6 – LONG-TERM DEBT**

**D. Components of Long-Term Liabilities (Continued)**

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Long-Term Liabilities: (Continued)					
Business-Type Activities:					
Revenue Bonds:					
Liquor Store Revenue Bonds 2008C	2.60%-4.60%	3,295,000	12/01/25	\$ 2,915,000	\$ 140,000
G.O. Revenue Bonds:					
Recreational Revenue Refunding Bonds 2004	1.25%-4.80%	\$ 1,015,000	12/01/14	330,000	105,000
G.O. Refunding Bonds 2010A	1.50%	355,000	12/01/14	270,000	85,000
G.O. Refunding Bonds 2002	1.50%-3.75%	1,095,000	12/01/12	120,000	120,000
G.O Storm Water Bonds 2011A	2.00%-3.60%	2,600,000	12/15/26	2,465,000	140,000
Total G.O. Bonds				<u>3,185,000</u>	<u>450,000</u>
Total Business-Type Activities Bonds				6,100,000	590,000
Capital Lease Obligation				77,975	33,091
Compensated Absences				<u>433,143</u>	<u>237,220</u>
Total Business-Type Activities				<u>\$ 6,611,118</u>	<u>\$ 860,311</u>

**E. Minimum Debt Payments**

Annual debt service requirements to maturity are as follows:

**Governmental Activities**

Year Ending December 31,	G.O. Bonds		G.O. Improvement Bonds		Total Long-Term Bonded Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,655,000	\$ 840,345	\$ 1,905,000	\$ 273,476	\$ 3,560,000	\$ 1,113,821
2013	1,755,000	794,340	1,810,000	215,144	3,565,000	1,009,484
2014	1,850,000	744,265	1,245,000	159,606	3,095,000	903,871
2015	2,050,000	684,638	1,210,000	128,800	3,260,000	813,438
2016	2,000,000	613,195	490,000	92,300	2,490,000	705,495
2017-2021	3,495,000	2,380,460	1,890,000	257,650	5,385,000	2,638,110
2022-2026	3,675,000	1,778,667	450,000	27,675	4,125,000	1,806,342
2027-2031	5,000,000	921,105	-	-	5,000,000	921,105
2032	1,205,000	51,605	-	-	1,205,000	51,605
Total	<u>\$ 22,685,000</u>	<u>\$ 8,808,620</u>	<u>\$ 9,000,000</u>	<u>\$ 1,154,651</u>	<u>\$ 31,685,000</u>	<u>\$ 9,963,271</u>

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 6 – LONG-TERM DEBT**

**E. Minimum Debt Payments (Continued)**

**Business-Type Activities**

Year Ending December 31,	Revenue Bonds		G.O. Revenue Bonds		Total Long-Term Bonded Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 140,000	\$ 121,332	\$ 450,000	\$ 87,833	\$ 590,000	\$ 209,165
2013	145,000	116,853	340,000	74,638	485,000	191,491
2014	150,000	111,850	355,000	65,427	505,000	177,277
2015	155,000	106,450	150,000	55,582	305,000	162,032
2016	160,000	100,560	155,000	52,582	315,000	153,142
2017-2021	950,000	398,820	835,000	211,383	1,785,000	610,203
2022-2026	<u>1,215,000</u>	<u>159,740</u>	<u>900,000</u>	<u>87,705</u>	<u>2,115,000</u>	<u>247,445</u>
Total	<u>\$ 2,915,000</u>	<u>\$ 1,115,605</u>	<u>\$ 3,185,000</u>	<u>\$ 635,150</u>	<u>\$ 6,100,000</u>	<u>\$ 1,750,755</u>

**F. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Bonds Payable:				
G.O. Bonds	\$ 24,175,000	\$ 1,345,000	\$ (2,835,000)	\$ 22,685,000
G.O. Improvement Bonds	<u>14,750,000</u>	<u>-</u>	<u>(5,750,000)</u>	<u>9,000,000</u>
Total Bonds Payable	38,925,000	1,345,000	(8,585,000)	31,685,000
Compensated Absences	<u>2,197,355</u>	<u>1,310,206</u>	<u>(1,165,310)</u>	<u>2,342,251</u>
Governmental Activities Long-Term Liabilities	<u>\$ 41,122,355</u>	<u>\$ 2,655,206</u>	<u>\$ (9,750,310)</u>	<u>\$ 34,027,251</u>
Business-Type Activities:				
Bonds Payable:				
G.O. Revenue Bonds	\$ 1,025,000	\$ 2,600,000	\$ (440,000)	\$ 3,185,000
Revenue Bonds	<u>3,050,000</u>	<u>-</u>	<u>(135,000)</u>	<u>2,915,000</u>
Total Bonds Payable	4,075,000	2,600,000	(575,000)	6,100,000
Capital Lease Obligation	109,211	-	(31,236)	77,975
Compensated Absences	<u>457,832</u>	<u>212,358</u>	<u>(237,047)</u>	<u>433,143</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 4,642,043</u>	<u>\$ 2,812,358</u>	<u>\$ (843,283)</u>	<u>\$ 6,611,118</u>

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 6 – LONG-TERM DEBT**

**F. Changes in Long-Term Liabilities (Continued)**

In September 2010, the City issued G.O. Refunding Bonds, Series 2010A in the amount of \$ 4,320,000. The Bonds were issued to refund the G.O. Storm Sewer Revenue Crossover Refunding Bonds, Series 2005B, the G.O. Improvements Bonds of 2004, the G.O. Improvement Bonds Series 2006A and the G.O. Equipment Certificates of Indebtedness, Series 2006B. The total case savings to the City is \$ 249,602 with a net present value benefit of \$ 250, 032. The amount of the refunded principal paid during 2011 for the 2004, 2006A and 2006B Bonds is shown as the payment of refunded debt on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

**G. Capital Lease Obligations**

The City is obligated under three leases accounted for as capital leases. The asset and liability under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The capital assets related to these leases totaled \$ 160,563 and have a remaining net book value of \$ 98,501.

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

<u>Year Ending</u> <u>December 31,</u>	
2012	\$ 38,241
2013	34,230
2014	<u>13,272</u>
Net Minimum Lease Payments	85,743
Less Amount Representing Interest	<u>(7,768)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 77,975</u></u>

**NOTE 7 – JOINT POWERS COMMITMENT**

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 7 – JOINT POWERS COMMITMENT**

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

Payments from the City are provided from General Fund appropriations. The City’s future member payments to the DCC as of December 31, 2011 are as follows:

<u>Payment Year</u>	<u>Amount</u>
2012	\$ 157,400
2013	156,800
2014	<u>156,000</u>
Total	<u>\$ 470,200</u>

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

**NOTE 8 – CONDUIT DEBT OBLIGATIONS**

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 8 – CONDUIT DEBT OBLIGATIONS**

As of December 31, 2011, the City’s conduit debt consisted of the following:

	<u>Outstanding Balance</u>
Apple Valley EDA:	
Health Care Revenue Bonds (EverCare Senior Living, LLC Projects), Series 2005A	\$ 20,865,000
Public Project Revenue Bond (Independent School District No. 196 Lease Obligations), Series 2006C	1,885,000
Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2011A	1,375,000
Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2011B	1,570,000
Ecumen:	
Housing and Health Care Revenue Bonds (The Seasons at Apple Valley Project), Series 2010	5,475,000
Lifeworks Services:	
Educational Facilities Revenue Note, Series 2011	<u>2,300,000</u>
Total Conduit Debt Obligations	<u><u>\$ 33,470,000</u></u>

**NOTE 9 – RISK MANAGEMENT**

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

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

The City’s workers’ compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2011 is estimated to be immaterial based on workers’ compensation rates and salaries for the year.

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 9 – RISK MANAGEMENT**

At December 31, 2011, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 10 – FUND BALANCE/NET ASSETS**

**A. Fund Balance Classifications**

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective Funds.

	General Fund	Debt Service			Capital Projects		Other Governmental Funds	Total
		Closed Bond Issues	Improvement Bonds of 2006	Improvement Bonds of 2007	Road Improvements	Future Capital Projects		
<b>Nonspendable:</b>								
Inventory	\$ 59,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,378
Prepaid Items	59,283	-	-	-	-	-	-	59,283
<b>Restricted:</b>								
Debt Service	-	-	-	-	-	-	3,171,213	3,171,213
EDA	-	-	-	-	-	-	98,911	98,911
TIF	-	-	-	-	-	-	5,228,377	5,228,377
Park Dedication	-	-	-	-	-	-	1,594,139	1,594,139
911 System	-	-	-	-	-	-	361,492	361,492
Cable Capital Equipment	-	-	-	-	-	-	58,404	58,404
Energy Grant	-	-	-	-	-	-	51,097	51,097
TIF Capital Projects	-	-	-	-	-	-	3,339,143	3,339,143
Park Improvements	-	-	-	-	-	-	728,849	728,849
Electric Projects	-	-	-	-	-	-	523,572	523,572
Cable TV	-	-	-	-	-	-	141,238	141,238
Solid Waste Grant	-	-	-	-	-	-	57,165	57,165
Police Forfeiture	-	-	-	-	-	-	108,945	108,945
Lodging Tax	-	-	-	-	-	-	75,242	75,242
<b>Committed:</b>								
Squad Refitting	21,267	-	-	-	-	-	-	21,267
Ballistic Shields	3,418	-	-	-	-	-	-	3,418
Fire Vehicles	62,436	-	-	-	-	-	-	62,436
Fire Rescue Jack	6,751	-	-	-	-	-	-	6,751
DCC Refund	72,000	-	-	-	-	-	-	72,000
<b>Assigned:</b>								
Debt Service	-	5,382,196	-	-	-	-	3,434,574	8,816,770
Other Capital Projects	-	-	-	-	-	15,579,565	802,489	16,382,054
Tax Appeals	161,724	-	-	-	-	-	-	161,724
Fire Department Software and Uniform Replacment	117,000	-	-	-	-	-	-	117,000
Police Special Projects	-	-	-	-	-	-	152,006	152,006
Tree Preservation	-	-	-	-	-	-	360,072	360,072
Ponds	-	-	-	-	-	-	232,389	232,389
Pathways and Sidewalks	-	-	-	-	-	-	234,258	234,258
Dodd Road	-	-	-	-	-	-	225,803	225,803
Dakota Technical Building	-	-	-	-	-	-	474,850	474,850
EDA	-	-	-	-	-	-	948,003	948,003
Capital Building	-	-	-	-	-	-	397,404	397,404
Park Improvement Development	-	-	-	-	-	-	1,596	1,596
Future Improvements	-	-	-	-	-	-	538,765	538,765
Fire Capital Purchases	-	-	-	-	-	-	31,093	31,093
Unassigned	12,142,496	-	(1,904,455)	(554,838)	(4,814,650)	-	(6,121,929)	(1,253,376)
<b>Total Fund Balance</b>	<b>\$ 12,705,753</b>	<b>\$ 5,382,196</b>	<b>\$ (1,904,455)</b>	<b>\$ (554,838)</b>	<b>\$ (4,814,650)</b>	<b>\$ 15,579,565</b>	<b>\$ 17,249,160</b>	<b>\$ 43,642,731</b>

## CITY OF APPLE VALLEY

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 10 – FUND BALANCE/NET ASSETS

##### B. Net Assets

Restricted net assets are comprised of the restricted fund balance in the governmental funds plus the effects of the conversion to the government-wide net assets. The Liquor Fund has a restricted net asset balance of \$ 309,518 as a requirement of the bond covenant for the Liquor Store Revenue Bonds.

#### NOTE 11 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

##### Public Employees' Retirement Association

##### A. Plan Description

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

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

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

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

## CITY OF APPLE VALLEY

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 11 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

##### Public Employees' Retirement Association (Continued)

##### A. Plan Description (Continued)

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERP and PEPFF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive, #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

##### B. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. In 2011, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members and 14.4% for PEPFF members. The City's contributions to the Public Employees' Retirement Fund for the years ending December 31, 2011, 2010 and 2009 were \$ 642,037, \$ 617,175 and \$ 579,379, respectively. The City's contributions to the PEPFF for the years ending December 31, 2011, 2010 and 2009 were \$ 611,641, \$ 591,022 and \$ 608,686, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

#### NOTE 12 – DEFINED CONTRIBUTION PLAN

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 12 – DEFINED CONTRIBUTION PLAN**

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

Total contributions made by the City during the year 2011 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 1,765	\$ 1,765	5.0%	5.0%	5.0%

**NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

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

**B. Funding Policy**

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with HealthPartners. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2011, the City contributed \$ 86,097 for current premiums. Retirees are able to use any accumulated banked sick leave at retirement to fund their post employment participation in the City sponsored medical and dental group plans. As of January 1, 2010, there were approximately 16 retirees receiving health benefits from the City’s health plan.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

	2011
ARC	\$ 248,825
Interest on Net OPEB Obligation	27,140
Adjustment to ARC	(21,809)
Annual OPEB Cost (Expense)	254,156
Contributions Made	(86,097)
Increase in Net OPEB Obligation	168,059
Net OPEB Obligation - Beginning of Year	603,110
 Net OPEB Obligation - End of Year	 \$ 771,169

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011, 2010 and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
12/31/11	\$ 254,156	\$ 86,097	34%	\$ 771,169
12/31/10	254,671	65,270	26%	603,110
12/31/09	299,535	102,434	34%	413,709

**D. Funded Status and Funding Progress**

As of January 1, 2010, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$ 2,236,253 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,236,253. The covered payroll (annual payroll of active employees covered by the plan) was \$ 11,655,388 and the ratio of the UAAL to the covered payroll was 19%.

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

The Schedule of Funding Progress – Other Post Employment Benefits, presented as required supplementary information following the Notes to the Financial Statements, 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. The year ending December 31, 2008 was the first year of implementation for the City and the actuarial valuation has been updated once; therefore, only two year’s information is presented.

**CITY OF APPLE VALLEY**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 13 – POST EMPLOYMENT HEALTH CARE PLAN**

**E. Actuarial Methods and Assumptions**

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

As of January 1, 2010, the most recent actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5%, shorter-term, based on City’s general assets). The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 9% initially, reduced incrementally to an ultimate rate of 5% after 12 years. Both rates included a 4.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2010 was 30 years.

**NOTE 14 – COMMITMENTS**

At December 31, 2011, the City had the following construction contract commitments outstanding:

Project	Contractor/Vendor	Commitment
CIPP Repairs	Midwest Trenchless Tech, Inc.	\$ 13,215
Sanitary Lift Station No. 2 Replcaement	Geislinger & Sons, Inc.	323,367
Well No. 20 Pumping Facility	Rice Lake Construction	138,929
Lift Station Control and SCADA Upgrades	Automatic Systems Company	37,625
Wells 1, 2, 18 and LZP4	Keys Well Drilling	90,022
Cured In Place Pipe Repairs	Visu-Sewer, Inc.	38,770
Sanitary Sewer Lining	Veit & Company, Inc.	10,390
Non-Invasive Pipe Condition Assessment	Short Elliot Hendrickson, Inc.	6,368
Valleywood Golf Course Clubhouse	Various	2,385,551
Two Year Lease on Eight 72" Mowers	Frontier Ag & Turf	74,088
2012 Versatile Tractor and Snowblower	MN Cooperative Purchasing Contract	133,124
Traffic Control Signal Repairs	Killmer Electric Company	3,312
Street Light Locating, Mark and Clear	Premier Locating, Inc.	2,000
Cemetery Irrigation System	Curbside Landscape and Irrigation	11,795
2012 Street Maintenance Project	McNamara Contracting	2,378,505
2012 Hayes Park Arena Rubber Flooring	Arena Systems	90,799
2012 Sports Arena Rubber Flooring	Arena Systems	32,780
Reconditioning and Painting	Budget Sandblasting and Painting, Inc.	57,974
Flagstaff Avenue Extension	LaTour Construction, Inc.	2,751,357
Eagle Ridge Business Park	Enebac Construction Company	390,570
147th Street Extension	LaTour Construction, Inc.	2,231,945
2012 Micro Surfacing	Astech Corp.	731,401
		<u>\$ 11,933,887</u>
Total		<u>\$ 11,933,887</u>

## **CITY OF APPLE VALLEY**

### **NOTES TO THE FINANCIAL STATEMENTS December 31, 2011**

#### **NOTE 15 – 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 16 – SUBSEQUENT EVENT**

On February 1, 2012, the City Council approved an interfund loan in the amount of \$ 2,000,000 from the Future Capital Projects Fund to the Valleywood Golf Course Fund, with annual payments of \$ 50,000 due on December 31 of each year, with an interest rate charged of 0.4% per year on the outstanding balance. Additionally, the City Council approved additional funding for the Valleywood Golf Course Fund in the form of a transfer up to \$ 1,200,000 from the Park Dedication Fund to be completed as needed during the calendar year 2012. Both sources of funding are to be used for the construction of a new clubhouse facility.

#### **NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2011, the City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This action resulted in a reclassification of fund balances on the governmental fund statements to correspond with the new fund naming structure required by this Statement.

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

**SUPPLEMENTARY INFORMATION**

**CITY OF APPLE VALLEY**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

	Special Revenue					
	Cable TV (2010)	Solid Waste Grant (2040)	Police Forfeiture (2060)	EDA Operations (3210)	Lodging Tax (7000)	Total
<b>ASSETS</b>						
Cash and Investments	\$ 130,823	\$ 57,165	\$ 108,945	\$ 948,003	\$ 76,165	\$ 1,321,101
Taxes Receivable - Delinquent	-	-	-	-	-	-
Special Assessments Receivable:						
Current	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-
Deferred	-	-	-	-	-	-
Accounts Receivable	18,119	-	-	-	5,344	23,463
Due from Other Funds	-	-	-	-	-	-
Due from Other Governments	51	-	-	-	-	51
	<u>51</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51</u>
Total Assets	<u>\$ 148,993</u>	<u>\$ 57,165</u>	<u>\$ 108,945</u>	<u>\$ 948,003</u>	<u>\$ 81,509</u>	<u>\$ 1,344,615</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accrued Wages Payable	\$ 6,534	\$ -	\$ -	\$ -	\$ -	\$ 6,534
Accounts Payable	1,081	-	-	-	6,267	7,348
Contracts Payable	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-
Due to Other Governments	140	-	-	-	-	140
Deferred Revenue	-	-	-	-	-	-
Total Liabilities	<u>7,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,267</u>	<u>14,022</u>
<b>Fund Balances</b>						
Restricted	141,238	57,165	108,945	-	75,242	382,590
Assigned	-	-	-	948,003	-	948,003
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>141,238</u>	<u>57,165</u>	<u>108,945</u>	<u>948,003</u>	<u>75,242</u>	<u>1,330,593</u>
Total Liabilities and Fund Balances	<u>\$ 148,993</u>	<u>\$ 57,165</u>	<u>\$ 108,945</u>	<u>\$ 948,003</u>	<u>\$ 81,509</u>	<u>\$ 1,344,615</u>

Debt Service

1997 Park Bonds (3060)	Cemetery Bonds of 1997 (3065)	G.O. Closed Bond Issues (3075)	Refunding Bonds of 1993 (3155)	Improvement Bonds of 2003 (3165)	Improvement Bonds of 1997 (3185)	State Aid Street Bonds of 2004 (3190)
\$ 167,000	\$ 45,870	\$ 1,214,953	\$ 980,995	\$ -	\$ -	\$ 344,933
-	-	-	-	-	-	-
-	-	-	4,344	-	4,464	-
-	-	-	21,402	13,951	-	-
-	-	-	22,692	-	8,929	-
-	-	-	-	-	-	-
-	-	1,238,626	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 167,000</u>	<u>\$ 45,870</u>	<u>\$ 2,453,579</u>	<u>\$ 1,029,433</u>	<u>\$ 13,951</u>	<u>\$ 13,393</u>	<u>\$ 344,933</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	130,781	2,363,790	-
-	-	-	-	-	-	-
-	-	-	48,438	13,951	13,393	-
-	-	-	<u>48,438</u>	<u>144,732</u>	<u>2,377,183</u>	-
167,000	45,870	-	-	-	-	344,933
-	-	2,453,579	980,995	-	-	-
-	-	-	-	(130,781)	(2,363,790)	-
<u>167,000</u>	<u>45,870</u>	<u>2,453,579</u>	<u>980,995</u>	<u>(130,781)</u>	<u>(2,363,790)</u>	<u>344,933</u>
<u>\$ 167,000</u>	<u>\$ 45,870</u>	<u>\$ 2,453,579</u>	<u>\$ 1,029,433</u>	<u>\$ 13,951</u>	<u>\$ 13,393</u>	<u>\$ 344,933</u>

(Continued)

CITY OF APPLE VALLEY

(Continued)

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011

	Debt Service				
	1998/2008 Improvement Bonds (3195)	2001/2008B Refunding Improvement Bonds (3285)	G.O. Refunding Bonds of 2002 (3300)	2003/2009A Refunding Improvement Bonds (3305)	Improvement Bonds of 2004 (3320)
<b>ASSETS</b>					
Cash and Investments	\$ 589,811	\$ -	\$ -	\$ 460,457	\$ 1,306,855
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	161,662	130,960	-	-	61,558
Delinquent	2,983	114,178	-	-	142,085
Deferred	366,365	782,287	-	-	430,907
Accounts Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
	<u>\$ 1,120,821</u>	<u>\$ 1,027,425</u>	<u>\$ -</u>	<u>\$ 460,457</u>	<u>\$ 1,941,405</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	1,985,771	50,932	-	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	531,010	1,027,425	-	-	634,550
Total Liabilities	<u>531,010</u>	<u>3,013,196</u>	<u>50,932</u>	<u>-</u>	<u>634,550</u>
<b>Fund Balances</b>					
Restricted	589,811	-	-	460,457	1,306,855
Assigned	-	-	-	-	-
Unassigned	-	(1,985,771)	(50,932)	-	-
Total Fund Balances	<u>589,811</u>	<u>(1,985,771)</u>	<u>(50,932)</u>	<u>460,457</u>	<u>1,306,855</u>
	<u>\$ 1,120,821</u>	<u>\$ 1,027,425</u>	<u>\$ -</u>	<u>\$ 460,457</u>	<u>\$ 1,941,405</u>
Total Liabilities and Fund Balances	<u>\$ 1,120,821</u>	<u>\$ 1,027,425</u>	<u>\$ -</u>	<u>\$ 460,457</u>	<u>\$ 1,941,405</u>

Debt Service

G.O. Equipment Certificates of 2006 (3335)	Economic Development (3215)	Tax Increment Downtown Redevelopment (3260)	Taxable Tax Increment Bonds of 2003 (3270)	Taxable Tax Increment Bonds of 1985-1992A Refunding (3220)	Tax Increment Fischer Marketplace (3275)	G.O. Park Bond of 2007 (3345)
\$ 44,089	\$ 98,911	\$ 1,520,652	\$ 930,798	\$ 2,356,082	\$ 396,621	\$ 62,205
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	114,078	-	-	-
-	-	-	-	-	-	-
<u>\$ 44,089</u>	<u>\$ 98,911</u>	<u>\$ 1,520,652</u>	<u>\$ 1,044,876</u>	<u>\$ 2,356,082</u>	<u>\$ 396,621</u>	<u>\$ 62,205</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	89,854	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>89,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
44,089	98,911	1,430,798	1,044,876	2,356,082	396,621	62,205
-	-	-	-	-	-	-
<u>44,089</u>	<u>98,911</u>	<u>1,430,798</u>	<u>1,044,876</u>	<u>2,356,082</u>	<u>396,621</u>	<u>62,205</u>
<u>\$ 44,089</u>	<u>\$ 98,911</u>	<u>\$ 1,520,652</u>	<u>\$ 1,044,876</u>	<u>\$ 2,356,082</u>	<u>\$ 396,621</u>	<u>\$ 62,205</u>

(Continued)

CITY OF APPLE VALLEY

(Continued)

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011

	Debt Service		Capital Projects	
	G.O. Park Bond of 2008 (3355)	G.O. Park Bond of 2011 (3360)	Total	
			Equipment Certificates (2005)	
<b>ASSETS</b>				
Cash and Investments	\$ 127,556	\$ 22,437	\$ 10,670,225	\$ 126,220
Taxes Receivable - Delinquent	-	-	-	-
Special Assessments Receivable:				
Current	-	-	362,988	-
Delinquent	-	-	294,599	-
Deferred	-	-	1,611,180	-
Accounts Receivable	-	-	114,078	-
Due from Other Funds	-	-	1,238,626	-
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 127,556</u>	<u>\$ 22,437</u>	<u>\$ 14,291,696</u>	<u>\$ 126,220</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	89,854	-
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	4,531,274	-
Due to Other Governments	-	-	-	-
Deferred Revenue	-	-	2,268,767	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>6,889,895</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted	127,556	22,437	8,498,501	-
Assigned	-	-	3,434,574	126,220
Unassigned	-	-	(4,531,274)	-
Total Fund Balances	<u>127,556</u>	<u>22,437</u>	<u>7,401,801</u>	<u>126,220</u>
Total Liabilities and Fund Balances	<u>\$ 127,556</u>	<u>\$ 22,437</u>	<u>\$ 14,291,696</u>	<u>\$ 126,220</u>

Capital Projects

Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)	Police 911 (2065)	Tree Preservation (2070)	Pond (2075)	Pathways and Sidewalks (2080)
\$ 1,594,301	\$ 51,097	\$ 145,701	\$ 361,492	\$ 360,072	\$ 232,389	\$ 234,258
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	6,305	-	-	-	-
<u>\$ 1,594,301</u>	<u>\$ 51,097</u>	<u>\$ 152,006</u>	<u>\$ 361,492</u>	<u>\$ 360,072</u>	<u>\$ 232,389</u>	<u>\$ 234,258</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
162	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,594,139	51,097	-	361,492	-	-	-
-	-	152,006	-	360,072	232,389	234,258
-	-	-	-	-	-	-
<u>1,594,139</u>	<u>51,097</u>	<u>152,006</u>	<u>361,492</u>	<u>360,072</u>	<u>232,389</u>	<u>234,258</u>
<u>\$ 1,594,301</u>	<u>\$ 51,097</u>	<u>\$ 152,006</u>	<u>\$ 361,492</u>	<u>\$ 360,072</u>	<u>\$ 232,389</u>	<u>\$ 234,258</u>

(Continued)

CITY OF APPLE VALLEY

(Continued)

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011

	Capital Projects				
	Dodd Road (2085)	Dakota Technical Building (2090)	Capital Building (4000)	Park Improvement Development (4010)	Dakota County Construction Projects (4030)
<b>ASSETS</b>					
Cash and Investments	\$ 225,803	\$ 474,850	\$ 443,303	\$ 1,596	\$ -
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 225,803</u>	<u>\$ 474,850</u>	<u>\$ 443,303</u>	<u>\$ 1,596</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Contracts Payable	-	-	45,899	-	-
Due to Other Funds	-	-	-	-	124,250
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>45,899</u>	<u>-</u>	<u>124,250</u>
<b>Fund Balances</b>					
Restricted	-	-	-	-	-
Assigned	225,803	474,850	397,404	1,596	-
Unassigned	-	-	-	-	(124,250)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>225,803</u>	<u>474,850</u>	<u>397,404</u>	<u>1,596</u>	<u>(124,250)</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balances	<u>\$ 225,803</u>	<u>\$ 474,850</u>	<u>\$ 443,303</u>	<u>\$ 1,596</u>	<u>\$ -</u>



CITY OF APPLE VALLEY

(Continued)

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011

	Capital Projects				
	Physical Improvement (4900)	Future Improvements (4910)	Private Development (4920)	Constructio n Projects (4500)	2003 Improvement Construction (4300)
<b>ASSETS</b>					
Cash and Investments	\$ 235,101	\$ 538,765	\$ 122,592	\$ 146,198	\$ -
Taxes Receivable - Delinquent	-	-	-	-	-
Special Assessments Receivable:					
Current	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Accounts Receivable	-	-	-	-	10,028
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	6,421	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,421</u>	<u>-</u>
Total Assets	<u>\$ 235,101</u>	<u>\$ 538,765</u>	<u>\$ 122,592</u>	<u>\$ 152,619</u>	<u>\$ 10,028</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	58,169	-	-	25,996	24,943
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	937,472
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>58,169</u>	<u>-</u>	<u>-</u>	<u>25,996</u>	<u>962,415</u>
<b>Fund Balances</b>					
Restricted	-	-	-	-	-
Assigned	176,932	538,765	122,592	126,623	-
Unassigned	-	-	-	-	(952,387)
Total Fund Balances	<u>176,932</u>	<u>538,765</u>	<u>122,592</u>	<u>126,623</u>	<u>(952,387)</u>
Total Liabilities and Fund Balances	<u>\$ 235,101</u>	<u>\$ 538,765</u>	<u>\$ 122,592</u>	<u>\$ 152,619</u>	<u>\$ 10,028</u>

Capital Projects

TIF District No. 13 (4700)	TIF District No. 7 (4710)	Electric Franchise Fee (4750)	2007 Park Bond (4935)	Fire Grants Project (7600)	Total	Total Nonmajor Governmental Funds
\$ 2,254,660	\$ 1,076,509	\$ 523,572	\$ 789,513	\$ 31,093	\$ 10,277,611	\$ 22,268,937
28,316	-	-	-	-	28,316	28,316
-	-	-	-	-	-	362,988
-	-	-	-	-	-	294,599
-	-	-	-	-	-	1,611,180
-	-	-	-	-	10,028	147,569
-	-	-	-	-	-	1,238,626
34,447	-	-	-	-	47,173	47,224
<u>\$ 2,317,423</u>	<u>\$ 1,076,509</u>	<u>\$ 523,572</u>	<u>\$ 789,513</u>	<u>\$ 31,093</u>	<u>\$ 10,363,128</u>	<u>\$ 25,999,439</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,534
12,811	13,662	-	-	-	258,278	355,480
-	-	-	60,664	-	106,563	106,563
-	-	-	-	-	1,453,205	5,984,479
-	-	-	-	-	-	140
28,316	-	-	-	-	28,316	2,297,083
<u>41,127</u>	<u>13,662</u>	<u>-</u>	<u>60,664</u>	<u>-</u>	<u>1,846,362</u>	<u>8,750,279</u>
2,276,296	1,062,847	523,572	728,849	-	6,656,696	15,537,787
-	-	-	-	31,093	3,450,725	7,833,302
-	-	-	-	-	(1,590,655)	(6,121,929)
<u>2,276,296</u>	<u>1,062,847</u>	<u>523,572</u>	<u>728,849</u>	<u>31,093</u>	<u>8,516,766</u>	<u>17,249,160</u>
<u>\$ 2,317,423</u>	<u>\$ 1,076,509</u>	<u>\$ 523,572</u>	<u>\$ 789,513</u>	<u>\$ 31,093</u>	<u>\$ 10,363,128</u>	<u>\$ 25,999,439</u>

**CITY OF APPLE VALLEY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011**

	Special Revenue					
	Cable TV (2010)	Solid Waste Grant (2040)	Police Forfeiture (2060)	EDA Operations (3210)	Lodging Tax (7000)	Total
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-	-
Franchise Fees	70,361	-	-	-	-	70,361
Other Taxes	-	-	-	-	74,105	74,105
Special Assessments	-	-	-	-	-	-
Intergovernmental	85,804	5,340	-	-	-	91,144
Charges for Services	-	-	-	25,000	-	25,000
Miscellaneous:						
Investment Income	5,947	2,571	2,950	40,296	-	51,764
Rentals	-	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-	-
Contributions and Donations	-	-	-	-	-	-
Other	-	-	9,422	-	-	9,422
Total Revenues	<u>162,112</u>	<u>7,911</u>	<u>12,372</u>	<u>65,296</u>	<u>74,105</u>	<u>321,796</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	-	-	-	-	-	-
Public Safety	-	-	23,302	-	-	23,302
Public Works	-	6,764	-	-	-	6,764
Parks and Recreation	170,202	-	-	-	70,400	240,602
<b>Debt Service</b>						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
<b>Capital Outlay</b>						
General Government	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Parks and Recreation	15,653	-	-	-	-	15,653
Total Expenditures	<u>185,855</u>	<u>6,764</u>	<u>23,302</u>	<u>-</u>	<u>70,400</u>	<u>286,321</u>
Excess of Revenues Over (Under) Expenditures	(23,743)	1,147	(10,930)	65,296	3,705	35,475
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Sale of Capital Asset	-	-	72,687	-	-	72,687
Bond Proceeds	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-	-
Transfers In	15,473	-	-	-	-	15,473
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>15,473</u>	<u>-</u>	<u>72,687</u>	<u>-</u>	<u>-</u>	<u>88,160</u>
Net Change in Fund Balances	(8,270)	1,147	61,757	65,296	3,705	123,635
<b>FUND BALANCES</b>						
<b>Beginning of Year</b>	<u>149,508</u>	<u>56,018</u>	<u>47,188</u>	<u>882,707</u>	<u>71,537</u>	<u>1,206,958</u>
<b>End of Year</b>	<u>\$ 141,238</u>	<u>\$ 57,165</u>	<u>\$ 108,945</u>	<u>\$ 948,003</u>	<u>\$ 75,242</u>	<u>\$ 1,330,593</u>

Debt Service

1997 Park Bonds (3060)	Cemetery Bonds of 1997 (3065)	G.O. Closed Bond Issues (3075)	Refunding Bonds of 1993 (3155)	Improvement Bonds of 2003 (3165)	Improvement Bonds of 1997 (3185)	State Aid Street Bonds of 2004 (3190)
\$ 860,000	\$ 69,000	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	8,088	-	5,804	-
-	-	-	-	-	-	48,571
-	-	-	-	-	-	-
9,324	2,074	96,789	42,481	-	-	18,226
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>869,324</u>	<u>71,074</u>	<u>96,789</u>	<u>50,569</u>	<u>-</u>	<u>5,804</u>	<u>66,797</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
645,000	50,000	-	-	-	340,000	100,000
210,798	16,010	-	3,329	-	10,200	6,088
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>855,798</u>	<u>66,010</u>	<u>-</u>	<u>3,329</u>	<u>-</u>	<u>350,200</u>	<u>106,088</u>
13,526	5,064	96,789	47,240	-	(344,396)	(39,291)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	66,531	-	-	-	-
-	-	-	-	-	-	-
-	-	<u>66,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
13,526	5,064	163,320	47,240	-	(344,396)	(39,291)
153,474	40,806	2,290,259	933,755	(130,781)	(2,019,394)	384,224
<u>\$ 167,000</u>	<u>\$ 45,870</u>	<u>\$ 2,453,579</u>	<u>\$ 980,995</u>	<u>\$ (130,781)</u>	<u>\$ (2,363,790)</u>	<u>\$ 344,933</u>

(Continued)

CITY OF APPLE VALLEY

(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	Debt Service				
	1998/2008 Improvement Bonds (3195)	2001/2008B Refunding Improvement Bonds (3285)	G.O. Refunding Bonds of 2002 (3300)	2003/2009A Refunding Improvement Bonds (3305)	Improvement Bonds of 2004 (3320)
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Other Taxes	-	-	-	-	-
Special Assessments	218,188	55,294	-	-	71,836
Intergovernmental	-	-	-	698,316	-
Charges for Services	-	-	-	-	-
Miscellaneous:					
Investment Income	43,038	-	-	13,788	73,109
Rentals	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>261,226</u>	<u>55,294</u>	<u>-</u>	<u>712,104</u>	<u>144,945</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
<b>Debt Service</b>					
Principal	615,000	410,000	-	440,000	250,000
Interest and Other Charges	78,399	68,418	-	88,400	134,775
<b>Capital Outlay</b>					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>693,399</u>	<u>478,418</u>	<u>-</u>	<u>528,400</u>	<u>384,775</u>
Excess of Revenues Over (Under) Expenditures	(432,173)	(423,124)	-	183,704	(239,830)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	(2,100,000)
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	(8,600)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,108,600)</u>
Net Change in Fund Balances	(432,173)	(423,124)	-	183,704	(2,348,430)
<b>FUND BALANCES</b>					
<b>Beginning of Year</b>	<u>1,021,984</u>	<u>(1,562,647)</u>	<u>(50,932)</u>	<u>276,753</u>	<u>3,655,285</u>
<b>End of Year</b>	<u>\$ 589,811</u>	<u>\$ (1,985,771)</u>	<u>\$ (50,932)</u>	<u>\$ 460,457</u>	<u>\$ 1,306,855</u>

Debt Service

G.O. Equipment Certificates of 2003 (3310)	G.O. Equipment Certificates of 2004 (3315)	G.O. Equipment Certificates of 2005 (3325)	G.O. Equipment Certificates of 2006 (3335)	Economic Development (3215)	Tax Increment Downtown Redevelopment (3260)	Taxable Tax Increment Bonds of 2003 (3270)
\$ -	\$ -	\$ -	\$ 123,000	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,492	263	1,144	3,603	4,309	69,469	85,005
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,492</u>	<u>263</u>	<u>1,144</u>	<u>126,603</u>	<u>4,309</u>	<u>69,469</u>	<u>85,005</u>
-	-	-	-	-	288,641	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	100,000	-	-	865,000
-	-	-	30,275	-	-	36,959
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>130,275</u>	<u>-</u>	<u>288,641</u>	<u>901,959</u>
1,492	263	1,144	(3,672)	4,309	(219,172)	(816,954)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(435,000)	-	-	-
-	-	-	-	-	-	-
<u>(34,241)</u>	<u>(6,028)</u>	<u>(26,261)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(34,241)</u>	<u>(6,028)</u>	<u>(26,261)</u>	<u>(435,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(32,749)	(5,765)	(25,117)	(438,672)	4,309	(219,172)	(816,954)
<u>32,749</u>	<u>5,765</u>	<u>25,117</u>	<u>482,761</u>	<u>94,602</u>	<u>1,649,970</u>	<u>1,861,830</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,089</u>	<u>\$ 98,911</u>	<u>\$ 1,430,798</u>	<u>\$ 1,044,876</u>

(Continued)

CITY OF APPLE VALLEY

(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	Debt Service				
	Taxable Tax Increment Bonds of 1985-1992A Refunding (3220)	Tax Increment Fischer Marketplace (3275)	G.O. Park Bond of 2007 (3345)	G.O. Park Bond of 2008 (3355)	G.O. Park Bond of 2011 (3360)
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ 380,000	\$ 355,000	\$ -
Tax Increments	286,204	28,061	-	-	-
Franchise Fees	-	-	-	-	-
Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	20,295	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous:					
Investment Income	92,433	15,886	2,469	5,974	1,055
Rentals	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>378,637</u>	<u>64,242</u>	<u>382,469</u>	<u>360,974</u>	<u>1,055</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	1,728	1,751	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
<b>Debt Service</b>					
Principal	-	-	100,000	100,000	-
Interest and Other Charges	-	-	259,780	255,207	19,718
<b>Capital Outlay</b>					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>1,728</u>	<u>1,751</u>	<u>359,780</u>	<u>355,207</u>	<u>19,718</u>
Excess of Revenues Over (Under) Expenditures	376,909	62,491	22,689	5,767	(18,663)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	41,100
Bond Premium	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,100</u>
Net Change in Fund Balances	376,909	62,491	22,689	5,767	22,437
<b>FUND BALANCES</b>					
<b>Beginning of Year</b>	<u>1,979,173</u>	<u>334,130</u>	<u>39,516</u>	<u>121,789</u>	<u>-</u>
<b>End of Year</b>	<u>\$ 2,356,082</u>	<u>\$ 396,621</u>	<u>\$ 62,205</u>	<u>\$ 127,556</u>	<u>\$ 22,437</u>

Debt Service		Capital Projects					
Total	Equipment Certificates (2005)	Park Dedication (2015)	Energy Grant (2050)	Police Special Projects (2055)	Police 911 (2065)	Tree Preservation (2070)	Pond (2075)
\$ 1,787,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
314,265	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
359,210	-	-	-	-	-	-	-
767,182	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
581,931	10,335	67,450	2,186	5,013	15,749	15,831	10,124
-	-	-	-	-	-	-	-
-	-	-	7,000	36,348	-	-	-
-	-	-	-	1,850	-	-	-
-	-	68,359	-	1,429	-	-	-
<u>3,809,588</u>	<u>10,335</u>	<u>135,809</u>	<u>9,186</u>	<u>44,640</u>	<u>15,749</u>	<u>15,831</u>	<u>10,124</u>
292,120	-	-	-	-	-	-	-
-	-	-	-	4,185	-	-	-
-	-	-	-	-	-	-	-
-	-	870	-	-	-	3,568	-
4,015,000	-	-	-	-	-	-	-
1,218,356	-	-	-	-	-	-	-
-	-	-	1,211	-	-	-	-
-	353,819	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>5,525,476</u>	<u>353,819</u>	<u>870</u>	<u>1,211</u>	<u>4,185</u>	<u>-</u>	<u>3,568</u>	<u>-</u>
(1,715,888)	(343,484)	134,939	7,975	40,455	15,749	12,263	10,124
-	14,000	-	-	-	-	-	-
41,100	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(2,535,000)	-	-	-	-	-	-	-
66,531	-	-	-	-	-	-	-
(75,130)	-	-	-	-	-	-	-
<u>(2,502,499)</u>	<u>14,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(4,218,387)	(329,484)	134,939	7,975	40,455	15,749	12,263	10,124
11,620,188	455,704	1,459,200	43,122	111,551	345,743	347,809	222,265
<u>\$ 7,401,801</u>	<u>\$ 126,220</u>	<u>\$ 1,594,139</u>	<u>\$ 51,097</u>	<u>\$ 152,006</u>	<u>\$ 361,492</u>	<u>\$ 360,072</u>	<u>\$ 232,389</u>

(Continued)  
91

CITY OF APPLE VALLEY

(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	Capital Projects				
	Pathways and Sidewalks (2080)	Dodd Road (2085)	Dakota Technical Building (2090)	Capital Building (4000)	Park Improvement Development (4010)
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous:					
Investment Income	10,206	9,837	18,871	19,313	70
Rentals	-	-	80,000	-	-
Refunds and Reimbursements	-	-	-	-	-
Contributions and Donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>10,206</u>	<u>9,837</u>	<u>98,871</u>	<u>19,313</u>	<u>70</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	-	-	4,740	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
<b>Debt Service</b>					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
<b>Capital Outlay</b>					
General Government	-	-	-	-	-
Public Works	-	-	-	-	-
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>4,740</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	10,206	9,837	94,131	19,313	70
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	10,206	9,837	94,131	19,313	70
<b>FUND BALANCES</b>					
<b>Beginning of Year</b>	<u>224,052</u>	<u>215,966</u>	<u>380,719</u>	<u>378,091</u>	<u>1,526</u>
<b>End of Year</b>	<u>\$ 234,258</u>	<u>\$ 225,803</u>	<u>\$ 474,850</u>	<u>\$ 397,404</u>	<u>\$ 1,596</u>

Capital Projects

Dakota County Construction Projects (4030)	C.I.P. Development (4045)	1999 Improvement Construction (4225)	2000 Improvement Construction (4245)	2008 Construction Projects (4400)	Engineer Developer Review Nonreimbursable (4600)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	10,897	-	-	-	2,130
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	11,702	-
-	10,897	-	-	11,702	2,130
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,424	-	-	-	164,713	9,422
-	-	-	27,630	-	-
-	-	-	-	-	-
2,424	-	-	27,630	164,713	9,422
(2,424)	10,897	-	(27,630)	(153,011)	(7,292)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	22,498	314,458	50,603	-
-	-	(1,500)	-	-	-
-	-	20,998	314,458	50,603	-
(2,424)	10,897	20,998	286,828	(102,408)	(7,292)
(121,826)	239,225	(69,805)	(305,449)	(303,628)	(33,262)
\$ (124,250)	\$ 250,122	\$ (48,807)	\$ (18,621)	\$ (406,036)	\$ (40,554)

(Continued)

CITY OF APPLE VALLEY

(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	Capital Projects				
	Cable Capital Equipment (4800)	Physical Improvement (4900)	Future Improvements (4910)	Private Development (4920)	Construction Projects (4500)
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Franchise Fees	-	-	-	-	-
Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous:					
Investment Income	2,544	7,502	30,290	5,341	4,544
Rentals	-	-	-	-	-
Refunds and Reimbursements	-	-	-	-	6,420
Contributions and Donations	-	-	-	-	-
Other	-	75,224	-	-	92,850
Total Revenues	<u>2,544</u>	<u>82,726</u>	<u>30,290</u>	<u>5,341</u>	<u>103,814</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	11,781	-	-	-
Park and Recreation	-	-	-	-	-
<b>Debt Service</b>					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
<b>Capital Outlay</b>					
General Government	-	-	-	-	-
Public Works	-	-	-	-	25,749
Park and Recreation	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>11,781</u>	<u>-</u>	<u>-</u>	<u>25,749</u>
Excess of Revenues Over (Under) Expenditures	2,544	70,945	30,290	5,341	78,065
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Sale of Capital Asset	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Payment of Refunded Debt	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	(156,495)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(156,495)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,544	70,945	(126,205)	5,341	78,065
<b>FUND BALANCES</b>					
<b>Beginning of Year</b>	<u>55,860</u>	<u>105,987</u>	<u>664,970</u>	<u>117,251</u>	<u>48,558</u>
<b>End of Year</b>	<u>\$ 58,404</u>	<u>\$ 176,932</u>	<u>\$ 538,765</u>	<u>\$ 122,592</u>	<u>\$ 126,623</u>

Capital Projects

2003 Improvement Construction (4300)	TIF District No. 13 (4700)	TIF District No. 7 (4710)	Electric Franchise Fee (4750)	2007 Park Bond (4935)	Fire Grants Project (7600)	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,787,000
-	1,318,207	607,797	-	-	-	1,926,004	2,240,269
-	-	-	523,572	-	-	523,572	593,933
-	-	-	-	-	-	-	74,105
-	-	-	-	-	-	-	359,210
-	-	-	-	-	-	-	858,326
-	-	-	-	-	-	-	25,000
-	70,016	33,708	-	17,084	1,355	370,396	1,004,091
-	-	-	-	-	-	80,000	80,000
6,587	-	-	-	-	-	56,355	56,355
-	-	-	-	-	-	1,850	1,850
-	25,000	-	-	-	-	274,564	283,986
<u>6,587</u>	<u>1,413,223</u>	<u>641,505</u>	<u>523,572</u>	<u>17,084</u>	<u>1,355</u>	<u>3,232,741</u>	<u>7,364,125</u>
-	119,838	-	-	-	-	124,578	416,698
-	-	-	-	-	-	4,185	27,487
-	-	-	-	-	-	11,781	18,545
-	-	-	-	-	-	4,438	245,040
-	-	-	-	-	-	-	4,015,000
-	-	-	-	29,218	-	29,218	1,247,574
-	288,389	205,061	-	-	-	671,220	671,220
8,889	-	-	-	-	-	416,087	416,087
-	-	-	-	338,236	-	338,236	353,889
<u>8,889</u>	<u>408,227</u>	<u>205,061</u>	<u>-</u>	<u>367,454</u>	<u>-</u>	<u>1,599,743</u>	<u>7,411,540</u>
(2,302)	1,004,996	436,444	523,572	(350,370)	1,355	1,632,998	(47,415)
-	-	-	-	-	-	14,000	86,687
-	-	-	-	1,303,900	-	1,303,900	1,345,000
-	-	-	-	6,568	-	6,568	6,568
-	-	-	-	-	-	-	(2,535,000)
1,244,082	-	-	-	-	-	1,631,641	1,713,645
-	-	-	-	-	-	(157,995)	(233,125)
<u>1,244,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,310,468</u>	<u>-</u>	<u>2,798,114</u>	<u>383,775</u>
1,241,780	1,004,996	436,444	523,572	960,098	1,355	4,431,112	336,360
(2,194,167)	1,271,300	626,403	-	(231,249)	29,738	4,085,654	16,912,800
<u>\$ (952,387)</u>	<u>\$ 2,276,296</u>	<u>\$ 1,062,847</u>	<u>\$ 523,572</u>	<u>\$ 728,849</u>	<u>\$ 31,093</u>	<u>\$ 8,516,766</u>	<u>\$ 17,249,160</u>

**CITY OF APPLE VALLEY**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
<b>General Property Taxes</b>				
Current	\$ 19,471,000	\$ 17,873,000	\$ 17,850,656	\$ (22,344)
Delinquent	200,000	200,000	158,217	(41,783)
Total General Property Taxes	<u>19,671,000</u>	<u>18,073,000</u>	<u>18,008,873</u>	<u>(64,127)</u>
<b>Franchise Fees</b>	450,000	450,000	583,782	133,782
<b>Other Taxes</b>	35,000	35,000	77,915	42,915
<b>Special Assessments</b>	5,000	5,000	13,765	8,765
<b>Licenses and Permits</b>				
General Government	142,400	142,400	174,848	32,448
Public Safety	7,120	7,120	4,596	(2,524)
Public Works	452,000	452,000	616,872	164,872
Total Licenses and Permits	<u>601,520</u>	<u>601,520</u>	<u>796,316</u>	<u>194,796</u>
<b>Intergovernmental Revenue</b>				
State:				
PERA Aid	-	-	36,095	36,095
Fire Relief Aid - Public Safety	178,831	178,831	179,993	1,162
Police Relief Aid - Public Safety	330,000	330,000	322,628	(7,372)
Other - Public Safety	20,000	20,000	37,918	17,918
Local:				
Other - General Government	-	-	7,122	7,122
Total Intergovernmental Revenue	<u>528,831</u>	<u>528,831</u>	<u>583,756</u>	<u>54,925</u>
<b>Charges for Services</b>				
Administration Charges - General Government:				
Construction Funds	41,200	41,200	58,999	17,799
Enterprise Funds	670,000	670,000	670,000	-
Investment Charge - General Government	100,000	100,000	100,000	-
Other - General Government	17,800	17,800	47,306	29,506
Other - Public Safety	206,700	206,700	215,766	9,066
Other - Public Works	269,125	269,125	246,235	(22,890)
Other - Parks and Recreation	931,000	931,000	901,949	(29,051)
Total Charges for Services	<u>2,235,825</u>	<u>2,235,825</u>	<u>2,240,255</u>	<u>4,430</u>
<b>Fines and Forfeitures</b>	315,000	315,000	288,946	(26,054)
<b>Investment Income</b>	200,000	200,000	410,341	210,341
<b>Donations</b>	-	-	900	900
<b>Rentals</b>				
City Hall - General Government	12,200	12,200	8,050	(4,150)
Fire Station	30,500	30,500	30,558	58
Antenna Rentals - Public Works	298,000	298,000	287,245	(10,755)
Recreation Facilities - Parks and Recreation	119,000	119,000	105,600	(13,400)
Total Rentals	<u>459,700</u>	<u>459,700</u>	<u>431,453</u>	<u>(28,247)</u>

**CITY OF APPLE VALLEY**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
<b>Miscellaneous - General Government</b>	\$ 20,000	\$ 20,000	\$ 37,579	\$ 17,579
<b>Refunds and Reimbursements</b>				
General Government	3,000	3,000	3,199	199
Public Safety	-	-	9,131	9,131
Parks and Recreation	57,000	57,000	57,091	91
Total Refunds and Reimbursements	60,000	60,000	69,421	9,421
Total Revenues	24,581,876	22,983,876	23,543,302	559,426
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and City Council:				
Personal Services	111,718	111,798	99,067	(12,731)
Other Current Expenditures	24,430	24,430	17,765	(6,665)
Total Mayor and City Council	136,148	136,228	116,832	(19,396)
Administration:				
Personal Services	363,790	365,220	350,226	(14,994)
Other Current Expenditures	15,716	15,716	13,130	(2,586)
Total Administration	379,506	380,936	363,356	(17,580)
Finance and Data Processing:				
Personal Services	494,907	497,117	490,933	(6,184)
Other Current Expenditures	267,200	267,200	270,862	3,662
Total Finance and Data Processing	762,107	764,317	761,795	(2,522)
Information Technology:				
Personal Services	300,089	301,319	295,167	(6,152)
Other Current Expenditures	215,210	241,310	159,480	(81,830)
Capital Outlay	136,000	184,000	182,864	(1,136)
Total Information Technology	651,299	726,629	637,511	(89,118)
Human Resources:				
Personal Services	494,899	497,059	459,143	(37,916)
Other Current Expenditures	72,730	102,730	89,425	(13,305)
Capital Outlay	-	-	673	673
Total Human Resources	567,629	599,789	549,241	(50,548)
City Clerk/Elections:				
Personal Services	133,608	134,228	141,991	7,763
Other Current Expenditures	79,196	79,196	67,397	(11,799)
Total City Clerk/Elections	212,804	213,424	209,388	(4,036)
Legal:				
Other Current Expenditures	458,909	458,909	462,879	3,970
General Government Buildings:				
Personal Services	222,268	227,728	174,288	(53,440)
Other Current Expenditures	182,988	182,988	162,361	(20,627)
Total General Government Buildings	405,256	410,716	336,649	(74,067)

(Continued)

## CITY OF APPLE VALLEY

(Continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government (Continued)</b>				
Community Development:				
Personal Services	\$ 527,143	\$ 529,523	\$ 518,909	\$ (10,614)
Other Current Expenditures	83,810	83,810	77,681	(6,129)
Total Community Development	<u>610,953</u>	<u>613,333</u>	<u>596,590</u>	<u>(16,743)</u>
Code Enforcement:				
Personal Services	216,401	217,151	136,486	(80,665)
Other Current Expenditures	15,400	15,400	1,220	(14,180)
Total Code Enforcement	<u>231,801</u>	<u>232,551</u>	<u>137,706</u>	<u>(94,845)</u>
Unallocated:				
Personal Services	314,000	5,000	6,286	1,286
Other Current Expenditures	403,175	403,175	268,000	(135,175)
Total Unallocated	<u>717,175</u>	<u>408,175</u>	<u>274,286</u>	<u>(133,889)</u>
Total General Government	<u>5,133,587</u>	<u>4,945,007</u>	<u>4,446,233</u>	<u>(498,774)</u>
<b>Public Safety</b>				
Police Protection:				
Personal Services	6,051,271	6,165,361	6,015,942	(149,419)
Other Current Expenditures	1,461,296	1,476,296	1,528,764	52,468
Capital Outlay	103,000	103,000	97,100	(5,900)
Total Police Protection	<u>7,615,567</u>	<u>7,744,657</u>	<u>7,641,806</u>	<u>(102,851)</u>
Fire Protection:				
Personal Services	860,050	905,850	900,421	(5,429)
Other Current Expenditures	431,818	494,233	401,712	(92,521)
Capital Outlay	82,000	82,000	-	(82,000)
Total Fire Protection	<u>1,373,868</u>	<u>1,482,083</u>	<u>1,302,133</u>	<u>(179,950)</u>
Fire Relief:				
Other Current Expenditures	<u>479,088</u>	<u>479,088</u>	<u>480,344</u>	<u>1,256</u>
Civil Defense:				
Other Current Expenditures	19,720	24,720	10,079	(14,641)
Capital Outlay	22,500	22,500	10,968	(11,532)
Total Civil Defense	<u>42,220</u>	<u>47,220</u>	<u>21,047</u>	<u>(26,173)</u>
Animal Control:				
Personal Services	110,023	112,743	35,290	(77,453)
Other Current Expenditures	26,550	26,550	18,285	(8,265)
Total Animal Control	<u>136,573</u>	<u>139,293</u>	<u>53,575</u>	<u>(85,718)</u>

**CITY OF APPLE VALLEY**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Public Safety (Continued)</b>				
Building Inspection:				
Personal Services	\$ 405,004	\$ 406,464	\$ 408,555	\$ 2,091
Other Current Expenditures	24,985	24,985	63,207	38,222
Total Building Inspection	<u>429,989</u>	<u>431,449</u>	<u>471,762</u>	<u>40,313</u>
 Total Public Safety	 <u>10,077,305</u>	 <u>10,323,790</u>	 <u>9,970,667</u>	 <u>(353,123)</u>
<b>Public Works</b>				
Public Works Administration:				
Personal Services	519,166	524,066	547,418	23,352
Other Current Expenditures	93,350	93,350	70,778	(22,572)
Total Public Works Administration	<u>612,516</u>	<u>617,416</u>	<u>618,196</u>	<u>780</u>
 Central Maintenance Facility:				
Personal Services	418,096	424,656	406,810	(17,846)
Other Current Expenditures	163,065	163,065	149,090	(13,975)
Capital Outlay	66,800	66,800	59,407	(7,393)
Total Central Maintenance Facility	<u>647,961</u>	<u>654,521</u>	<u>615,307</u>	<u>(39,214)</u>
 Streets:				
Personal Services	1,386,496	1,446,086	1,345,859	(100,227)
Other Current Expenditures	2,554,535	956,535	806,574	(149,961)
Capital Outlay	63,500	63,500	50,591	(12,909)
Total Streets	<u>4,004,531</u>	<u>2,466,121</u>	<u>2,203,024</u>	<u>(263,097)</u>
 Engineering:				
Personal Services	228,732	229,492	246,955	17,463
Other Current Expenditures	73,035	73,035	82,821	9,786
Capital Outlay	2,125	2,125	1,915	(210)
Total Engineering	<u>303,892</u>	<u>304,652</u>	<u>331,691</u>	<u>27,039</u>
 Total Public Works	 <u>5,568,900</u>	 <u>4,042,710</u>	 <u>3,768,218</u>	 <u>(274,492)</u>
<b>Culture and Recreation</b>				
Parks and Recreation Administration:				
Personal Services	711,784	715,434	697,276	(18,158)
Other Current Expenditures	150,100	150,100	134,579	(15,521)
Total Parks and Recreation Administration	<u>861,884</u>	<u>865,534</u>	<u>831,855</u>	<u>(33,679)</u>
 Recreation Programs:				
Personal Services	236,280	242,120	215,410	(26,710)
Other Current Expenditures	193,100	193,100	179,662	(13,438)
Total Recreation Programs	<u>429,380</u>	<u>435,220</u>	<u>395,072</u>	<u>(40,148)</u>
 Parks Maintenance:				
Personal Services	1,433,014	1,462,134	1,432,243	(29,891)
Other Current Expenditures	804,050	804,050	811,716	7,666
Capital Outlay	120,700	120,700	120,751	51
Total Parks Maintenance	<u>2,357,764</u>	<u>2,386,884</u>	<u>2,364,710</u>	<u>(22,174)</u>
 Redwood Pool:				
Personal Services	69,476	71,666	55,501	(16,165)
Other Current Expenditures	43,500	43,500	28,675	(14,825)
Total Redwood Pool	<u>112,976</u>	<u>115,166</u>	<u>84,176</u>	<u>(30,990)</u>

(Continued)

CITY OF APPLE VALLEY

(Continued)

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Over (Under)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Culture and Recreation (Continued)</b>				
Aquatic Swim Center:				
Personal Services	\$ 309,871	\$ 319,641	\$ 284,278	\$ (35,363)
Other Current Expenditures	293,400	293,400	271,247	(22,153)
Total Aquatic Swim Center	<u>603,271</u>	<u>613,041</u>	<u>555,525</u>	<u>(57,516)</u>
Apple Valley Community Center:				
Personal Services	113,247	115,957	106,376	(9,581)
Other Current Expenditures	134,575	134,575	109,233	(25,342)
Capital Outlay	12,000	12,000	10,464	(1,536)
Total Apple Valley Community Center	<u>259,822</u>	<u>262,532</u>	<u>226,073</u>	<u>(36,459)</u>
Hayes Community and Senior Center:				
Personal Services	219,262	222,782	219,817	(2,965)
Other Current Expenditures	59,100	59,100	62,410	3,310
Capital Outlay	9,000	9,000	2,807	(6,193)
Total Hayes Community and Senior Center	<u>287,362</u>	<u>290,882</u>	<u>285,034</u>	<u>(5,848)</u>
Cable TV:				
Other Current Expenditures	21,825	21,825	1,721	(20,104)
Total Culture and Recreation	<u>4,934,284</u>	<u>4,991,084</u>	<u>4,744,166</u>	<u>(246,918)</u>
Total Expenditures	<u>25,714,076</u>	<u>24,302,591</u>	<u>22,929,284</u>	<u>(1,373,307)</u>
Excess of Revenues Over (Under) Expenditures	(1,132,200)	(1,318,715)	614,018	1,932,733
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Assets	20,000	20,000	83,089	63,089
Transfer to Special Revenue Fund	(12,800)	(12,800)	(15,473)	(2,673)
Transfer to Capital Project Fund	-	-	(1,748,007)	(1,748,007)
Transfer from Water/Sewer Fund	600,000	600,000	600,000	-
Transfer from Liquor Fund	525,000	525,000	525,000	-
Total Other Financing Sources (Uses)	<u>1,132,200</u>	<u>1,132,200</u>	<u>(555,391)</u>	<u>(1,687,591)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (186,515)</u>	58,627	<u>\$ 245,142</u>
<b>FUND BALANCES</b>				
Beginning of Year			12,647,126	
End of Year			<u>\$ 12,705,753</u>	

**CITY OF APPLE VALLEY**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - ROAD IMPROVEMENTS CAPITAL PROJECTS FUND  
For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ -	\$ 1,598,000	\$ 1,598,000	\$ -
Intergovernmental	-	-	949,944	949,944
Miscellaneous Revenues:				
Refunds and Reimbursements	-	-	13,805	13,805
Total Revenues	<u>-</u>	<u>1,598,000</u>	<u>2,561,749</u>	<u>963,749</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Works	-	-	837	837
<b>Capital Outlay</b>				
Public Works	-	2,870,500	4,332,373	1,461,873
Total Expenditures	<u>-</u>	<u>2,870,500</u>	<u>4,333,210</u>	<u>1,462,710</u>
Excess of Revenues Under Expenditures	-	(1,272,500)	(1,771,461)	(498,961)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	1,272,500	1,131,192	(141,308)
Transfers Out	-	-	(73,101)	(73,101)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,272,500</u>	<u>1,058,091</u>	<u>(214,409)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(713,370)	<u>\$ (713,370)</u>
<b>FUND BALANCES</b>				
Beginning of Year			<u>(4,101,280)</u>	
End of Year			<u>\$ (4,814,650)</u>	

**CITY OF APPLE VALLEY**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - FUTURE CAPITAL PROJECTS FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Over (Under)
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 15,570	\$ 15,570
Miscellaneous Revenues:				
Investment Income	220,000	220,000	574,342	354,342
Total Revenues	220,000	220,000	589,912	369,912
<b>EXPENDITURES</b>				
<b>Capital Outlay</b>				
Public Works	-	-	59,000	59,000
Total Expenditures	-	-	59,000	59,000
Excess of Revenues Over Expenditures	220,000	220,000	530,912	310,912
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	-	1,904,502	1,904,502
Net Change in Fund Balances	\$ 220,000	\$ 220,000	2,435,414	\$ 2,215,414
<b>FUND BALANCES</b>				
Beginning of Year			13,144,151	
End of Year			\$ 15,579,565	

**CITY OF APPLE VALLEY**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CABLE TV SPECIAL REVENUE FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Franchise Fees	\$ 74,000	\$ 74,000	\$ 70,361	\$ (3,639)
Intergovernmental	85,804	85,804	85,804	-
Miscellaneous Revenues:				
Investment Income	2,000	2,000	5,947	3,947
Other	13,150	13,150	-	(13,150)
Total Revenues	174,954	174,954	162,112	(12,842)
<b>EXPENDITURES</b>				
<b>Current</b>				
Parks and Recreation	184,757	184,757	170,202	(14,555)
<b>Capital Outlay</b>				
Parks and Recreation	-	-	15,653	15,653
Total Expenditures	184,757	184,757	185,855	1,098
Excess of Revenues Under Expenditures	(9,803)	(9,803)	(23,743)	(13,940)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	12,800	12,800	15,473	2,673
Net Change in Fund Balances	\$ 2,997	\$ 2,997	(8,270)	\$ (11,267)
<b>FUND BALANCES</b>				
<b>Beginning of Year</b>			149,508	
<b>End of Year</b>			\$ 141,238	

**CITY OF APPLE VALLEY**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - EQUIPMENT CERTIFICATE CAPITAL PROJECTS FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous Revenues:				
Investment Income	\$ 3,000	\$ 3,000	\$ 10,335	\$ 7,335
<b>EXPENDITURES</b>				
<b>Capital Outlay</b>				
Public Works	685,000	685,000	353,819	(331,181)
Total Expenditures	685,000	685,000	353,819	(331,181)
Excess of Revenues Over (Under) Expenditures	(682,000)	(682,000)	(343,484)	338,516
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Capital Asset	-	-	14,000	14,000
Bond Proceeds	685,000	685,000	-	(685,000)
Total Other Financing Sources (Uses)	685,000	685,000	14,000	(671,000)
Net Change in Fund Balances	\$ 3,000	\$ 3,000	(329,484)	\$ (332,484)
<b>FUND BALANCES</b>				
Beginning of Year			455,704	
End of Year			\$ 126,220	

**CITY OF APPLE VALLEY**

**COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS  
December 31, 2011**

	Governmental Activities		
		Risk	
	Insurance Trust (7100)	Management (7200)	Total Internal Service Funds
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments (Including Cash Equivalents)	\$ 73,117	\$ 3,261,772	\$ 3,334,889
Prepaid Items	-	115,213	115,213
Total Assets	\$ 73,117	\$ 3,376,985	\$ 3,450,102
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ -	\$ 15,595	\$ 15,595
Compensated Absences Payable	-	1,167,794	1,167,794
Total Current Liabilities	-	1,183,389	1,183,389
 <b>Noncurrent Liabilities</b>			
Compensated Absences Payable	-	1,174,457	1,174,457
Total Liabilities	-	2,357,846	2,357,846
 <b>Net Assets</b>			
Unrestricted	73,117	1,019,139	1,092,256
Total Liabilities and Net Assets	\$ 73,117	\$ 3,376,985	\$ 3,450,102

**CITY OF APPLE VALLEY**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS - INTERNAL SERVICE FUNDS  
For the Year Ended December 31, 2011**

	Governmental Activities		
	Insurance Trust (7100)	Risk Management (7200)	Total Internal Service Funds
<b>OPERATING REVENUE</b>			
Charges for Services	\$ 155,428	\$ 1,050,906	\$ 1,206,334
<b>OPERATING EXPENSES</b>			
Personal Services	184,562	499,657	684,219
Contractual Services	-	8,000	8,000
Other Charges	-	582,531	582,531
Total Operating Expenses	<u>184,562</u>	<u>1,090,188</u>	<u>1,274,750</u>
Operating Loss	(29,134)	(39,282)	(68,416)
<b>NONOPERATING REVENUE</b>			
Investment Income	<u>3,969</u>	<u>135,758</u>	<u>139,727</u>
Change in Net Assets	(25,165)	96,476	71,311
<b>NET ASSETS</b>			
<b>Beginning of Year</b>	<u>98,282</u>	<u>922,663</u>	<u>1,020,945</u>
<b>End of Year</b>	<u>\$ 73,117</u>	<u>\$ 1,019,139</u>	<u>\$ 1,092,256</u>

**CITY OF APPLE VALLEY**

**COMBINING STATEMENT OF CASH FLOWS -  
INTERNAL SERVICE FUNDS**

**For the Year Ended December 31, 2011**

	Governmental Activities		
	Insurance Trust (7100)	Risk Management (7200)	Total Internal Service Funds
<b>CASH FLOWS - OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 155,428	\$ 1,050,906	\$ 1,206,334
Payments to Suppliers	(184,562)	(929,484)	(1,114,046)
Net Cash Flows - Operating Activities	(29,134)	121,422	92,288
 <b>CASH FLOWS - INVESTING ACTIVITIES</b>			
Interest and Dividends Received	3,969	135,758	139,727
 <b>Net Change in Cash and Cash Equivalents</b>	(25,165)	257,180	232,015
 <b>CASH AND CASH EQUIVALENTS</b>			
<b>January 1</b>	98,282	3,004,592	3,102,874
 <b>December 31</b>	\$ 73,117	\$ 3,261,772	\$ 3,334,889
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS - OPERATING ACTIVITIES</b>			
Operating Loss	\$ (29,134)	\$ (39,282)	\$ (68,416)
Adjustments to Reconcile Operating Loss to Net Cash Flows - Operating Activities:			
Prepaid Items	-	7,996	7,996
Accounts Payable	-	7,812	7,812
Compensated Absences Payable	-	144,896	144,896
Total Adjustments	-	160,704	160,704
Net Cash Flows - Operating Activities	\$ (29,134)	\$ 121,422	\$ 92,288

(THIS PAGE LEFT BLANK INTENTIONALLY)

**STATISTICAL SECTION**

**CITY OF APPLE VALLEY**

**Table 1**

**NET ASSETS BY COMPONENT  
Last Nine Years  
(Accrual Basis of Accounting)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 28,773,536	\$ 22,982,033	\$ 28,694,282	\$ 37,570,960	\$ 34,412,008	\$ 41,867,201	\$ 43,981,788	\$ 45,477,393	\$ 54,928,735
Restricted	28,180,692	34,165,446	44,147,505	37,773,983	44,173,435	30,525,737	24,664,257	24,656,491	21,580,777
Unrestricted	18,433,757	23,959,174	11,253,973	10,819,067	12,745,088	30,010,778	36,290,872	38,798,761	42,115,459
<b>Total governmental activities net assets</b>	<b>\$ 75,387,985</b>	<b>\$ 81,106,653</b>	<b>\$ 84,095,760</b>	<b>\$ 86,164,010</b>	<b>\$ 91,330,531</b>	<b>\$ 102,403,716</b>	<b>\$ 104,936,917</b>	<b>\$ 108,932,645</b>	<b>\$ 118,624,971</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 84,715,634	\$ 86,311,795	\$ 90,562,608	\$ 93,728,440	\$ 97,927,988	\$ 100,280,579	\$ 101,447,457	\$ 102,320,160	\$ 104,198,009
Restricted	-	-	-	-	-	275,000	289,049	291,591	309,518
Unrestricted	12,849,077	15,424,386	16,490,064	18,078,297	19,088,334	17,998,903	19,100,650	20,094,976	19,431,679
<b>Total business-type activities net assets</b>	<b>\$ 97,564,711</b>	<b>\$ 101,736,181</b>	<b>\$ 107,052,672</b>	<b>\$ 111,806,737</b>	<b>\$ 117,016,322</b>	<b>\$ 118,554,482</b>	<b>\$ 120,837,156</b>	<b>\$ 122,706,727</b>	<b>\$ 123,939,206</b>
<b>Primary Government</b>									
Invested in capital assets, net of related debt	\$ 113,489,170	\$ 109,293,828	\$ 119,256,890	\$ 131,299,400	\$ 132,339,996	\$ 142,147,780	\$ 145,429,245	\$ 147,797,553	\$ 159,126,744
Restricted	28,180,692	34,165,446	44,147,505	37,773,983	44,173,435	30,800,737	24,953,306	24,948,082	21,890,295
Unrestricted	31,282,834	39,383,560	27,744,037	28,897,364	31,833,422	48,009,681	55,391,522	58,893,737	61,547,138
<b>Total primary government net assets</b>	<b>\$ 172,952,696</b>	<b>\$ 182,842,834</b>	<b>\$ 191,148,432</b>	<b>\$ 197,970,747</b>	<b>\$ 208,346,853</b>	<b>\$ 220,958,198</b>	<b>\$ 225,774,073</b>	<b>\$ 231,639,372</b>	<b>\$ 242,564,177</b>

Note: Data is not available prior to fiscal year 2003 implementation of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Source Information: Audited Financial Statements for Fiscal Years Ending December 31, 2003-2011

**CITY OF APPLE VALLEY**

**Table 2**

**CHANGES IN NET ASSETS  
Last Nine Years  
(Accrual Basis of Accounting)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental activities:									
General government	\$ 5,891,412	\$ 5,525,615	\$ 6,829,322	\$ 6,632,165	\$ 7,856,220	\$ 8,147,712	\$ 8,685,487	\$ 10,081,345	\$ 7,086,321
Public safety	7,477,596	8,340,982	8,735,679	8,731,171	9,543,225	10,223,407	10,306,540	10,092,977	10,548,223
Public works	650,473	6,127,372	8,811,532	6,128,560	6,212,755	7,349,899	8,393,981	7,008,886	5,744,780
Park and recreation	3,227,118	3,944,179	4,182,048	4,417,497	5,235,779	5,011,287	5,754,969	6,261,801	6,169,552
Interest on long-term debt	2,651,218	2,638,220	1,884,397	1,881,814	1,540,980	2,102,579	1,773,863	1,556,130	1,459,728
Total governmental activities expenses	<u>\$ 19,897,817</u>	<u>\$ 26,576,368</u>	<u>\$ 30,442,978</u>	<u>\$ 27,791,207</u>	<u>\$ 30,388,959</u>	<u>\$ 32,834,884</u>	<u>\$ 34,914,840</u>	<u>\$ 35,001,139</u>	<u>\$ 31,008,604</u>
Business-type activities:									
Municipal Liquor	970,830	5,808,146	5,895,443	6,144,064	6,247,330	6,985,584	8,062,876	8,285,841	8,177,679
Municipal Golf Course	840,019	1,004,999	1,034,341	961,616	886,143	1,047,254	1,011,443	1,057,715	1,051,605
Sports Arena	688,533	724,748	654,391	727,323	714,437	755,102	771,198	748,541	799,993
Water and Sewer	6,571,697	6,978,395	6,909,465	7,093,682	7,265,384	7,983,126	7,226,393	7,302,254	7,309,277
Storm Drainage	626,211	432,442	851,910	937,185	1,228,726	926,799	869,376	846,743	917,054
Cemetery	-	-	-	33,361	46,284	45,882	56,518	68,868	69,004
Street Light Utility	-	-	-	-	-	-	-	410,787	398,114
Total business-type activities	<u>9,697,290</u>	<u>14,948,730</u>	<u>15,345,550</u>	<u>15,897,231</u>	<u>16,388,304</u>	<u>17,743,747</u>	<u>17,997,804</u>	<u>18,720,749</u>	<u>18,722,726</u>
Total primary government expenses	<u>\$ 29,595,107</u>	<u>\$ 41,525,098</u>	<u>\$ 45,788,528</u>	<u>\$ 43,688,438</u>	<u>\$ 46,777,263</u>	<u>\$ 50,578,631</u>	<u>\$ 52,912,644</u>	<u>\$ 53,721,888</u>	<u>\$ 49,731,330</u>
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 4,095,730	\$ 4,105,416	\$ 3,794,701	\$ 3,108,638	\$ 3,281,769	\$ 3,253,423	\$ 2,542,395	\$ 2,494,807	\$ 2,506,195
Public safety	300,855	218,688	232,373	507,185	565,351	647,651	603,425	755,339	587,486
Public works	4,055,224	359,025	809,598	259,375	211,770	112,651	457,516	1,046,007	1,055,995
Construction	-	-	-	-	-	-	-	-	-
Park and recreation	820,068	1,191,534	1,118,859	1,185,441	1,027,078	1,027,675	1,259,959	1,721,486	1,314,377
Operating grants and contributions	541,340	624,299	654,077	680,177	1,028,408	1,153,964	1,577,419	1,872,316	534,041
Capital grants and contributions	696,364	6,285,068	4,309,470	3,272,979	5,926,863	10,345,742	2,451,327	3,271,761	4,398,403
Total governmental activities program revenues	<u>10,509,581</u>	<u>12,784,030</u>	<u>10,919,078</u>	<u>9,013,795</u>	<u>12,041,239</u>	<u>16,541,106</u>	<u>8,892,041</u>	<u>11,161,716</u>	<u>10,396,497</u>
Business-type activities:									
Charges for services:									
Municipal Liquor	1,383,533	6,242,480	6,405,618	6,622,752	6,974,113	7,390,696	8,772,571	9,032,194	9,005,660
Municipal Golf Course	820,871	877,950	812,820	834,872	922,648	1,049,707	1,085,429	1,114,395	1,023,866
Sports Arena	541,545	539,892	554,609	607,559	555,262	538,694	627,595	606,262	650,350
Water and Sewer	8,424,403	8,169,840	8,060,081	8,145,197	8,635,246	8,670,265	9,250,812	8,439,232	8,361,750
Storm Drainage	1,051,385	1,112,142	1,112,827	1,225,052	1,141,260	1,227,331	9,250,812	1,360,483	1,370,348
Cemetery	-	-	-	94,690	93,780	110,175	95,320	89,695	114,365
Street Light Utility	-	-	-	-	-	-	-	465,552	433,464
Operating grants and contributions	-	-	-	4,207	142,686	47,285	25,190	-	10,170
Capital grants and contributions	30,035,131	2,170,659	4,095,167	-	-	324,323	316,200	645,427	643,164
Total business-type activities program revenues	<u>42,256,868</u>	<u>19,112,963</u>	<u>21,041,122</u>	<u>17,534,329</u>	<u>18,464,995</u>	<u>19,358,476</u>	<u>29,423,929</u>	<u>21,753,240</u>	<u>21,613,137</u>
Total primary government program revenues	<u>\$ 52,766,449</u>	<u>\$ 31,896,993</u>	<u>\$ 31,960,200</u>	<u>\$ 26,548,124</u>	<u>\$ 30,506,234</u>	<u>\$ 35,899,582</u>	<u>\$ 38,315,970</u>	<u>\$ 32,914,956</u>	<u>\$ 32,009,634</u>

**CITY OF APPLE VALLEY**

**Table 2 (Continued)**

**CHANGES IN NET ASSETS  
Last Nine Fiscal Years  
(Accrual Basis of Accounting)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue									
Governmental activities	\$ (9,388,236)	\$ (13,792,338)	\$ (19,523,900)	\$ (18,777,412)	\$ (18,347,720)	\$ (16,293,778)	\$ (26,022,799)	\$ (23,839,423)	\$ (20,612,107)
Business-type activities	32,559,578	4,164,233	5,695,572	1,637,098	2,076,691	1,614,729	11,426,125	3,032,491	2,890,411
Total primary government net expense	<u>\$ 23,171,342</u>	<u>\$ (9,628,105)</u>	<u>\$ (13,828,328)</u>	<u>\$ (17,140,314)</u>	<u>\$ (16,271,029)</u>	<u>\$ (14,679,049)</u>	<u>\$ (14,596,674)</u>	<u>\$ (20,806,932)</u>	<u>\$ (17,721,696)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes	\$ 14,713,416	\$ 15,728,058	\$ 16,867,319	\$ 19,912,947	\$ 21,008,503	\$ 21,983,181	\$ 24,078,701	21,697,421	\$ 21,460,141
Tax Increments	1,425,688	1,562,082	1,583,537	-	-	-	-	2,311,405	2,240,269
Lodging Tax	-	-	-	-	-	-	-	67,311	74,105
Gravel Tax	-	-	-	-	-	-	-	36,314	38,666
Unallocated State and County Aids	217,001	163,868	47,854	67,040	959,190	584,294	292,225	95,019	117,000
Franchise taxes	408,196	771,068	1,171,962	1,235,644	1,279,826	1,343,085	1,014,177	1,089,015	1,107,354
Other General Revenue	-	-	-	54,087	12,568	22,638	385,647	162,064	6,799
Unrestricted Investment Earnings	530,163	970,255	1,081,951	1,897,055	2,166,594	1,352,749	912,413	643,741	2,372,693
Gain on Sale of Assets	-	(56,694)	-	-	106,442	120,765	48,309	109,558	169,776
Transfers	(122,713)	447,369	1,001,911	(1,317,741)	(2,018,882)	955,251	1,824,528	1,623,303	2,717,630
Total governmental activities	<u>\$ 17,171,751</u>	<u>\$ 19,586,006</u>	<u>\$ 21,754,534</u>	<u>\$ 21,849,032</u>	<u>\$ 23,514,241</u>	<u>\$ 26,361,963</u>	<u>\$ 28,556,000</u>	<u>\$ 27,835,151</u>	<u>\$ 30,304,433</u>
Business-type activities:									
Unrestricted investment earnings	191,240	354,606	520,324	720,940	992,512	672,485	426,300	320,166	888,863
Property taxes	100,000	100,000	100,000	123,500	121,500	125,000	120,000	125,000	120,000
Other	-	-	2,506	-	-	81,197	152,243	15,217	50,835
Transfers	122,713	(447,369)	(1,001,911)	1,317,741	2,018,882	(955,251)	(1,824,528)	(1,623,303)	(2,717,630)
Total business-type activities	<u>413,953</u>	<u>7,237</u>	<u>(379,081)</u>	<u>2,162,181</u>	<u>3,132,894</u>	<u>(76,569)</u>	<u>(1,125,985)</u>	<u>(1,162,920)</u>	<u>(1,657,932)</u>
Total primary government	<u>\$ 17,585,704</u>	<u>\$ 19,593,243</u>	<u>\$ 21,375,453</u>	<u>\$ 24,011,213</u>	<u>\$ 26,647,135</u>	<u>\$ 26,285,394</u>	<u>\$ 27,430,015</u>	<u>\$ 26,672,231</u>	<u>\$ 28,646,501</u>
Change in Net Assets									
Governmental activities	\$ 7,783,515	\$ 5,793,668	\$ 2,230,634	\$ 3,071,620	\$ 5,166,521	\$ 10,068,185	\$ 2,533,201	\$ 3,995,728	\$ 9,692,326
Business-type activities	32,973,531	4,171,470	5,316,491	3,799,279	5,209,585	1,538,160	10,300,140	1,869,571	1,232,479
Total primary government	<u>\$ 40,757,046</u>	<u>\$ 9,965,138</u>	<u>\$ 7,547,125</u>	<u>\$ 6,870,899</u>	<u>\$ 10,376,106</u>	<u>\$ 11,606,345</u>	<u>\$ 12,833,341</u>	<u>\$ 5,865,299</u>	<u>\$ 10,924,805</u>

Note: Data is not available prior to fiscal year 2003 implementation of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

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

Source Information: Audited Financial Statements for Fiscal Years Ending December 31, 2003-2011

CITY OF APPLE VALLEY

Table 3

FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Years  
(Modified Accrual Basis of Accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 68,385	\$ 66,834	\$ 88,705	\$ 89,863	\$ 112,094	\$ 161,283	\$ 122,232	\$ 40,515	\$ 53,113	-
Unreserved	15,247,080	16,359,291	11,177,609	11,008,601	13,354,939	11,005,460	11,103,476	12,181,208	12,594,013	-
Nonspendable	-	-	-	-	-	-	-	-	-	118,661
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	165,872
Assigned	-	-	-	-	-	-	-	-	-	278,724
Unassigned	-	-	-	-	-	-	-	-	-	12,142,496
Total general fund	<u>\$15,315,465</u>	<u>\$16,426,125</u>	<u>\$11,266,314</u>	<u>\$11,098,464</u>	<u>\$13,467,033</u>	<u>\$11,166,743</u>	<u>\$11,225,708</u>	<u>\$12,221,723</u>	<u>\$ 12,647,126</u>	<u>\$12,705,753</u>
All other Governmental Funds										
Reserved reported in:										
Special Revenue Funds	\$ 99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Funds	21,410,287	24,973,926	34,504,765	34,213,218	24,664,247	-	-	-	-	-
Capital Projects Funds	-	-	-	1,809,860	3,475,896	-	-	-	-	-
Unreserved reported in:										
Special Revenue Funds	(227,281)	876,288	540,412	586,907	295,462	286,647	361,472	342,464	324,251	-
Debt Service Funds	(1,441,525)	(1,082,225)	(1,429,437)	(2,486,434)	(4,618,885)	19,405,845	20,923,916	16,996,037	15,892,926	-
Capital Projects Funds	(2,867,238)	(1,455,021)	3,777,337	662,127	2,361,571	12,051,437	12,447,954	10,965,444	14,011,232	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	15,537,787
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	28,795,063
Unassigned	-	-	-	-	-	-	-	-	-	(13,395,872)
Total all other governmental funds	<u>16,874,342</u>	<u>23,312,968</u>	<u>37,393,077</u>	<u>34,785,678</u>	<u>26,178,291</u>	<u>31,743,929</u>	<u>33,733,342</u>	<u>28,303,945</u>	<u>30,228,409</u>	<u>30,936,978</u>
Total all funds	<u>\$32,189,807</u>	<u>\$39,739,093</u>	<u>\$48,659,391</u>	<u>\$45,884,142</u>	<u>\$39,645,324</u>	<u>\$42,910,672</u>	<u>\$44,959,050</u>	<u>\$40,525,668</u>	<u>\$ 42,875,535</u>	<u>\$43,642,731</u>

Source Information: Audited Financial Statements for Fiscal Years Ending December 31, 2002-2011

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

CITY OF APPLE VALLEY

Table 4

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
Last Ten Years  
(Modified Accrual Basis of Accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
General property taxes	\$ 14,255,497	\$ 14,713,442	\$ 15,728,058	\$ 16,866,020	\$ 18,004,451	\$ 18,994,579	\$ 19,916,783	\$ 21,544,567	\$ 21,709,126	\$ 21,408,873
Tax Increments	1,322,207	1,425,662	1,562,082	1,583,537	1,861,288	1,981,344	2,040,480	2,185,762	2,311,405	2,240,269
Other taxes	81,398	71,188	76,474	70,374	103,110	68,416	102,282	96,992	103,625	152,020
Special assessments	9,302,445	5,719,793	2,409,888	2,193,486	1,241,912	2,384,730	1,419,869	2,471,962	2,055,783	2,125,776
Licenses and permits	1,128,727	1,241,513	1,136,543	1,026,657	877,166	1,094,222	561,594	755,444	1,018,847	796,316
Intergovernmental	3,873,038	1,454,705	3,441,561	4,264,771	1,056,957	2,344,740	1,934,886	2,429,800	2,996,658	2,407,596
Charges for services	873,193	889,035	836,851	1,294,562	1,319,731	1,358,148	1,454,353	1,145,890	1,349,123	1,436,256
Franchise Fees	735,324	916,938	782,871	894,723	941,034	972,270	1,023,368	1,096,578	1,160,771	1,177,715
Fines and forfeits	228,065	231,093	270,659	201,365	327,584	339,819	324,461	316,324	258,165	288,946
Investment earnings	728,940	616,010	785,694	1,056,304	1,852,136	2,102,608	1,256,353	840,898	593,336	2,232,966
Rentals	247,699	220,834	232,909	227,641	263,907	311,731	271,758	444,877	592,831	511,453
Contributions and Donations	4,855	2,550	13,682	16,088	13,444	3,561	11,045	7,150	11,484	2,750
Administrative Fees	831,987	995,659	845,399	830,060	931,777	915,543	1,311,479	651,052	778,400	828,999
Other	3,091,391	3,225,404	1,537,460	1,379,689	547,054	218,690	772,437	509,778	697,054	321,565
Refunds and Reimbursements	63,603	554,875	245,578	200,238	270,826	235,531	341,756	165,345	450,972	139,581
<b>Total revenues</b>	<b>36,768,369</b>	<b>32,278,701</b>	<b>29,905,709</b>	<b>32,105,515</b>	<b>29,612,377</b>	<b>33,325,932</b>	<b>32,742,904</b>	<b>34,662,419</b>	<b>36,087,580</b>	<b>36,071,081</b>
<b>Expenditures</b>										
Current:										
General government	3,883,851	4,167,450	5,843,724	5,613,101	5,381,510	5,961,983	6,310,842	6,159,832	7,418,012	4,710,163
Public safety	7,354,914	7,566,061	8,040,341	7,980,865	8,545,705	8,757,650	9,470,152	9,635,166	9,728,340	9,890,086
Public works	2,765,980	3,023,777	3,187,003	2,688,646	2,517,120	2,812,372	3,355,405	3,501,792	3,593,951	3,675,687
Park and recreation	3,413,840	3,440,792	3,711,429	3,907,903	3,957,320	4,106,632	4,373,278	4,692,052	4,768,656	4,855,184
Miscellaneous	627,850	495,756	-	-	-	-	-	-	-	-
Capital outlay	12,209,322	5,980,006	8,152,531	9,758,709	7,128,776	10,615,297	11,666,201	11,727,599	5,879,024	6,339,340
Debt Service										
Principal	8,045,000	7,061,963	7,697,633	4,265,000	3,885,000	5,125,000	5,070,000	5,060,000	4,160,000	4,665,000
Interest and fiscal charges	2,853,970	-	-	2,061,451	1,891,707	1,468,677	2,001,578	1,880,399	1,615,929	1,487,399
<b>Total expenditures</b>	<b>41,154,727</b>	<b>31,735,805</b>	<b>36,632,661</b>	<b>36,275,675</b>	<b>33,307,138</b>	<b>38,847,611</b>	<b>42,247,456</b>	<b>42,656,840</b>	<b>37,163,912</b>	<b>35,622,859</b>
Excess (deficiency) of revenues over expenditures	(4,386,358)	542,896	(6,726,952)	(4,170,160)	(3,694,761)	(5,521,679)	(9,504,552)	(7,994,421)	(1,076,332)	448,222
<b>Other Financing Sources (Uses)</b>										
Transfers in	8,004,674	5,422,666	12,750,187	3,739,019	9,963,636	20,100,223	4,290,930	17,777,689	5,734,691	5,874,339
Transfers out	(6,749,689)	(5,545,379)	(12,302,818)	(2,737,108)	(9,052,561)	(21,303,155)	(2,967,903)	(14,701,754)	(3,680,241)	(3,156,709)
Bonds issued	2,405,000	10,919,103	15,495,000	400,000	6,645,000	10,000,000	11,520,000	2,775,000	3,965,000	1,345,000
Payment of Refunded Debt	-	(3,790,000)	-	-	(11,340,000)	-	(2,360,000)	(2,400,000)	(2,750,000)	(3,920,000)
Premium on debt issued	-	-	-	-	6,760	-	54,759	61,795	47,191	6,568
Discount on debt Issued	-	-	(176,192)	(7,000)	(4,953)	(116,483)	(110,621)	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	106,442	120,765	48,309	109,558	169,776
<b>Total other financing sources (uses)</b>	<b>3,659,985</b>	<b>7,006,390</b>	<b>15,766,177</b>	<b>1,394,911</b>	<b>(3,782,118)</b>	<b>8,787,027</b>	<b>10,547,930</b>	<b>3,561,039</b>	<b>3,426,199</b>	<b>318,974</b>
<b>Net change in fund balances</b>	<b>\$ (726,373)</b>	<b>\$ 7,549,286</b>	<b>\$ 9,039,225</b>	<b>\$ (2,775,249)</b>	<b>\$ (7,476,879)</b>	<b>\$ 3,265,348</b>	<b>\$ 1,043,378</b>	<b>\$ (4,433,382)</b>	<b>\$ 2,349,867</b>	<b>\$ 767,196</b>
Debt service as a percentage of noncapital expenditures	37.7%	27.4%	27.0%	23.9%	22.1%	23.4%	23.1%	22.4%	18.5%	21.0%

Source Information: Audited Financial Statements for Fiscal Years Ending December 31, 2002-2011

**CITY OF APPLE VALLEY**

**Table 5**

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
Last Ten Years**

Payable Year	Residential Property	Commercial Property	Industrial and Utility Property	Agricultural Property	Apartments	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
2002	\$ 24,687,562	\$ 4,951,896	\$ 595,313	\$ 84,187	\$ 1,814,746	\$ 3,296	\$ 604,216	\$32,741,216	45.942	\$ 2,895,747,700	1.13%
2003	28,055,998	5,566,423	679,953	89,086	1,950,511	3,592	594,342	36,939,905	41.578	3,296,883,200	1.12%
2004	31,865,114	6,315,639	794,575	81,727	1,837,253	3,783	624,966	41,523,057	39.610	3,732,010,300	1.11%
2005	36,407,099	6,790,699	964,239	85,607	2,188,421	4,204	644,557	47,084,826	36.753	4,245,331,100	1.11%
2006	40,330,787	7,647,156	1,044,718	101,422	2,437,262	4,505	643,081	52,208,931	35.690	4,704,286,700	1.11%
2007	43,306,059	8,773,678	1,222,863	98,543	2,666,783	4,613	656,378	56,728,917	34.891	5,082,798,800	1.12%
2008	44,078,807	9,483,581	1,331,742	113,556	2,639,548	4,829	684,166	58,336,229	35.537	5,202,130,200	1.12%
2009	43,107,127	10,171,716	1,225,657	127,972	2,564,523	4,760	701,073	57,902,828	37.086	5,135,644,200	1.13%
2010	39,692,580	10,053,775	1,238,900	130,237	2,498,076	4,283	688,202	54,306,053	39.867	4,787,691,200	1.13%
2011	36,918,099	9,363,833	1,038,862	130,124	2,319,888	3,959	764,694	50,539,459	42.388	4,457,368,700	1.13%

Source: Dakota County

Notes:

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

**CITY OF APPLE VALLEY**

**Table 6**

**PROPERTY TAX CAPACITY RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
Last Ten Years**

Fiscal Year	City Direct Tax Capacity Rate	Overlapping Tax Capacity Rates				Total Direct and Overlapping
	General	Dakota County	School District (1)	Other (3)	Total Overlapping	
2002	45.942	33.102	28.883	5.021	67.006	112.948
2003	41.578	32.463	27.638	5.288	65.389	106.967
2004	39.610	30.300	26.074	5.128	61.502	101.112
2005	36.753	28.267	26.251	5.217	59.735	96.488
2006	35.690	26.318	27.554	5.244	59.116	94.806
2007	34.891	25.127	23.607	5.024	53.758	88.649
2008	35.537	25.184	21.136	4.996	51.316	86.853
2009	37.086	25.821	21.109	4.916	51.846	88.932
2010	39.867	27.269	25.391	4.987	57.647	97.514
2011	42.388	29.149	26.959	5.199	61.307	103.695

Fiscal Year	City Direct Market Value Tax Rate	Overlapping Market Value Tax Rates				and Overlapping Tax Rate
	General	Dakota County	School District (1)	Other (2)	Total Overlapping	
2002	0.000167	-	0.001786		0.001786	0.001953
2003	0.000154	0.000094	0.001612		0.001706	0.001860
2004	0.000142	0.000075	0.001398		0.001473	0.001615
2005	0.000193	0.000067	0.001086		0.001153	0.001346
2006	0.000180	0.000059	0.002244		0.002303	0.002483
2007	0.000171	0.000052	0.002082		0.002134	0.002305
2008	0.000174	0.000047	0.002127		0.002175	0.002348
2009	0.000311	0.000047	0.002103		0.002150	0.002461
2010	0.000337	0.000050	0.002227		0.002277	0.002614
2011	0.000375	0.000054	0.002260		0.002314	0.002689

Source: Dakota County

Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

(1) Independent School District 196

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

**CITY OF APPLE VALLEY**

**Table 7**

**PRINCIPAL PROPERTY TAXPAYERS  
Current Year and Nine Years Prior**

Taxpayer	2011			2002		
	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	\$ 554,900	1	1.11%	\$ -		0.00%
Target Corporation (2)	529,574	2	1.06%	184,186	8	0.57%
CAR Apple Valley Square LLC	415,042	3	0.83%	202,666	6	0.63%
Individual	375,000	4	0.75%	465,000	1	1.45%
Dakota Electric Association	359,124	5	0.72%	243,194	3	0.76%
Centro Bradley Southport Centre LLC	338,746	6	0.68%	-		0.00%
Wings Financial Federal Credit Union	270,646	7	0.54%	-		0.00%
Apple Valley Leased Housing Assoc. III	262,200	8	0.53%	-		0.00%
Fischer Sand & Aggregate Co.	248,865	9	0.50%	-		0.00%
Fischer Sand & Aggregate LLP	237,704	10	0.48%	452,172	2	1.41%
Individual	-		-	202,500	7	0.63%
Lemieux Partnership II	-		-	183,000	9	0.57%
Bradley Operating Ltd. Partnership	-		-	239,976	4	0.75%
NWA Federal Credit Union	-		-	238,104	5	0.74%
Sam's Real Estate Business Trust	-		-	177,250	10	0.55%
<b>Total</b>	<b>\$ 3,591,801</b>		<b>7.22%</b>	<b>\$ 2,588,048</b>		<b>8.05%</b>
Source: Dakota County						
<b>Total Tax Capacity</b>	<b>\$ 49,774,765</b>			<b>\$ 32,137,000</b>		

**CITY OF APPLE VALLEY**

**Table 8**

**PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Years**

Fiscal Year	Taxes Levied for the Year			Collected within the Year of Levy		Total Collections to Date		
	Gross Operating Tax Levy	MVHC/ Ag Credit and Fiscal Disparities Rec'd (1)	Total Net Tax Levy	Amount	Percentage of Levy	Delinquencies Collected as of Most Recent Report	Amount	Percentage of Levy
2002	\$ 15,640,104	\$ (2,991,972)	\$ 12,668,410	\$ 12,517,927	98.81%	\$ 140,595	\$12,658,522	99.92%
2003	15,993,034	(2,989,831)	12,953,824	12,842,947	99.14%	110,877	12,953,824	100.00%
2004	16,971,252	(3,791,235)	13,175,541	13,055,185	99.09%	113,886	13,169,071	99.95%
2005	17,929,158	(4,046,086)	13,914,367	13,751,640	98.83%	143,272	13,894,912	99.86%
2006	19,030,124	(2,653,509)	16,374,234	16,159,262	98.69%	210,515	16,369,777	99.97%
2007	20,094,045	(2,717,715)	17,334,233	17,047,283	98.34%	279,314	17,326,597	99.96%
2008	20,998,612	(2,955,499)	18,037,810	17,724,935	98.27%	266,104	17,991,039	99.74%
2009	22,627,731	(3,436,931)	19,190,369	18,828,050	98.11%	360,559	19,188,609	99.99%
2010	22,839,554	(3,815,622)	19,000,860	18,723,194	98.54%	79,569	18,802,763	98.96%
2011	22,700,000	(3,612,353)	19,087,647	18,846,881	98.74%	-	18,846,881	98.74%

Notes:

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

**CITY OF APPLE VALLEY**

**Table 9**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
Last Ten Years**

Fiscal Year	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	G.O. Tax Increment Bonds	G.O. Bonds	G.O. Improvement Bonds	MSA Road Bonds	Other and Compensated Absences	Revenue Bonds	Capital Lease	Other and Compensated Absences			
2002	\$ 1,905,000	\$ 11,450,000	\$ 23,865,000	\$ -	\$ 1,443,134	\$ 6,170,000	\$ -	\$ -	\$ 44,833,134	2.45%	\$ 939
2003	1,905,000	16,735,000	21,840,000	-	1,775,860	4,335,000	-	-	46,590,860	2.43%	962
2004	1,905,000	26,930,000	21,200,000	-	1,826,405	3,915,000	-	-	55,776,405	2.77%	1,141
2005	1,740,000	26,485,000	17,945,000	-	1,837,193	4,185,000	-	284,928	52,477,121	2.54%	1,071
2006	1,575,000	17,370,000	18,645,000	-	2,462,458	3,050,000	-	464,164	43,566,622	2.04%	892
2007	1,405,000	21,940,000	19,120,000	-	2,549,022	2,580,000	-	414,513	48,008,535	2.13%	971
2008	1,230,000	25,795,000	19,530,000	-	2,407,732	5,405,000	50,505	408,448	54,826,685	2.36%	1,097
2009	1,050,000	24,295,000	13,750,000	2,775,000	2,282,019	4,725,000	40,918	458,131	49,376,068	2.28%	1,000
2010	865,000	20,535,000	14,750,000	2,775,000	2,197,355	4,075,000	109,211	457,832	45,764,398	2.07%	932
2011	-	19,925,000	9,000,000	2,760,000	2,342,251	6,100,000	77,975	433,143	40,638,369	1.76%	816

Notes: 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.

**CITY OF APPLE VALLEY**

**Table 10**

**RATIOS OF GENERAL BONDED DEBT  
Last Ten Years**

<u>Fiscal Year</u>	<u>G.O. Tax Increment Bonds</u>	<u>G.O. Bonds</u>	<u>G.O. Improvement Bonds</u>	<u>MSA Road Bonds</u>	<u>Less Amounts Available in Debt Service Funds</u>	<u>Total</u>	<u>Percentage of Taxable Market Value of Property</u>	<u>Per Capita (1)</u>
2002	\$ 1,905,000	\$ 11,450,000	\$ 23,865,000	\$ -	\$ 10,140,394	\$ 47,360,394	1.64%	\$ 1,238
2003	1,905,000	16,735,000	21,840,000	-	13,238,739	53,718,739	1.63%	1,357
2004	1,905,000	26,930,000	21,200,000	-	11,287,830	61,322,830	1.64%	1,491
2005	1,740,000	26,485,000	17,945,000	-	10,400,480	56,570,480	1.33%	1,341
2006	1,575,000	17,370,000	18,645,000	-	9,157,385	46,747,385	0.99%	1,071
2007	1,405,000	21,940,000	19,120,000	-	6,792,199	49,257,199	0.97%	1,081
2008	1,230,000	25,795,000	19,530,000	-	5,355,600	51,910,600	1.00%	1,119
2009	1,050,000	24,295,000	13,750,000	2,775,000	7,239,227	49,109,227	0.96%	1,118
2010	865,000	20,535,000	14,750,000	2,775,000	10,393,064	49,318,064	1.03%	1,095
2011	-	19,925,000	9,000,000	2,760,000	9,455,268	41,140,268	0.92%	889

Notes: 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.

**CITY OF APPLE VALLEY**

**Table 11**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
December 31, 2011**

	<u>Net Debt Outstanding</u>	<u>Percentage of Debt Applicable to City</u>	<u>City's Share of Overlapping Debt</u>
Overlapping:			
Dakota County	\$ 61,480,000	11.1500%	\$ 6,855,020
School Districts:			
ISD No. 191, Burnsville-Eagan-Savage	105,068,246	0.7200%	756,491
ISD No. 196, Rosemount-Apple Valley-Eagan	128,198,603	30.4300%	39,010,835
Metro Council	4,909,956	1.4800%	72,667
Metro Transit	176,168,947	1.7000%	2,994,872
Total Overlapping	<u>475,825,752</u>		<u>49,689,886</u>
 City of Apple Valley Direct Debt	 <u>31,685,000</u>	 100.00%	 <u>31,685,000</u>
 Total Direct and Overlapping Debt:	 <u><u>\$507,510,752</u></u>		 <u><u>\$ 81,374,886</u></u>

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

Notes: 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, or

**CITY OF APPLE VALLEY**

**Table 12**

**LEGAL DEBT MARGIN INFORMATION  
Last Ten Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit (1)	\$57,914,954	\$65,937,664	\$74,640,206	\$84,906,622	\$94,085,734	\$101,655,976	\$156,063,906	\$154,069,326	\$143,630,736	\$133,721,061
Total net debt applicable to limit	<u>11,450,000</u>	<u>16,735,000</u>	<u>26,930,000</u>	<u>26,485,000</u>	<u>17,370,000</u>	<u>21,940,000</u>	<u>25,795,000</u>	<u>24,295,000</u>	<u>20,535,000</u>	<u>19,925,061</u>
Legal debt margin	<u>\$46,464,954</u>	<u>\$49,202,664</u>	<u>\$47,710,206</u>	<u>\$58,421,622</u>	<u>\$76,715,734</u>	<u>\$79,715,976</u>	<u>\$130,268,906</u>	<u>\$129,774,326</u>	<u>\$123,095,736</u>	<u>\$113,796,000</u>
Total net debt applicable to the limit as a percentage of debt limit	19.77%	25.38%	36.08%	31.19%	18.46%	21.58%	16.53%	15.77%	14.30%	14.90%

Legal Debt Margin Calculation for Fiscal Year 2011

Market Value (after fiscal disparities)	\$4,457,368,700
Debt limit (3% of assessed value)	133,721,061
Debt applicable to limit	<u>19,925,000</u>
Legal debt margin	<u>\$113,796,061</u>

Note (1) : The debt limit was raised from 2% to 3% of taxable market value, effective June 30, 2008

**CITY OF APPLE VALLEY**

**Table 13**

**PLEGDED REVENUE COVERAGE  
Last Ten Years**

Fiscal Year	Liquor Store - Revenue Bonds						Coverage
	Operating Revenues/ Gross Profit	Less Operating Expense	Net Available Revenue	Debt Service			
				Principal	Interest		
2002	\$ 1,303,009	\$ 879,495	\$ 423,514	\$ -	\$ -	n/a	
2003	1,383,533	970,830	412,703	-	-	n/a	
2004	1,506,001	1,072,153	433,848	-	-	n/a	
2005	1,649,094	1,138,919	510,175	-	-	n/a	
2006	1,645,290	1,166,602	478,688	-	-	n/a	
2007	1,939,508	1,212,725	726,783	-	-	n/a	
2008	1,883,996	1,383,688	500,308	-	66,105	7.568	
2009	2,501,430	1,656,559	844,871	115,000	132,210	3.418	
2010	2,486,461	1,607,986	878,475	130,000	129,220	3.389	
2011	2,557,573	1,601,269	956,304	135,000	125,450	3.672	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
n/a - not applicable

**CITY OF APPLE VALLEY**

**Table 14**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (2)</u>
2002	47,761	\$ 1,827,144,816	\$ 38,256	12,124	3.60%
2003	48,418	1,916,723,366	39,587	12,115	3.80%
2004	48,875	2,010,082,125	41,127	11,976	3.60%
2005	48,988	2,066,166,876	42,177	11,839	3.40%
2006	48,862	2,133,119,472	43,656	11,655	3.30%
2007	49,456	2,253,858,288	45,573	11,445	3.70%
2008	49,983	2,319,311,166	46,402	11,348	4.50%
2009	49,376	2,168,149,536	43,911	11,216	7.00%
2010	49,084	2,209,859,848	45,022	11,291	6.80%
2011	49,801	2,303,893,862	46,262	11,264	5.70%

Sources:

- (1) MN Demography Center and 2010 Census Data
- (2) Dakota County, Data from Bureau of Economic Analysis
- (3) Independent School District No. 196 including Dakota Ridge School  
School Enrollment defined as adjusted Average Daily Membership (ADM)

ADM is weighted as follows in computing pupil units:

	<u>Early</u>	<u>Kindergarten</u>	<u>Elementary</u>	<u>Elementary</u>	<u>Secondary</u>
Fiscal Year 2002 to 2007	Various	0.557	1.115	1.060	1.300
Fiscal Year 2008 to 2011	Various	0.612	1.115	1.060	1.300

**CITY OF APPLE VALLEY**

**Table 15**

**PRINCIPAL EMPLOYERS  
Current Year and Nine Years Prior**

Taxpayer	2011			2002		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Independent School District No. 196	1,418	1	10%	1,528	1	12%
Target	690	2	5%	395	3	3%
Wal-Mart	475	3	3%	-		
Dakota County	380	4	3%	415	2	3%
Uponor	336	5	2%	-		
Minnesotz Zoological Gardens	300	6	2%	260	6	2%
Apple Valley Health Care Center	290	7	2%	250	7	2%
Apple Valley Red-E-Mix, Inc.	270	8	2%	199	8	2%
Apple Valley Ford	216	9	2%	-		
Apple Valley Medical Clinic	210	10	1%	-		
Wings Financial Federal Credit Union	210	10	1%	-		
Cub Foods				352	4	3%
Fischer Sand and Aggregate Co.				295	5	2%
Rainbow Foods				183	9	1%
City of Apple Valley			-	160	10	1%
<b>Total</b>	<b>4,795</b>		<b>33%</b>	<b>4,037</b>		<b>32%</b>

Sources: Metropolitan Council (Minnesota Community Profile)

CITY OF APPLE VALLEY

Table 16

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
Last Ten Years

	Budgeted Full-time Equivalent Employees as of December 31,2007									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Government</b>										
Administration	4.57	3.08	3.12	3.00	3.00	3.00	3.00	3.00	3.00	2.81
Finance and Data Processing	9.04	7.08	5.35	5.00	5.00	5.00	5.00	4.95	5.00	5.00
Information and Technology	2.21	2.87	3.12	3.18	3.13	3.21	3.21	3.20	3.17	3.21
Human Resources	2.00	3.84	3.86	4.79	6.02	5.98	5.67	5.92	6.00	5.38
City Clerk / Elections	2.52	2.82	2.93	2.48	1.20	1.42	1.68	1.50	1.65	1.73
General Government Buildings	1.00	1.64	2.08	2.21	3.00	3.00	3.00	3.00	3.00	2.46
Community Development	4.89	5.00	5.19	5.02	4.65	4.87	5.00	5.00	5.01	5.02
Code Enforcement	-	2.03	2.12	2.00	2.77	3.00	2.98	2.15	2.00	1.71
<b>Total General Government</b>	<b>26.23</b>	<b>28.36</b>	<b>27.77</b>	<b>27.68</b>	<b>28.77</b>	<b>29.48</b>	<b>29.54</b>	<b>28.72</b>	<b>28.83</b>	<b>27.32</b>
<b>Public Safety</b>										
Police	69.56	70.21	72.42	71.30	71.86	63.62	63.97	64.00	62.00	60.09
Fire	14.57	16.34	15.93	17.71	16.17	17.43	16.49	18.94	16.44	18.45
Animal Control										
Building Inspections	5.96	6.12	6.30	6.17	5.74	5.86	5.91	5.99	4.93	4.02
<b>Total Public Safety</b>	<b>90.09</b>	<b>92.67</b>	<b>94.65</b>	<b>95.18</b>	<b>93.77</b>	<b>86.91</b>	<b>86.37</b>	<b>88.93</b>	<b>83.37</b>	<b>82.56</b>
<b>Public Works</b>										
Public Works Administration	3.63	4.00	4.42	4.08	4.15	4.76	5.90	6.00	7.13	8.48
Central Maintenance Facility	5.78	5.52	6.00	5.78	5.80	5.53	5.51	5.50	5.52	5.48
Streets	14.53	15.27	16.29	16.23	16.16	16.17	17.36	17.07	17.19	17.32
Engineering (1)	-	-	-	-	-	-	-	-	-	0.73
<b>Total Public Works</b>	<b>23.94</b>	<b>24.79</b>	<b>26.71</b>	<b>26.09</b>	<b>26.11</b>	<b>26.46</b>	<b>28.77</b>	<b>28.57</b>	<b>29.84</b>	<b>32.01</b>
<b>Culture and Recreation:</b>										
Park and Recreation Administration	8.51	8.52	8.78	8.32	8.32	7.78	8.26	7.29	7.81	7.82
Recreation Programs	7.05	8.31	8.66	7.22	7.18	7.32	7.25	7.02	7.84	7.41
Park Maintenance	23.81	23.24	24.86	24.53	25.09	25.00	25.93	25.96	25.27	25.06
Redwood Pool (2)	-	-	-	0.29	2.71	2.40	2.50	2.80	2.13	1.94
Aquatic Swim Center	14.44	12.42	11.16	12.24	9.71	9.81	9.27	13.92	12.85	11.28
Community Center	3.35	2.93	3.10	3.42	4.38	4.65	4.15	4.56	3.76	4.03
Hayes Community and Senior Center	-	-	-	-	-	-	-	1.15	2.04	1.89
Cable TV	1.52	1.52	1.51	1.61	1.69	2.32	2.65	2.58	2.61	2.43
<b>Total Recreation</b>	<b>58.68</b>	<b>56.94</b>	<b>58.07</b>	<b>57.63</b>	<b>59.08</b>	<b>59.28</b>	<b>60.01</b>	<b>65.28</b>	<b>64.31</b>	<b>61.86</b>
<b>Total General Government</b>	<b>198.94</b>	<b>202.76</b>	<b>207.20</b>	<b>206.58</b>	<b>207.73</b>	<b>202.13</b>	<b>204.69</b>	<b>211.50</b>	<b>206.35</b>	<b>203.75</b>
<b>Enterprise Funds</b>										
Municipal Liquor (3)	14.53	15.02	15.52	15.33	15.20	14.98	16.85	19.91	19.49	18.99
Municipal Golf	16.13	15.70	16.41	16.12	13.83	12.33	13.25	13.83	13.76	14.44
Sports Arena	7.33	7.06	7.31	6.49	6.53	6.28	6.04	6.29	6.05	6.72
Water and Sewer	15.03	15.22	17.17	17.26	17.61	17.94	18.11	18.88	18.58	18.45
<b>Total Enterprise Funds</b>	<b>53.02</b>	<b>53.00</b>	<b>56.41</b>	<b>55.20</b>	<b>53.17</b>	<b>51.53</b>	<b>54.25</b>	<b>58.91</b>	<b>57.88</b>	<b>58.60</b>
<b>Total</b>	<b>251.96</b>	<b>255.76</b>	<b>263.61</b>	<b>261.78</b>	<b>260.90</b>	<b>253.66</b>	<b>258.94</b>	<b>270.41</b>	<b>264.23</b>	<b>262.35</b>

Source: City of Apple Valley Human Resources Office

FTE's based on hours worked during the fiscal year; part-time employees converted to FTE based on 2,080 hours per year

Note:

- (1) The City engineering function begun in 2011
- (2) Redwood Pool FTE's were combined with Aquatic Center prior to 2006
- (3) Liquor Store No. 3 opened in 2008

CITY OF APPLE VALLEY

Table 17

OPERATING INDICATORS BY FUNCTION/PROGRAM  
Last Ten Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government:										
Elections	2		4		2	1	2		2	
Registered voters	29,706		34,845		33,315	30,341	36,003		32,094	
Number of votes cast	23,020		28,939		21,964	4,518	29,262		21,271	
Voter participation (registered)	77.49%		83.05%		65.93%	14.89%	81.28%		66.28%	
(elections are held every other year)										
Public Safety:										
Police:										
Crimes - Part I (2)	1446	1544	1568	1639	1590	1002	1555	1366	1565	1230
Crimes - Part II (2)	2,815	3,894	3,605	3,742	3,700	2,087	2,901	2,542	2,364	2,072
Total Arrests	2,241	2,170	2,818	2,893	3,106	2,400	2,278	2,137	1,985	1,963
DWI Arrests	274	281	267	228	302	294	251	288	205	213
Traffic Citations Issued	2,241	7,341	8,485	5,814	9,873	9,717	8,088	7,997	6,329	7,587
Total Calls for Service	38,965	37,219	37,732	36,153	40,606	39,860	41,682	41,049	38,335	40,272
Fire:										
Calls for Service	1,118	1,072	1,166	1,123	1,092	1,261	1,380	1,307	1,340	1,408
Medical	684	634	718	679	657	742	840	735	712	792
Fire	434	438	448	444	435	519	540	572	628	616
Fire Call Responses Times Under 5 Minutes	n/a	n/a	n/a	n/a	n/a	n/a	40%	41%	n/a	40%
Fire Call Responses Times 6-10 Minutes	n/a	n/a	n/a	n/a	n/a	n/a	51%	48%	52%	51%
Fire Call Responses Times over 10 Minutes	n/a	n/a	n/a	n/a	n/a	n/a	9%	11%	11%	9%
Public Works:										
Building Permits Issued	1105	1198	958	809	689	745	672	577	1241	1630
Permits Issued for New Dwelling Units	434	592	342	206	67	92	41	91	228	31
Commercial Building Permits Issued	106	118	94	116	93	118	110	73	102	71
Plumbing Permits Issued	1294	1333	1172	1063	1019	1024	900	912	920	886
Heating Permits Issued	702	758	644	613	582	622	521	557	771	540
Streets maintained (lane miles)	387	392	395	398	399	401	404	405	407	408
Cul-de-sacs maintained	302	305	306	309	312	313	313	314	329	329
Snow/Ice Events	26	25	23	38	22	34	50	48	35	29
Signs replaced	-	-	-	-	277	315	271	385	500	460
Boulevard trees trimmed	1,000	600	624	850	1,256	1,000	1,256	1,600	1,800	5,200
Building permits issued	2,131	2,189	1,902	1,783	1,667	3,439	3,017	2,688	2,995	4,248
Building inspections	7,088	6,746	5,160	3,937	3,813	4,510	4,028	3,470	3,621	5,187
Fleet Div. vehicle work orders	779	1490	1582	1604	1584	1561	1689	1733	1735	1751
Diseased elm and oak trees mitigated	609	482	1317	956	637	738	863	729	588	486
Lakes monitored with water quality samples	3	3	3	4	4	6	6	7	7	7
Sump catch basins cleaned	1440	1759	1464	1209	1498	1338	1492	1406	1505	1303
Sewage pumped (million gallons)	1.3	1.3	1.4	1.3	1.2	1.2	1.2	1.2	1.2	1.2
Miles of sanitary sewer cleaned	79.4	72.9	83	52.8	57.7	57	69.2	47.6	64.2	72.1
Sanitary lift station inspections	1716	1716	1716	1716	1716	1716	1716	1716	1716	1716
Water produced (million gallons)	2.1	2.6	2.5	2.3	2.6	2.6	2.5	2.4	2.1	2.3
Water samples taken	1,098	1,098	1,128	1,098	1,098	1,128	1,098	1,098	1,128	1,098
Fire hydrants maintained	1,952	2,006	2,033	2,050	2,083	2,230	2,388	2,401	2,405	2,410
Pressure stations inspected	12	12	12	13	13	13	13	13	13	13
Air relief manholes inspected	12	12	13	15	15	15	15	15	15	15
Hydrant flushing (minutes)	1,890	2,070	1,325	3,520	5,400	3,845	7,045	3,050	5,250	1,020
Water breaks repaired	12	11	18	10	9	9	7	20	12	16
Burial sites sold	52	41	59	58	52	43	59	50	44	56
Burials	28	23	29	29	31	37	40	32	36	38

Source: Various City Departments

Notes:

- (1) Information not available is labeled n/a.
- (2) 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 Apple Valley Police Department Annual Report

CITY OF APPLE VALLEY

Table 18

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
Last Ten Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Public Safety</b>										
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Marked Squad Units	15	16	16	18	18	18	18	18	20	20
<b>Fire</b>										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Engine Trucks	5	5	5	5	5	5	5	5	5	5
Fire Ladder Trucks	2	2	2	2	2	2	2	2	2	2
Fire Brush/ Rescue Trucks	1	1	1	1	1	1	1	1	1	1
<b>Public Works</b>										
Streets (centerline miles)	163	166	167	168	171	171	171	171	171	172
Cul-de-sacs	302	305	306	309	312	313	313	314	329	329
Trees maintained	7,000	7,000	7,000	7,000	7,000	7,000	7,000	9,500	9,500	9,500
<b>Parks</b>										
Parks	46	46	48	49	49	49	49	49	50	50
Total Park Acreage	790	812	841	844	847	847	847	847	879	879
Trails (miles)	60	60	62	65	65	65	65	65	65	65
Athletic Complexes	4	4	4	4	4	4	4	4	5	5
Golf Course	1	1	1	1	1	1	1	1	1	1
Community Centers	2	2	2	2	2	2	2	2	2	2
Senior Center	1	1	1	1	1	1	1	1	1	1
Pools/ Aquatic Centers	2	2	2	2	2	2	2	2	2	2
Ice Arenas	2	2	2	2	2	2	2	2	2	2
<b>Water</b>										
Number of Connections	11,754	12,858	14,037	15,121	15,279	15,342	15,413	15,464	15,518	15,566
Miles of Water Mains and Laterals	222	228	230	231	233	235	240	240	241	241
Wells	17	17	18	18	18	19	19	19	19	19
Water Valves	3,284	3,403	3,460	3,507	3,565	3,600	3,680	3,705	3,712	3,726
Fire Hydrants	1,952	2,006	2,033	2,050	2,083	2,230	2,388	2,401	2,405	2,410
Water Reservoirs	4	4	4	4	4	5	5	5	5	5
Reservoir Capacity (millions of gallon	11	11	11	11	11	13	13	13	13	13
<b>Sanitary Sewer</b>										
Number of Connections	11,477	12,524	13,678	14,746	14,889	14,940	14,989	15,033	15,087	15,130
Miles of Sanitary Sewer Mains and Laterals	183	186	187	189	190	191	193	193	193	194
Sanitary Lift Stations	9	9	9	9	9	9	9	9	9	9
Sanitary Manholes	5,061	5,181	5,221	5,272	5,315	5,315	5,335	5,360	5,372	5,384
<b>Storm Sewer</b>										
Lift Stations	10	10	10	10	10	11	12	12	12	12

n/a is not available

Source: Various City Departments