REVISED PRELIMINARY OFFICIAL STATEMENT DATED JULY 18, 2025

NEW ISSUE	BOOK ENTRY ONLY
NOT BANK QUALIFIED	STANDARD & POOR'S RATING "AAA"
	MOODY'S RATING "Aaa"

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "Tax Exemption" and "Other Federal and State Tax Considerations" herein for additional information.

CITY OF APPLE VALLEY, MINNESOTA

$32,450,000*

General Obligation Bonds, Series 2025A

Dated Date: Date of Delivery (Estimated to be August 20, 2025) **Interest Due: Each June 15 and December 15 Commencing June 15, 2026**

*Maturity**	*Amount**	*Rate*	*Yield*	*Price*	*Maturity**	*Amount**	*Rate*	*Yield*	*Price*
12/15/2026	$715,000	_____%	_____%	_____	12/15/2036	$1,605,000	_____%	_____%	_____
12/15/2027	1,175,000	_____	_____	_____	12/15/2037	1,670,000	_____	_____	_____
12/15/2028	1,210,000	_____	_____	_____	12/15/2038	1,745,000	_____	_____	_____
12/15/2029	1,245,000	_____	_____	_____	12/15/2039	1,815,000	_____	_____	_____
12/15/2030	1,290,000	_____	_____	_____	12/15/2040	1,900,000	_____	_____	_____
12/15/2031	1,335,000	_____	_____	_____	12/15/2041	1,985,000	_____	_____	_____
12/15/2032	1,380,000	_____	_____	_____	12/15/2042	2,075,000	_____	_____	_____
12/15/2033	1,430,000	_____	_____	_____	12/15/2043	2,175,000	_____	_____	_____
12/15/2034	1,485,000	_____	_____	_____	12/15/2044	2,280,000	_____	_____	_____
12/15/2035	1,545,000	_____	_____	_____	12/15/2045	2,390,000	_____	_____	_____

The General Obligation Bonds, Series 2025A (the "Bonds" or the "Issue") are being issued by the City of Apple Valley, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapters Section 475.521 and Chapter 475, as amended, and two voter referendums held on November 7, 2023 that passed by a vote of 5,812 (yes) to 2,925 (no) for park improvements and by a vote of 5,231 (yes) to 3,470 (no) for municipal pool improvements. Proceeds of the Bonds will be used to finance various improvement projects within the City, pursuant to the City's 2023-2027 Capital Improvement Plan, and various park and pool improvements and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on December 15, 2034 and thereafter are subject to redemption, in whole or in part, on December 15, 2033 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on December 15, commencing December 15, 2026. Interest due with respect to the Bonds is payable semiannually on June 15 and December 15, commencing June 15, 2026. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota.

Proposals: Thursday, July 24, 2025 10:00 A.M., Central Time

Award: Thursday, July 24, 2025 7:00 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than $32,190,400 (99.20%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* A Good Faith Deposit (the "Deposit") in the amount of $500,000, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.

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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE AUGUST 20, 2025.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

SUMMARY OF OFFERING

City of Apple Valley, Minnesota
$32,450,000 *
General Obligation Bonds, Series 2025A
(Book-Entry Only)

AMOUNT -	$32,450,000*
ISSUER -	City of Apple Valley, Minnesota (the "City" or the "Issuer")
AWARD DATE -	July 24, 2025
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920
TYPE OF ISSUE -	General Obligation Bonds, Series 2025A (the "Bonds" or the "Issue")
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Bonds, Series 2025A (the "Bonds") are being issued by the City of Apple Valley, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters Section 475.521 and Chapter 475, as amended, and two voter referendums held on November 7, 2023 that passed by a vote of 5,812 (yes) to 2,925 (no) for park improvements and by a vote of 5,231 (yes) to 3,470 (no) for municipal pool improvements. Proceeds of the Bonds will be used to finance various improvement projects within the City, pursuant to the City's 2023-2027 Capital Improvement Plan, and various park and pool improvements and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Authority and Purpose* as well as *Security/Sources and Uses of Funds* herein for additional information.
DATE OF ISSUE -	Date of Delivery (Estimated to be August 20, 2025)
INTEREST PAID -	Semiannually on each June 15 and December 15, commencing June 15, 2026, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the first day (whether or not a business day) of the calendar month of such interest payment date (the "Record Date").

MATURITIES* -

12/15/26	$715,000	12/15/31	$1,335,000	12/15/36	$1,605,000	12/15/41	$1,985,000
12/15/27	1,175,000	12/15/32	1,380,000	12/15/37	1,670,000	12/15/42	2,075,000
12/15/28	1,210,000	12/15/33	1,430,000	12/15/38	1,745,000	12/15/43	2,175,000
12/15/29	1,245,000	12/15/34	1,485,000	12/15/39	1,815,000	12/15/44	2,280,000
12/15/30	1,290,000	12/15/35	1,545,000	12/15/40	1,900,000	12/15/45	2,390,000

REDEMPTION -	The Bonds maturing on December 15, 2034 and thereafter are subject to redemption, in whole or in part, on December 15, 2033 and on any date thereafter at a price of par plus accrued interest. See *Description of the Bonds* herein for additional information.
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.
PAYING AGENT/REGISTRAR -	Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota
TAX DESIGNATIONS -	NOT Private Activity Bonds - The Bonds are not "private activity bonds" as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). Not Bank Qualified Tax-Exempt Obligations - The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.
LEGAL OPINION -	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota ("Bond Counsel")
BOND RATING -	The City received a rating of "AAA" from S&P Global Ratings ("S&P") and "Aaa" from Moody's Investor Services ("Moody's"). See *Bond Rating* herein for additional information.
CLOSING -	Estimated to be August 20, 2025
PRIMARY CONTACTS -	Ron Hedberg, Finance Director, City of Apple Valley, Minnesota 952-953-2540 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964

* Preliminary, subject to change.

CITY OF APPLE VALLEY, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

Name	**City Council** *Position*	*Term Expires*
Clint Hooppaw	Mayor	12/31/2026
John M. Bergman	Council Member	12/31/2026
Thomas Melander	Council Member	12/31/2026
Lisa Hiebert	Council Member	12/31/2028
Ruth A. Grendahl	Council Member	12/31/2028

Primary Contacts

M. Thomas Lawell	City Administrator
Christina M. Scipioni	City Clerk
Ronald Hedberg	City Finance Director / Treasurer
Severson, Sheldon, Dougherty & Molenda, P.A. – Sharon Hills	City Attorney
Matt Saam, P.E.	Public Works Director
Brandon Anderson	City Engineer
Tim Benetti	Community Development Director
Eric Carlson	Parks & Recreation Director

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

$32,450,000*
GENERAL OBLIGATION BONDS, SERIES 2025A

CITY OF APPLE VALLEY, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as "bids") will be opened by the City's Finance Director, or designee, on Thursday, July 24, 2025, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the Issuer's "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Thursday, July 24, 2025 at 7:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:
a) submitted to the office of Northland Securities, Inc.,
b) emailed to PublicSale@northlandsecurities.com
c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-4945, or
d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:00 A.M., CT, on Thursday, July 24, 2025. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the Issuer nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the Issuer to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds.

Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Issuer through Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota (the "Paying Agent/Registrar"), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants

* The Issuer reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The Issuer will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be August 20, 2025)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 475.521, as amended, and two voter referendums held on November 7, 2023, which passed by a vote of 5,812 (yes) to 2,925 (no) for park improvements and by a vote of 5,231 (yes) to 3,470 (no) for municipal pool improvements. Proceeds will be used to finance various improvement projects within the City pursuant to the City's 2023-2027 Capital Improvement Plan approved on November 22, 2022, and various park improvements and to pay costs associated with the issuance of the Bonds. The Bonds are payable from ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each June 15 and December 15, commencing June 15, 2026, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the first day (whether or not a business day) of the calendar month of such interest payment date.

MATURITIES

Principal is due annually on December 15, inclusive, in each of the years and amounts as follows:

Year	Amount	Year	Amount	Year	Amount	Year	Amount
2026	$715,000	2031	$1,335,000	2036	$1,605,000	2041	$1,985,000
2027	1,175,000	2032	1,380,000	2037	1,670,000	2042	2,075,000
2028	1,210,000	2033	1,430,000	2038	1,745,000	2043	2,175,000
2029	1,245,000	2034	1,485,000	2039	1,815,000	2044	2,280,000
2030	1,290,000	2035	1,545,000	2040	1,900,000	2045	2,390,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity*. All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

ESTABLISHMENT OF ISSUE PRICE
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)

The winning bidder shall assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Issuer and Bond Counsel. All actions to be taken by the Issuer under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer's Municipal Advisor and any notice or report to be provided to the Issuer may be provided to the Issuer's Municipal Advisor.

The Issuer intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the Issuer shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
(2) all bidders shall have an equal opportunity to bid;
(3) the Issuer may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
(4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the Issuer shall promptly so advise the winning bidder. The Issuer may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the "Hold-the-Offering-Price Rule"). Bids will **not** be subject to cancellation in the event that the Issuer determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

(1) the close of the fifth (5th) business day after the award date; or
(2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the "10% Test"), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The Issuer acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. *"public" means any person other than an underwriter or a related party,*
2. *"underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).*
3. *a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and*
4. *"sale date" means the date that the Bonds are awarded by the Issuer to the winning bidder.*

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The Issuer reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the Issuer and shall be at the sole discretion of the Issuer. The successful bidder may not withdraw or modify its Proposal once submitted to the Issuer for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on and after December 15, 2034 are subject to redemption and prepayment at the option of the Issuer on December 15, 2033 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the Issuer and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty-five days after award, subject to an approving legal opinion by Taft, Stettinius & Hollister LLP, Bond Counsel. The legal opinion will be paid by the Issuer and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than $32,190,400 (99.20%) and accrued interest on the principal sum of $32,450,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Ron Hedberg, Finance Director
City of Apple Valley
7100 147th St. W
Apple Valley, Minnesota 55124

A good faith deposit (the "Deposit") in the amount of $500,000 in the form of a federal wire transfer (payable to the order of the Issuer) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the Issuer may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The Issuer will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the Issuer. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the Issuer scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Issuer's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The Issuer will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the Issuer determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Issuer agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The Issuer will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the Issuer, and notices of certain material events, as required by SEC Rule 15c2-12.

NOT BANK QUALIFIED

The Issuer will not designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the Issuer has requested and received a rating on the Bonds from a rating agency, the Issuer will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The Issuer reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: June 12, 2025 BY ORDER OF THE APPLE VALLEY CITY COUNCIL

/s/ Ron Hedberg
Finance Director

Additional information may be obtained from:
Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Telephone No.: 612-851-5900

EXHIBIT A

(ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED)

The undersigned, on behalf of ______________________________ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Bonds, Series 2025A (the "Bonds") of the City of Apple Valley, Minnesota (the "Issuer").

1. Reasonably Expected Initial Offering Price.

As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in **Schedule A** (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

"Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ______________.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: August 20, 2025.

[FORM OF ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIES]

The undersigned, on behalf of ________________________________(the "Underwriter"), on behalf of itself, hereby certifies as set forth below with respect to the sale and issuance of General Obligation Bonds, Series 2025A (the "Bonds") of the City of Apple Valley, Minnesota (the "Issuer").

1. Initial Offering Price of the Bonds.

(a) The Underwriter offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Defined Terms.

(a) "Holding Period" means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (________________), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____________.

(e) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: August 20, 2025.

AUTHORITY AND PURPOSE

The General Obligation Bonds, Series 2025A (the "Bonds" or the "Issue") are being issued by the City of Apple Valley, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters Section 475.521 and Chapter 475, as amended, and two voter referendums held on November 7, 2023 that passed by a vote of 5,812 (yes) to 2,925 (no) for park improvements and by a vote of 5,231 (yes) to 3,470 (no) for municipal pool improvements. Proceeds from issuance of the Bonds will be used to finance various improvement projects within the City, pursuant to the City's 2023-2027 Capital Improvement Plan, and various park and pool improvements and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds	
Par Amount of Bonds	$ 32,450,000*
Total Sources of Funds:	$ 32,450,000
Uses of Funds	
Deposit to Project Fund	$ 32,000,000
Costs of Issuance/Underwriter's Discount	447,250
Rounding Amount	2,750
Total Uses of Funds:	$ 32,450,000

BONDHOLDERS' RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

* Preliminary, subject to change.

Ratings Loss

S&P Global Ratings has assigned a rating of "AAA" to the Bonds and Moody's Investor Services has assigned a rating of "Aaa" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P or Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be August 20, 2025), and will be issued as fully registered Bonds in the denominations of $5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually December 15, commencing December 15, 2026. Interest on the Bonds will be payable semiannually on each June 15 and December 15, commencing June 15, 2026. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the

Registered Holder of the Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof ("Authorized Denominations"). Individual purchasers ("Beneficial Owners") of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the first day (whether or not a business day) of the calendar month of such interest payment date (the "Record Date").

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on December 15, 2034 and thereafter are subject to redemption, in whole or in part, on December 15, 2033 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City of Apple Valley takes no responsibility for the accuracy thereof.

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City on or before Bond closing, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the City to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Certificate* herein for additional information.

The City has implemented disclosure policies and procedures to be followed by the City in relation to the financial disclosures and reportable events for which the City must provide notice to the MSRB's Electronic Municipal Market Access system. The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _______ (the "Underwriter") at a purchase price of $_______, which is the par amount of the Bonds of $_______ less the Underwriter's discount of $_______, plus the original issue premium of $_________.

MUNICIPAL ADVISOR

The City has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

FUTURE FINANCING

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The City received a rating of "AAA" from S&P Global Ratings ("S&P") and "Aaa" from Moody's Investor Services ("Moody's"). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. These ratings reflect only the opinion of S&P and Moody's and any explanation of the significance of these ratings may be obtained only from S&P and Moody's. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The City will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota ("Bond Counsel") as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the

Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisors.

Original Issue Discount

Some of the Bonds ("OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holder's tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Not Qualified Tax-Exempt Obligations

The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

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CITY OF APPLE VALLEY, MINNESOTA

GENERAL INFORMATION

Location/Access/Transportation

The City of Apple Valley, Minnesota (the "City") is situated in northwestern Dakota County and is located approximately 12 miles south of the Minneapolis-St. Paul Metropolitan Area. The City is bordered by the cities of Burnsville on the west, Eagan on the north, Rosemount on the east and Lakeville on the south.

Area

11,181 acres (17.5 square miles)

Population

2000 Census	45,527	2020 Census	56,374
2010 Census	49,084	2025 Estimate[1]	55,476

Labor Force Data[2]

Comparative average labor force and unemployment rate figures for 2025 (through April) and year-end 2024 are listed below. Figures are not seasonally adjusted and estimated by place of residence.

	April 2025		2024	
	Civilian Labor Force	*Unemployment Rate*	*Civilian Labor Force*	*Unemployment Rate*
Dakota County	251,366	3.1%	241,933	2.9%
Minneapolis/St. Paul MSA	2,081,442	3.3	2,012,564	3.1
Minnesota	3,148,301	3.7	3,129,802	3.0

Income Data[3]

Comparative income levels are listed below for the City of Apple Valley, the State of Minnesota and the United States.

	City of Apple Valley	*State of Minnesota*	*United States*
Median Family Income	$125,090	$111,492	$96,922
Per Capita Income	48,875	46,957	43,289

City Government

The City, organized on January 1, 1969, became a Minnesota Statutory City on January 1, 1974. The 'Optional Plan A' form of government has a mayor elected at-large for a four-year term and four council members also elected at-large for four-year terms. The Council serves as the legislative policy making board. The professional staff is appointed and consists of a City Administrator, City Clerk, Finance Director-Treasurer, Engineer, and Attorney. The City Council meets regularly on the second and fourth Thursdays of each month.

[1] Source: Met Council, as of April, 2025.
[2] Source: Minnesota Department of Employment and Economic Development
[3] Source: 2019-2023 American Community Survey, U.S. Census Bureau.

Municipal Enterprise Services

Municipal enterprise services provided by the City include the water utility system, the sewer utility system and the storm water utility system.

The City also owns and operates three municipal off-sale liquor stores. Profits from the municipal liquor stores are dedicated by Council resolution to support public safety and park and recreation programs throughout the City.

Bargaining Units/Labor Contracts

The labor unions representing certain City employee groups are shown below.

Employee Group	*Contract Expiration Date*
LELS No. 71	December 31, 2025
LELS No. 243	December 31, 2025
AFSCME No. 479	December 31, 2025

Employee Pension Programs

The City employs 717 people, 214 full-time, 18 part-time, 410 seasonal/variable hour employees and 75 paid on-call firefighters. The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statute, Chapters 353 and 356, which cover all full-time and certain part-time employees. 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. Benefits are established by State Statute and vest after three years of credited service. State Statute requires the City to fund current service pension cost as it accrues. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly "PERF") and PEPFF. That report may be obtained at www.mnpera.org, or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.50%, of their annual covered salary in 2024. PEPFF members were required to contribute 11.80% of their annual covered salary in 2023. Effective January 1, 2024, State statute requires the City to contribute the following percentages of annual covered payroll: 7.50% for Coordinated Plan GERF members, and 17.70% for PEPFF members.

Audited City contributions to GERF for the past five years have been as follows:

Year	*Amount*
2024	$1,052,350
2023	980,026
2022	929,365
2021	876,563
2020	827,063

Audited City contributions to the PEPFF for the past five years have been as follows:

Year	*Amount*
2024	$1,353,107
2023	1,174,423
2022	1,097,714
2021	1,038,750
2020	1,033,491

The volunteer firefighters of the City are eligible for pension benefits through membership in the Apple Valley Firefighter's Relief Association, organized under Minnesota Statutes, Chapter 317, and administered by a separate board elected by the membership. This plan is funded by state aids, generated by a 2% tax on fire and casualty insurance premiums, investment earnings and ad valorem taxes levied by the City. State statutes require this plan to fund current service cost as it accrues and prior service cost amortized over a period of ten years.

Other Post-Employment Benefits ("OPEB")

The City has implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.

The City provides a single employer defined benefit healthcare plan to eligible retirees. The plan offers medical coverage. All postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. As of December 31, 2023, the City had 10 inactive plan members and 191 active plan members receiving benefits for the City's health plan.

Changes in the City's net OPEB liability for the fiscal year ended December 31, 2023 are as follows:

	December 31, 2023
Balances at 12/31/22	$ 1,545,589
Total OPEB Liability	
Service Cost	$ 165,631
Interest	34,249
Difference Between Expected and Actual Experience	27,306
Changes of Assumptions	(209,052)
Benefit Payments	(97,290)
Net Change in OPEB Liability	$ (79,156)
End of Year	$ 1,466,433

Additional information regarding the City's OPEB obligations is provided in the City's Comprehensive Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement, with particular reference to Note 11.

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Estimated Cash and Investment Balances as of April 30, 2025 (unaudited)

Fund	
General Fund	$16,780,736
Special Revenue Funds	1,030,170
Debt Service Funds	11,601,594
Enterprise Funds	27,915,159
TIF Funds	4,050,755
Capital Projects Funds	35,260,299
Internal Service Funds	4,694,343
Total Estimated Cash and Investment Balances	$101,333,056

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General Fund Budget Summary

	2024 Budget-Original Adopted	2024 Final	2025 Budget-Original Adopted
Revenues:			
Property Taxes	$ 32,575,715	$ 32,443,383	$35,347,150
Other Taxes	68,000	57,557	0
Franchise Fees	360,000	291,125	368,000
Special Assessments	2,500	6,556	2,500
Licenses and Permits	2,001,650	1,994,880	2,152,445
Intergovernmental Revenue	1,391,810	1,578,572	1,697,455
Charges for Services	2,511,710	4,099,184	2,757,835
Fines and Forfeits	300,000	255,565	250,000
Investment Earnings (losses)	250,000	847,400	300,000
Other	2,115,875	961,253	2,203,900
Total Revenues	$41,577,260	$ 42,535,475	$45,079,285
Expenditures:			
General Government	$ 7,598,895	$ 7,058,000	$8,100,025
Public Safety	17,317,310	17,745,808	19,169,775
Public Works	6,508,970	6,265,764	7,017,070
Parks & Recreation	6,599,335	6,608,113	7,099,065
Capital Outlay	239,750	407,500	327,350
Debt Service	0	253,703	0
Total Expenditures	$38,264,260	$ 38,338,888	$41,713,285
Excess (Deficiency) of Revenue Over Expenditures	3,313,000	4,196,587	3,366,000
Other Financing Sources (Uses)			
Sale of Capital Assets	25,000	41,644	30,000
Debt Issued	0	131,139	0
Transfer from Other Funds	1,567,000	1,567,000	1,654,000
Transfer to Other Funds	(4,905,000)	(4,905,000)	(5,020,000)
Total Other Financing Sources (Uses)	(3,313,000)	(3,165,217)	(3,336,000)
Net Change in Fund Balance	-0-	1,031,370	-0-
Beginning Fund Balance (January 1)	$24,311,063	$ 24,302,666	$25,334,036
Ending Fund Balance (December 31)	$24,311,063	$ 25,334,036	$25,334,036

Land Use

The City of Apple Valley adopted its most recent Comprehensive Plan (the "Plan") in July 2020. This document, updated on a ten-year cycle, serves as the City's principal guide for long-range land use planning and infrastructure investment. The Plan analyzes current development patterns and projects future growth to ensure alignment with municipal capabilities. It includes a detailed inventory of existing land uses, transportation networks, sewer and water infrastructure, public safety services, and recreational and public facilities. These are compared to future demand projections, enabling the formulation of realistic, data-driven policies and implementation strategies.

The City's development activities remain consistent with the Plan's objectives, which emphasize sustainable growth across residential, commercial, and industrial sectors. Current development includes housing that responds to varying market segments, continued expansion of retail commercial sectors, and ongoing growth in industrial warehouse and flex-office facilities, which represent the highest-demand sector in the community.

A balanced and diverse land use mix remains a core principle of municipal planning. As a companion to the Plan, the City maintains a five-year Capital Improvements Program that demonstrates its capacity to accommodate growth-related service needs in a fiscally responsible manner.

The METRO Red Line on Cedar Avenue and the first Bus Rapid Transit (BRT) corridor in Minnesota provide station-to-station transit service from the City to the Mall of America, connecting with other regional transit systems and the MSP international airport. The METRO Red Line is introducing transit supportive new development opportunities, and the City has experienced five years of success in high-value, higher density developments. A transportation planning exercise was completed in 2021 with Dakota County supporting continued business access in the Downtown, efficient traffic movements, and expanding transit service connections to the planned Orchard Place development area.

In 2024, the City received 40 land use-related development applications. These figures are generally in line with prior years, including 32 applications in 2023, 50 in 2022, 36 in 2021, and 39 in 2020. The consistency of application volume reflects ongoing development interest in response to local, regional, and statewide economic strength.

Since 2018, the City has focused significant planning and implementation efforts on Orchard Place, a 400-acre mixed-use business campus. Additional information regarding Orchard Place is provided under the "Commercial/Industrial Development" and "Community Development and Planning" sections of this statement.

Residential Development

As of 2024, the City of Apple Valley contains approximately 22,223 households, with an estimated owner-occupancy rate of 75.67%. The median estimated market value of single-family residential property was $362,100 in 2024, compared to $352,800 in 2023.

According to the Metropolitan Council, approximately 76.1% of the City's housing stock consists of single-family units, totaling 16,901 homes. Detached single-family units average 2.7 units per acre, with homes typically ranging between 1,000 and 2,500 square feet, excluding basement space. Attached single-family homes, including split-foyer, one-level, and two-level formats with attached garages, are built at densities of three to seven units per acre.

The City also includes approximately 5,200 apartments and condominium units, comprising 21.5% of the total housing stock. These are primarily two- to three-story buildings ranging from 16 to 72 units per structure, constructed at a density of approximately 13 units per acre.

Suburban areas like Apple Valley have experienced significant rent increases and declining vacancy rates, driven by limited new supply and heightened demand. Overall, the Twin Cities metro area has witnessed a substantial decrease in some new apartment construction projects, due to expensive land values, increased loan rates, and higher construction costs. Even with these factors, Apple Valley is shown to have a very low 2.0% vacancy rate (as of Sept. 2024 – per *Marquette Advisors*), which means more individuals are staying in the City and enjoying the overall benefits and opportunities the community provides.

The following is a summary of recent single-family residential permitting activity:

- Through May 2025, six permits have been issued, with total construction value of $2,999,000 (average $489,833 per unit).
- In 2024, twenty permits were issued, totaling $7,118,132 (average $355,906 per unit).
- In 2023, nine permits were issued, totaling $3,328,200 (average $369,800 per unit).

Approved or Completed Residential Developments

- **Orchard Place Townhomes:** Pulte Homes completed 101 townhome units on the periphery of Orchard Place.
- **Orchard Path:** Developed by Presbyterian Homes, this 195-unit senior housing project (market-rate and assisted living) was completed in phases, with the original phase finalized in 2018 and a 60-unit market-rate wing completed in 2023. Located near Cobblestone Lake, the development benefits from proximity to an active commercial district.
- **Summers Ridge:** A 64-unit assisted living and supportive care facility opened in 2022, located in the northeast quadrant of Pilot Knob Road and 155th Street, adjacent to other senior housing and commercial amenities.
- **Risor Senior Rental:** Developed by Roers Companies, this project includes 172 market-rate rental units for residents aged 55+, along with 12 rental townhomes. Located at Galaxie Avenue and Founders Lane, 20% of the units (35 units) are designated as affordable to seniors earning 50% or less of area median income.

Approved and Pending Residential Developments (2023–2025):

- **Woodwinds 8th Addition:** Approved in 2023, this subdivision includes six single-family lots on a 2.97-acre parcel near Pilot Knob Road and 140th Street.
- **Applewood Pointe Villas:** Following the completion of a 98-unit senior residential cooperative in 2023, United Properties received approval to construct seven detached villa-style dwellings adjacent to the Valleywood Golf Course. Construction began in summer 2024, with completion expected in spring 2026.
- **Orchard Path:** in conjunction with information provided above, Presbyterian Homes received approval in December 2024, to construct its third (and final) phase of the Orchard Path Continuum of Care facility , which will be a new 75-unit senior independent living area. This project will be starting in June 2025 and completed by 2026.
- **Orchard Place Apartments.** In early 2025, the City approved a new 135-unit market rate apartment near 157th Street and English Avenue. This development is expected to begin construction in summer 2025 and be completed by fall of 2026.
- **New Workforce Housing Apartment Project (Gaslight Site).** In early 2024, Real Estate Equities (REE) received approval to purchase the City's EDA owned Gaslight Site, located at 15584 Gaslight Drive. REE plans to develop a 148-unit apartment building which will be considered affordable by Dakota County CDA Workforce Housing standards. Construction is expected to begin in Summer 2025 and be completed in late 2026.
- **Apple Valley Village (Cassia) Expansion.** In May 2025, Cassia received permission to construct a new 60-unit (64-bed) addition to their existing senior care center facility.

Commercial/Industrial Developments

To encourage business growth, the City has concentrated commercial development in a central district, "Downtown Apple Valley." Downtown Apple Valley (the "Downtown") is strategically located at the intersection of County Road 42 and Cedar Avenue. Over 50,000 vehicles use these roads daily making it one of the busiest at-grade intersections in the State of Minnesota and a centrally located regional commercial shopping and services location for Dakota County.

<u>2025 (Projected Completion and Openings)</u>

- **Les Schwab Tires Center at 15690 English Ave.** A new 16,000 sq. ft. retail auto accessory store with an indoor service area began construction in May 2025 and is expected to be completed by December 2025.

- **McDonalds at 15460 English Avenue**. The City approved a new casual fast-food restaurant with drive thru service lane near the NW corner of 155th St. W. and Pilot Knob Road. Groundbreaking is expected in June 2025 with construction throughout most of 2025, with an expected opening in early 2026.

- **Skyline Social and Games**. A new multi-entertainment venue will be located west of Lunds & Byerly's, with indoor features including 20 bowling lanes, 12 duckpin lanes, 5 axe-throwing bays, an arcade, along with banquet and meeting spaces for families and groups. The facility will also include 9 outdoor sand volleyball courts, 12 cornhole courts, 4 bocce courts, and a fire pit patio with bar service. Construction expected to begin in June 2025 with completion by Spring 2026.

<u>2024:</u>

- **Guidepost Montessori (formerly Higher Ground Daycare):** A remodeled former orthodontist clinic on Cedar Avenue will open as a daycare facility in mid-summer 2025.

- **Qdoba Restaurant:** Opened June 2024 in the former Panera Bread space at 15052 Gleason Path.

- **Popeyes Restaurant:** A new 2,600 sq. ft. drive-thru location opened in May 2024.

- **HealthPartners Clinic:** A 56,600 sq. ft., two-story medical office building opened in summer 2024.

- **Chafin Veterinary Clinic:** A 5,500 sq. ft. veterinary facility opened in April 2024.

- **Cider Ridge Marketplace:** This 7,400 sq. ft. multi-tenant building opened in September 2023 with Caribou Coffee. Astoria Salon and Memorial Blood Centers are opened in 2024.

- **Apple Valley Lincoln:** A 20,800 sq. ft. auto dealership opened in January 2024 on the former Auto Mall site.

- **Dick's Valley Service:** A 15,500 sq. ft. towing and vehicle repair facility with outdoor storage opened in January 2024.

<u>2023</u>:

- **Lunds & Byerly's Grocery Store:** A 45,000 sq. ft. full-service grocery store opened in October 2023 at the southwest corner of 155th Street and Pilot Knob Road.

- **Schuler Shoes:** An 8,000 sq. ft. retail store opened in October 2023 adjacent to the grocery site.

- **Homshuk and Bodega 42:** A 21,350 sq. ft. restaurant, butcher/deli, and market concept opened in October 2023.

- **Frito-Lay/PepsiCo (Apple Valley Commerce Center):** A 117,000 sq. ft. distribution facility serving the metro area was completed in fall 2023. The City secured a $1.07 million DEED remediation grant to support site cleanup due to prior industrial contamination.

- **Johnny Cake Business Center:** A 112,170 sq. ft. flex-industrial building was completed by Opus near Abdallah Candies. Meta is leasing and improving a portion of this building.

- **My Salon Suites:** A multi-tenant salon facility featuring 48 individual suites opened in September 2023.

- **Floor & Décor:** An 80,000 sq. ft. home improvement retailer opened in September 2023.

- **Uponor Experience Training Center:** Opened in September 2023 inside Uponor's production facility, this training center provides educational programs for trade professionals.

- **X-Golf:** A 10,000 sq. ft. indoor golf simulator, entertainment venue, bar, and restaurant opened in Time Square Center following an interior remodel.

- **Time Square Mall Improvements:** Under new ownership by TS Shopping Center LLC, the mall underwent exterior façade renovations, sign replacements, and stormwater management upgrades.

2022 – 2023:

- **Orchard Place 2nd Addition – Commercial:** This 40-acre development at the northwest corner of 157th Street and Pilot Knob Road includes two multi-tenant retail centers featuring Newt's Restaurant, Sweet Treasures, Crisp & Green, Starbucks, Sport Clips, Lumi Nails, Punch Pizza, and Mr. Carwash. Free-standing restaurants, including Texas Roadhouse and Chipotle, were also completed.

Several existing businesses either expanded or opened in Apple Valley over the last four years, including the following from 2024 to mid-2025:

Discover Strength	Wings Credit Union	Advanced Body Sculpting & Spa
Wings Credit Union	Lifeway Chiropractic	Bricks & Minifigs
Lifeway Chiropractic	Pet Supplies Plus	Memorial Blood Center
Pet Supplies Plus	Chafin Vet Clinic	Chase Bank
Discover Strength	Pahl's Market	HealthPartners Clinic
Foss Swim School	Qdoba	Concierge Medicine
Anytime Puppy Playground,	Dave's Hot Chicken	Constellation Coffee
Tono's Cheesesteak & Pizzeria	Urban Air Adventure Park	

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From the period 2022 through 2024, a partial list of notable businesses that now call Apple Valley home include:

Chase Bank
Texas Roadhouse
Mister Carwash
Sweet Treasures
Punch Pizza
El Super Taco
Apple Valley Tavern
Cowboy Jacks
Experience Fitness
Clovr Day Spa
Chuck and Don's Pet Supply
Menards
Lunds and Byerly's
Caribou Coffee (Cobblestone)
Burn Boot Camp
Face Foundrié
My Salon Suites
Pure Barre'
Dick's Valley Service
Caribou Coffee (Cider Ridge)
Newt's Burgers
Reliable Mini-Storage
Starbucks – Orchard Place
Crisp and Green
CubeSmart
Pancheros
Jersey Mikes
Hawaii Poke
Starbucks – Cobblestone
Homshuk and Bodega 42
AV Modern Dentistry
CLOVR Life Spa
Floor and Décor
Pet Supplies Plus
Restore
Uponor Experience Center
Chafin Vet Clinic
MN Fish & Chips
Kimley-Horn Offices
X-Golf
Eagle Brook Church
Panera – Cedar Avenue
Dunkin Donuts /Baskin Robbins
Sport Clips
Milan Laser Hair Clinic
Chipotle - Orchard Place
Jardin Learning Academy
Aspen Dental
Gents Grooming
Training for Warriors
Crumble Cookies
Reliable Mini-Storage
9 Round Kick Boxing
Punch Pizza
Basecamp Fitness
Lifeway Chiropractic
Pizza Karma
Schuler Shoes
Popeyes

Institutional Development

- City of Apple Valley – Park Improvements – In November 2023, the citizens of Apple Valley overwhelmingly approved a referendum to allow the City to bond over $73 million for parks and trails improvements, including:
  - Apple Valley Family Aquatic Center
  - Redwood Park
  - Kelley Park
  - Hayes Park
  - AV Community Center

  Prior to the issuance of the Bonds, the City has issued $16,305,000 of the over $73 million approved by voters. These funds financed planning efforts for the park system improvements and refrigeration improvements at Hayes Ice Arena.

- ISD 196 Rosemount-Apple Valley-Eagan Public Schools – On May 9, 2023, District voters approved two new building bond referendum questions for $493 million in capital improvements. Provided in the first referendum question was $374 million in bonding authority to make safety and security improvements at all schools district wide. Within Apple Valley, these improvements include additions to Scott Highlands Middle School and Dakota Ridge School, as well as science lab and performance space improvements at secondary schools. The second question includes $119 million for activity center additions each of the high schools within the District. The following is a list of projects approved for ISD 196:
  - **Cedar Valley Learning Center**: a variance for a secure vestibule entrance expected to be completed in summer 2025.
  - **Dakota Ridge School**: Approved a final plat and easement vacation for expansion and parking improvements
  - **Apple Valley Highs School Activity Center**: approved an 86,621 sq. ft. addition, with construction beginning in June 2025

- **Eastview High School Activity Center**: approved an 84,700 sq. ft. addition, with construction starting in June 2025

- Apple Valley Fire Station No. 2 – the City approved the phased demolition of the existing Fire Station No. 2 and re-construction of a new 30,111 sq. ft. two story station on the same site. The project was completed in August 2024.

- Apple Valley Central Maintenance Facility Expansion Project – the City approved expansion plans for the Central Maintenance Facility ("CMF"), which includes a new 18,240 sq. ft. fleet maintenance building, a 24,800 sq. ft. vehicle storage addition, a 1,400 sq. ft. office addition, and a 1,040 sq. ft. parks storage garage addition, along with some roadway and on-site stormwater treatment improvements. Construction is expected to begin mid-2025 and be completed by 2027.

- Apple Valley Police Operations Project - the City approved a new 25,000 sq. ft. police operations building located immediately south of the CMF site, to be used for fleet storage, offices and meeting rooms. Construction is expected to began mid-2024 and will be completed by fall 2025.

- Minnesota Zoo Treetop Trail – Construction was started in early 2022 on the $33 million Treetop Trail, a 1.25-mile elevated Treetop Trail by repurposing the monorail that was previously decommissioned by the Zoo. In July 2023, the Treetop Trail was completed and is now heralded as the longest elevated trail in the world. The Minnesota Zoo is a year-round destination located in Apple Valley, just minutes south of Mall of America.

- Eagle Brook Church – In 2023, Eagle Brook Church completed renovations providing for a 58,139 sq. ft. for the church.

Building Permits[1]

Building permits issued for the past five years plus a portion of the current year have been as follows:

Year	*Commercial/ Industrial Permits*	*Residential Number of Permits*	*Residential Number of Dwelling Units Included*	*Total Number of Permits*	*Total Permit Valuation*
2025 (as of 4/30/25)	30	12	12	493	$28,095,576
2024	99	40	40	1,966	93,504,957
2023	113	17	17	2,297	97,104,474
2022	155	46	143	3,694	190,728,488
2021	116	77	295	2,490	117,539,214
2020	82	5	5	2,054	44,849,877

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[1] Commercial/industrial permits and total permit valuation include additions and alterations.

Following is a list provided by the City of commercial, industrial, and institutional construction permits issued in 2022 through 2024 and to-date 2025 with values over $500,000:

Permit Year	*Name*	*Product/Service*	*Size in Sq. Ft.*	*Valuation*
4/22	Eagle Brook Church	Eagle Brook Church	55,344 SF	13,600,000
5/22	Applewood Pointe	Condo- 98 units	252,350 SF	31,587,000
7/22	Johnny Cake Business Center	New warehouse	110,966 SF	7,694,000
7/22	MN Zoo	Treetop Trail	n/a	28,701,000
8/22	Bodega 42 / Homshuk Restaurant	Mexican Market & Restaurant	20,515SF	6,000,000
9/22	Lunds & Byerly's	Grocery Store	50,408 SF	8,919,000
9/22	Apple Valley Commerce Center	Frito-Lay/PepsiCo	116,064 SF	11,500,000
10/22	Cider Ridge Marketplace	Multi-Tenant Retail Center	7,750 SF	1,700,000
10/22	Cobblestone Lake Association	Pool		750,000
12/22	Times Square	Tenant Build – X-Golf	10,243 SF	890,000
12/22	Pahl's Market	Retail Store	8,852 SF	2,000,000
1/23	Floor & Decor	Retail Store	77,725 SF	7,000,000
3/23	Schuler Shoes	Schuler Shoe Retail Store	7,891 SF	2,800,000
4/23	Apple Lincoln	Auto Dealership	21,923 SF	4,280,000
4/23	Fire Station # 2	New Fire Station	27,891 SF	4,280,000
6/23	Frito-Lay/PepsiCo	Warehouse Racking	n/a	3,712,000
7/23	Chafin Veterinary	Veterinary Clinic	5,486 SF	2,100,000
7/23	Dick's Valley Service	New Vehicle Storage	15,488 SF	2,899,000
9/23	Pet Supplies Plus Store	Tenant Buildout Store	8,231 SF	500,000
10/23	Popeye's Louisiana Kitchen	Restaurant	2,600 SF	1,200,000
10/23	Health Partner's Clinic	Health Clinic	56,600 SF	8,425,500
10/23	Chase Bank 15580 English	Bank	3,320 SF	2,800,000
10/23	Foss Swim School	Tenant Buildout Swim School	10,382 SF	1,800,000
2/24	Higher Ground Education	Daycare Center	9,863 SF	1,310,000
2/24	Allina Health Clinic	Tenant Improvements	n/a	1,236,000
2/24	Apple Valley Ford	Office Renovations	47,042	1,400,000
3/24	ISD # 196	Apple Valley High School Roof	n/a	1,185,000
4/24	Sam's Club	Flat Roof	n/a	585,000
5/24	ISD # 196	Apple Valley High Sch. Windows	n/a	1,060,647
6/24	Parkside Gabella Apartments	Re-siding	n/a	850,000
6/24	City of Apple Valley	New Police Facility	25,068	11,054,000
6/24	ISD #196	Dakota Ridge School	59,842	6,373,000
7/24	Home Depot Store	Flat Roof	n/a	690,000
8/24	Apple Valley High School	Tennis Courts	n/a	560,000
8/24	Action Behavior Center	Children's Therapy Center	7,614	500,000
8/24	Kohl's Store	Parking Lot Resurfacing	n/a	550,000
8/24	Nordstrom Rack	Tenant Buildout	n/a	3,300,000
10/24	Urban Air Adventure Park	Tenant Buildout	48,216	900,000
11/24	Starbucks Coffee	Renovations	2,200	550,000
12/24	City of Apple Valley	Splash Valley Improvements	n/a	5,589,017
1/25	O'Reily Auto	Tenant Buildout	36,632	1,120,260
4/25	Spice Village Restaurant & Market	New Tenant Buildout	7,516	800,000
4/25	ISD # 196	Cedar Park Elementary Roof	n/a	2,876,500
4/25	George Fischer - Uponor	Office Renovations	n/a	7,900,000
4/25	Target Store	Parking Lot Resurfacing	n/a	693,063
5/25	Les Schwab Tire Center	Tire Center Store	19,632	3,500,000
5/25	Johnny Cake Business Center	Tenant Buildout – Meta	n/a	2,000,000

Community Development and Planning

The City continues several major planning initiatives that will help maintain the vibrancy of the City's local economy, quality of life and possibilities.

- 2040 Comprehensive Plan – A consensus was reached in 2020 that addressed both the goals of the City and regional goals of the Metropolitan Council in regard to future land use and housing. This allowed both the Metropolitan Council and City Council to adopt the 2040 Comprehensive Plan in July 2020.

- Orchard Place Commercial – Orchard Place is a 400-acre parcel that has been master planned by the property owner working with the City. Studies that guide these planning efforts include a projected forecast or opportunities to provide up to 3 million square feet of office, health, wellness and financial services, and light industry uses that are focused on medical and science products, and research and development. Adjacent to the planned development is space guided for supporting hospitality and commercial goods and services. This location is the closest raw land resource for development by one landowner to the MSP International Airport. This common ownership eliminates the need to assemble parcels for development. The City's largest private employer at this time is Uponor. The North American headquarters is in the City. The international headquarters is in Switzerland. Thirty years of effort demonstrate the capability to nurture and grow foreign partners, which is envisioned at Orchard Place. There are approximately 40 acres currently under development, see the Commercial Development section for more information.

- Dakota County Road 42 Visioning Study – Staff participated with Dakota County and the cities of Burnsville and Rosemount on a long-term vision for County Highway 42. The study looked at 15 miles of County Highway 42, from the County's west border in Burnsville through Apple Valley to Highway 52 in Rosemount. The study addressed traffic growth, land uses and future improvements. The goals include finding cost-effective ways to improve mobility and safety for vehicles and pedestrians and to improve connections across County Highway 42. It is anticipated that Dakota County construction activities within Apple Valley will begin in 2025.

- Bike and Ped Plan – 2025. The City received a grant from Statewide Health Improvement Partnership (SHIP) to complete an update of the older 2010 Bike and Pedestrian Plan for the community. The Bike Ped Plan Update will serve as a tool for the City to continue to enhance mobility, safety, health, and quality of life for its residents. The plan update will serve as a roadmap towards creating and maintaining a connected and equitable transportation network. The City's consultant, HKGi, will be preparing the updated plan documents, and the plan is scheduled to be completed by July 2025.

- 2020 Census - The City was an active facilitator of the 2020 Census through a City Council designated "Complete Count" committee with supporting work from City staff. Response rates were notable: 2020 Apple Valley, 84.1 percent (2010 was 80.9 percent). By comparison, the State of Minnesota response rate was reported as 75.1 percent and the National response rate, 67 percent.

Economic Development Initiatives

The following summary addresses staff efforts, consulting support, and small business opportunities currently underway:

Dakota County / Community Development Agency (CDA)

- Dakota County Redevelopment Investment Grant (RIG) Program. In August 2024, Staff applied to Dakota County Community Development Authority ("CDA"), for possible funding options under the RIG Program, requesting $25,000 to be applied towards a water utility plan study for the Times Square Mall property. It is anticipated that once the study is completed, a subsequent RIG application requesting additional funds to help pay for costs to improve private and municipal water utility services to this commercial site and surrounding area will be submitted.

- In 2024, the City received funds from the U.S. Environmental Protection Agency (distributed through the Dakota County CDA) towards preparing two (2) separate Phase I Environmental Site Assessment (ESA) on development sites in the City: (1) The Gaslight Site and (2) The Central Village West Site (former 866 Site). These Phase I studies helped determine if these sites are impacted by any harmful contaminations or environmental issues that may need mitigation, which both studies concluded no issues, impacts or mitigation were needed.

- Open to Business - Since its inception in 2013, the Open to Business (OTB) program has assisted individual businesses and entrepreneurs that need business advice, counseling, and access to capital that is not available from the commercial banking system. Experienced advisors offer their services free of cost due to the collaboratively funded effort with the Apple Valley Economic Development Authority and the Dakota County Community Development Agency. The program has provided direct financing to help fill gaps for these smaller businesses in order to receive larger loans from traditional lenders.

  In 2021 and 2022, OTB served over 30 Apple Valley business inquiries, which included residents seeking to develop a business, and businesses seeking to move into the City by providing assistance in developing business plans and applying for financing. Also in 2021, OTB launched the OTB Business Boot Camp; new business strategies for marketing, planning, and updating business plans. A greater emphasis is placed on internet marketing, sales and the role of social media and on-line purchasing. In 2023, OTB provided one-on-one business advising to 29 local businesses (76% startups vs. 24% existing businesses) and contributed to over 250 hours of technical assistance. This assistance eventually helped secure over $115,000 in direct lending; almost $350,000 in owner equity; and just over $300,000 in access to capital for businesses.

  In 2024, OTB provided services to over 33 businesses, including a pizza restaurant, and indoor pickle ball group, a new fish and chips style restaurant, a bubble tea shop, driving school, healthcare / assisted living, salons, event planning, daycares, Italian bakery, spice house / grocery store, and an Ethiopian market. OTB provided over 398 Technical Assistance Hours for Apple Valley clientele, which is approximately 30% of the total hours logged for Dakota County. Of the 33 businesses served, 70% were BIPOC owned; 51% were women owned; and 42% were low income owned.

  OTB also helped facilitate three (3) loans to business in the City or owned by City residents:

  1. $50,000 loan to startup bubble tea business
  2. $42,000 loan to an existing pizza business
  3. $33,500 loan to a mobile food business with a coffee & empanada trailer.

Apple Valley Economic Development Authority (EDA)

- Gaslight Site Redevelopment - 15584 Gaslight Drive: In 2024, the EDA directed City staff to solicit proposals from groups interested in developing the former MVTA park-and ride lot. The EDA subsequently selected Real Estate Equities ("REE") to construct a new 148-unit, workforce housing apartment project on the site, and entered into a purchase agreement for $2.125 million. As of May 2025, REE is currently in plan development and intends to submit entitlement applications by June/July 2025.

- The EDA Board approved their 2025 Annual Budget, which included up to $12,000 for City membership and support towards Greater Minneapolis ("GMSP"), and $9,050 for funding assistance towards Open to Business Program, operated under the direction of the Minnesota Consortium of Community Developers and the CDA. GMSP works with city and county partners to attract and retain businesses; solicit and manage information sought from prospective business seeking to develop, relocate or expand in cities, and assist in obtaining grants or special fundings sources to assist new businesses.

Significant (City-wide) Investments & Improvements

- Nordstrom Rack: the former 31,000 sq. ft. Bed Bath & Beyond retail space in the Fischer Marker Place mall and located at 14910 Florence Trail, has been converted into a new Nordstrom Rack clothing store, which opened in April 2025.

- O'Reilly Auto Parts. The former 37,000-sq. ft. Best Buy tenant space in the Southport Center (Super-Target) mall is being renovated into a new and larger O'Reilly Auto store, with opening scheduled for summer of 2025. The old O'Reilly Auto located at 7645-150th St. is anticipated to be put on the market for sale afterwards.

- Meta. Meta is leasing and improving approximately 34,000 sq. ft. of space inside the Johnny Cake Business Center, located at 6175 147th Street, to be used for storage and assembly of new data server equipment.

Banking/Financial Institutions

Banking and financial service providers located within the City include the following:

Banks

Bank of America, National Association
BMO Harris Bank, National Association
Coulee Bank
Huntington National Bank
JPMorgan Chase Bank, National Association
Merchants Bank, National Association
MidCountry Bank
Old National Bank
Sterling State Bank
Think Mutual Bank
U.S. Bank National Association
Wells Fargo Bank, National Association

Credit Unions

Royal Credit Union
Wings Financial Federal Credit Union
Expedition Credit Union

Education

The City is primarily served by Independent School District No. 196, Rosemount–Apple Valley–Eagan (the "School District"). Located within the City are six elementary schools, grades kindergarten through five; three middle schools, grades six through eight; and four high schools, grades nine through twelve.

A small portion of the City is served by Independent School District No 191, Burnsville–Eagan–Savage. Additionally, the City is served by a kindergarten through twelfth grade charter school, Fit Academy.

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Major/Leading Employers

The School District remains one of the largest employers in the Apple Valley area. The School District employs more than 4,000 people in various positions in 18 elementary schools, six middle schools, four comprehensive senior high schools, an environmental high school and an alternative learning center. Within the City, the School District employs approximately 1,831 people. Following is a partial list of major/leading employers as reported by the City and Data Axle Reference Solutions.

Employer	*Products/Services*	*Employee*
Apple Valley Schools-ISD #196	Elementary & Secondary Schools	1,831
Wings Financial Credit Union	Credit Unions	648
Uponor	Plastics Pipe Manufacturing	604
Target (two stores)	Department Stores	436
Walmart	Discount Department Stores	410
Dakota County	County Government	409
Apple Valley Ford	Automobile Dealers	325
Menard’s	Home Centers	289
Minnesota Zoological Gardens	Zoos & Botanical Gardens	258
Apple Valley Medical Clinic	Offices of Physicians	250
City of Apple Valley	City Government	232
Augustana (Cassia) Health Care Center	Nursing Care Facilities	218
Sam's Club	Warehouse Clubs & Supercenters	180
Cub Foods	Supermarkets and Other grocery Stores	150
Abdallah Candies	Candy Confectionery	145

Largest Taxpayers[1]

Following are ten of the largest taxpayers within the City:

Name	*Classification*	*2024/2025 Tax Capacity*	*Percent of Total Tax Capacity ($90,427,955)*[2]
Kingston Green Limited Partnership	Apartment	$ 826,588	0.91%
Continental 313 Fund LLC	Apartment	772,789	0.86
PHS Apple Valley Senior Housing Inc.	Apartment	673,750	0.75
Apple Valley Leased Housing Assoc.	Apartment	580,386	0.64
USPP Fischer Market Place	Commercial	571,108	0.63
Bigos-Gabella LLC	Apartment	554,254	0.61
Roers Apple Valley Apartments LLC	Apartment	552,839	0.61
Uponor North America	Commercial	549,836	0.61
Continental 432 Fund LLC	Apartment	512,500	0.57
Applewood Point Coop of Apple Valley	Residential	497,976	0.55
		$ 6,092,026	6.74%

[1] As reported by Dakota County.

[2] Before tax increment and fiscal disparity adjustments.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the "market value" of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called "estimated market value". This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The "taxable market value" is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at $95,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of $30,800 at $95,000 of market value. For a homestead valued between $95,000 and $517,200, the exclusion is $30,800 minus nine percent of the valuation over $95,000. For a homestead valued at $517,200 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

"Economic market value" and "indicated market value" reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the "full value" of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the "net tax capacity value". Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per $100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies "to pay the costs of the principal and interest on bonded indebtedness" and "to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota" are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classifications

Class	Type of Property	Class Rate Schedule 2022/2023	2023/2024	2024/2025
1a	Residential Homestead: First $500,000	1.00%	1.00%	1.00%
	Over $500,000	1.25	1.25	1.25
1c	Commercial seasonal-residential recreational-under 250 days and includes homestead			
	First $600,000	.50	.50	.50
	$600,001-2,300,000	1.00	1.00	1.00
	Over $2,300,000†	1.25	1.25	1.25
2a	Agricultural Homestead – House, Garage, One Acre:			
	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First $1,890,000	0.50		
	Over $1,890,000	1.00		
	First $2,150,000		0.50	
	Over $2,150,000		1.00	
	First $3,500,000			.50
	Over $3,500,000			1.00
2b	Non-Homestead Rural Vacant Land[1]	1.00	1.00	1.00
3a	Commercial/Industrial and Public Utility			
	First $150,000†	1.50	1.50	1.50
	Over $150,000†	2.00	2.00	2.00
4a	Apartment (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	Residential Non-Homestead (Single Unit)			
	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(1)	Seasonal Residential Recreational/Commercial†			
	(Resort): First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(12)	Seasonal Residential Recreational†			
	Non-Commercial (Cabin): First $500,000*	1.00	1.00	1.00
	Over $500,000*	1.25	1.25	1.25
4d	Qualifying Low-Income Rental Housing			
	First $100,000	.75	.75	.25
	Over $100,000	.25	.25	.25

† Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

1 Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF APPLE VALLEY, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION[1]

Valuations

	Estimated Market Value 2024/2025	*Net Tax Capacity 2024/2025*
Real Property	$ 8,298,306,900	$ 89,764,917
Personal Property	33,750,900	663,038
Less Tax Increment Deduction	- - -	(3,063,687)
Fiscal Disparities[2]		
(Contribution to Pool)	- - -	(5,516,543)
Distribution from Pool	- - -	11,269,788
Total Adjusted Valuation	$ 8,332,057,800	$ 93,117,513

Valuation Trends (Real and Personal Property)

Levy Year/ Collection Year	*Economic Market Value*	*Sales Ratio*	*Estimated Market Value*	*Taxable Market Value*	*Tax Capacity Before Tax Increments*	*Tax Capacity After Tax Increments*
2024/2025	$8,948,261,777	93.25%	$8,332,057,800	$8,068,604,948	$90,427,955	$93,117,817
2023/2024	8,665,042,556	94.85	8,214,159,200	8,068,846,970	89,950,212	91,773,745
2022/2023	8,446,885,626	92.97	7,849,647,700	7,696,833,655	85,225,223	86,888,628
2021/2022	7,547,881,861	90.62	6,822,527,100	6,627,143,834	73,973,648	75,297,310
2020/2021	6,916,057,026	94.46	6,531,751,900	6,322,184,874	70,797,647	71,923,856

Breakdown of Valuations

2024/2025 Tax Capacity, Real and Personal Property (before tax increment and fiscal disparities adjustments):

Residential Homestead	$ 65,317,934	72.23%
Commercial	11,017,768	12.18
Industrial	3,619,050	4.00
Public Utility	333,326	0.37
Agricultural	7,671	0.01
Cabins	3,597	0.01
Apartments	9,465,571	10.47
Personal Property	663,038	0.73
Totals:	$ 90,427,955	100.00%

[1] Property valuations, tax rates, and tax levies and collections are provided by Dakota County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

[2] *Fiscal Disparities Law*
The 1971 Legislature enacted a "fiscal disparities law" which allows all the Twin City Metropolitan Area Municipalities to share in commercial/industrial growth, regardless of where the growth occurred geographically. Forty percent (40%) of every metropolitan municipality's growth in commercial/industrial assessed valuation is pooled then redistributed to all municipalities on the basis of population and per capita valuation *after* the tax increment and fiscal disparity adjustments.

Tax Capacity Rates

Tax capacity rates for a City resident within ISD No. 196, Rosemount-Apple Valley-Eagan, for the past five-assessable/collection years have been as follows:

Levy Year/ Collection Year	*2020/21 Tax Capacity Rates*	*2021/22 Tax Capacity Rates*	*2022/23 Tax Capacity Rates*	*2023/24 Tax Capacity Rates*	*2024/25 Tax Capacity Rates*
Dakota County	22.716%	21.630%	18.816%	18.323%	19.948%
City of Apple Valley	38.192	38.182	35.273	36.789	41.810
ISD No. 196, Rosemount-Apple Valley-Eagan	20.046	19.971	17.904	23.624	22.968
Met Council	0.635	0.649	0.564	0.620	0.549
Mosquito Control Abatement	0.384	0.372	0.325	0.315	0.320
Metro Transit	1.038	0.969	0.849	0.750	0.824
Dakota County CDA	1.375	1.391	1.176	1.309	1.360
Vermillion River Watershed	0.370	0.348	0.287	0.270	0.271
Totals:	84.756%	83.512%	75.194%	82.000%	88.050%

Market Value Rates:	*2020/2021*	*2021/2022*	*2022/2023*	*2023/2024*	*2024/2025*
ISD No. 196 (Rosemount-Apple Valley-Eagan)	0.32712%	0.31336%	0.29771%	0.30078%	0.28258%
City of Apple Valley	0.01622%	0.01591%	0.01424%	0.01397%	0.01410%

Tax Levies and Collections[1]

		Collected During Collection Year		Collected and/or Abated as of 3/31/2025	
Levy/Collect	Net Levy	Amount	Percent	Amount	Percent
2024/2025	$35,378,665		In Process of Collection		
2023/2024	31,125,946	$30,983,768	99.54%	$31,035,027	99.71%
2022/2023	28,274,364	28,140,035	99.52	28,252,275	99.92
2021/2022	26,162,398	26,055,496	99.59	26,151,355	99.96
2020/2021	25,093,764	24,978,348	99.54	25,092,077	99.99

[1] 2024/2025 collection figures are in process and are not yet available from Dakota County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit[1]

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of July 2, 2025:

2024/2025 Estimated Market Value	$ 8,332,057,800
Multiplied by 3%	x .03
Statutory Debt Limit	$ 249,961,734

Less outstanding debt applicable to debt limit:

$9,000,000 G.O. Crossover Refunding Bonds, Series 2013A	$ 6,705,000
$5,860,000 G.O. Bonds, Series 2015B	490,000
$5,985,000 G.O. Capital Improvement Plan Bonds, Series 2021B	5,300,000
$7,995,000 G.O. Bonds, Series 2022A	7,705,000
$26,495,000 G.O. Bonds, Series 2024A	26,495,000
$32,450,000 G.O. Bonds, Series 2025A (this Issue)	32,450,000
Total Debt applicable to debt limit:	$ 79,145,000
Legal debt margin	$ 170,816,734

[1] Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of $1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than $1,000,000 are not subject to the statutory debt limit.

CITY OF APPLE VALLEY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of July 2, 2025, Plus this Issue)

						This Issue			
Purpose:	**G.O. Crossover Refunding Bonds, Series 2013A**	**G.O. Bonds, Series 2015B**	**G.O. Capital Improvement Bonds, Series 2021B**	**G.O. Bonds, Series 2022A**	**G.O. Bonds, Series 2024A**	**G.O. Bonds, Series 2025A**			
Dated:	04/01/13	06/01/15	09/22/21	11/22/22	08/29/24	08/20/25			
Original Amount:	$9,000,000	$4,255,000	$5,985,000	$7,995,000	$26,495,000	$32,450,000			
Maturity:	15-Dec	15-Dec	15-Dec	15-Dec	15-Dec	15-Dec	**TOTAL**	**TOTAL**	
Interest Rates:	1.75-2.35%	2.00-2.75%	2.00-3.00%	4.00-5.00%	4.00-5.00%		**PRINCIPAL:**	**PRIN & INT:**	
2025	$855,000	$100,000	$255,000	$200,000	$465,000	$0	$1,875,000	$2,189,038	2025
2026	880,000	105,000	260,000	210,000	855,000	715,000	3,025,000	3,610,875	2026
2027	910,000	90,000	265,000	220,000	900,000	1,175,000	3,560,000	4,102,438	2027
2028	945,000	95,000	275,000	240,000	945,000	1,210,000	3,710,000	4,212,813	2028
2029	1,005,000	100,000	280,000	250,000	990,000	1,245,000	3,870,000	4,330,578	2029
2030	1,040,000	0	290,000	255,000	1,040,000	1,290,000	3,915,000	4,330,320	2030
2031	1,070,000	0	300,000	265,000	1,095,000	1,335,000	4,065,000	4,435,470	2031
2032	0	0	310,000	275,000	1,145,000	1,380,000	3,110,000	3,435,725	2032
2033	0	0	315,000	285,000	1,205,000	1,430,000	3,235,000	3,543,525	2033
2034	0	0	320,000	300,000	1,265,000	1,485,000	3,370,000	3,660,825	2034
2035	0	0	325,000	310,000	1,325,000	1,545,000	3,505,000	3,777,425	2035
2036	0	0	335,000	320,000	1,395,000	1,605,000	3,655,000	3,908,525	2036
2037	0	0	340,000	325,000	1,465,000	1,670,000	3,800,000	4,034,025	2037
2038	0	0	345,000	350,000	1,535,000	1,745,000	3,975,000	4,189,225	2038
2039	0	0	355,000	365,000	1,615,000	1,815,000	4,150,000	4,343,325	2039
2040	0	0	360,000	380,000	1,700,000	1,900,000	4,340,000	4,510,713	2040
2041	0	0	370,000	395,000	1,780,000	1,985,000	4,530,000	5,301,963	2041
2042	0	0	0	410,000	1,850,000	2,075,000	4,335,000	5,684,125	2042
2043	0	0	0	430,000	1,925,000	2,175,000	4,530,000	5,818,950	2043
2044	0	0	0	450,000	2,000,000	2,280,000	4,730,000	5,954,600	2044
2045	0	0	0	470,000	0	2,390,000	2,860,000	4,017,100	2045
2046	0	0	0	490,000	0	0	490,000	1,576,450	2046
2047	0	0	0	510,000	0	0	510,000	1,522,400	2047
	$6,705,000	$490,000	$5,300,000	$7,705,000	$26,495,000	$32,450,000	$79,145,000	$92,490,430	
		(1)		(2)					

NOTE: 43% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

(1) This schedule represents a portion of the $5,860,000 General Obligation Bonds, Series 2015B, dated June 1, 2015, consisting of $1,605,000 backed by net revenues of the municipal storm water utility system and $4,255,000 backed by ad valorem taxes.

(2) This schedule represents a portion of the $9,995,000 General Obligation Bonds, Series 2022A, dated November 22, 2022, consisting of $2,000,000 backed by net revenues of the municipal storm water utility system and $7,995,000 backed by ad valorem taxes.

CITY OF APPLE VALLEY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of July 2, 2025)

Purpose:	**G.O. Bonds, Series 2015B**	**G.O. Water Revenue Note, Series, 2018A**		**G.O. Refunding Bonds, Series 2021A**	**G.O. Bonds, Series 2022A**			
Dated:	06/01/15	08/30/18		04/20/21	11/22/22			
Original Amount:	$1,605,000	$4,000,000		$5,945,000	$2,000,000			
Maturity:	15-Dec	15-Jun	15-Dec	15-Dec	15-Dec	**TOTAL**	**TOTAL**	
Interest Rates:	2.00-2.25%	2.95%		1.00-3.00%	4.00-5.00%	**PRINCIPAL:**	**PRIN & INT:**	
2025	$200,000	$0	$246,105	$430,000	$50,000	$926,105	$1,040,060	2025
2026	115,000	249,735	253,419	440,000	50,000	1,108,154	1,305,720	2026
2027	0	257,157	260,950	455,000	55,000	1,028,106	1,192,433	2027
2028	0	250,936	0	470,000	60,000	780,936	913,670	2028
2029	0	0	0	485,000	60,000	545,000	656,933	2029
2030	0	0	0	495,000	65,000	560,000	654,383	2030
2031	0	0	0	500,000	65,000	565,000	651,183	2031
2032	0	0	0	510,000	70,000	580,000	657,833	2032
2033	0	0	0	515,000	70,000	585,000	653,403	2033
2034	0	0	0	0	75,000	75,000	133,650	2033
2035	0	0	0	0	80,000	80,000	135,650	2033
2036	0	0	0	0	80,000	80,000	132,450	2033
2037	0	0	0	0	85,000	85,000	134,250	2033
2038	0	0	0	0	85,000	85,000	130,850	2033
2039	0	0	0	0	90,000	90,000	132,450	2033
2040	0	0	0	0	95,000	95,000	133,625	2033
2041	0	0	0	0	100,000	100,000	134,588	2033
2042	0	0	0	0	105,000	105,000	135,338	2033
2043	0	0	0	0	105,000	105,000	130,875	2033
2044	0	0	0	0	110,000	110,000	131,150	2033
2045	0	0	0	0	115,000	115,000	131,200	2033
2046	0	0	0	0	120,000	120,000	131,025	2033
2047	0	0	0	0	125,000	125,000	130,625	2033
	$315,000	$757,828	$760,473	$4,300,000	$1,915,000	$8,048,301	$9,583,340	
	(1) (3)			(2)	(1) (4)			

NOTE: 84% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

(1) These bonds are payable primarily from net revenues of the municipal storm water uility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.

(2) These bonds are payable primarily from net revenues of the municipal water utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.

(3) This schedule represents a portion of the $5,860,000 General Obligation Bonds, Series 2015B, dated June 1, 2015, consisting of $1,605,000 backed by net revenues of the municipal storm water utility system and $4,255,000 backed by ad valorem taxes.

(4) This schedule represents a portion of the $9,995,000 General Obligation Bonds, Series 2022A, dated November 22, 2022, consisting of $2,000,000 backed by net revenues of the municipal storm water utility system and $7,995,000 backed by ad valorem taxes.

Indirect Debt*

Issuer	*2024/2025 Tax Capacity Value*[(1)]	*2024/2025 Tax Capacity Value in City*[(1)]	*Percentage Applicable in City*	*Outstanding General Obligation Debt*[(2)]	*Taxpayers' Share of Debt*
Dakota County	$761,460,634	$81,847,725	10.75%	$35,640,000	$3,831,300
ISD No. 191, Burnsville-Eagan-Savage	115,285,075	611,929	0.53	89,550,000	474,615
ISD No. 196, Rosemount-Apple Valley-Eagan	276,550,097	81,235,796	29.37	358,710,000	105,353,127
Metropolitan Council	6,330,160,332	81,847,725	1.29	5,025,000[(3)]	64,823
Metro Transit	5,538,527,403	81,847,725	1.48	173,480,000 [(4)]	2,567,504
				Total Indirect Debt:	$ 112,291,369

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* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness.

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity contribution adjustments.

(2) As of July 2, 2025, unless noted otherwise.

(3) Metropolitan Council has $5,025,000 of general obligation debt outstanding as of December 31, 2024. This debt is payable from ad valorem taxes levied on all taxable property within the Metropolitan Taxing District. This amount excludes $1,166,500,000 of general obligation debt payable from wastewater and sewer revenues, and lease agreements.

(4) Metropolitan Transit has $173,480,000 of property tax supported general obligation debt outstanding as of December 31, 2024. Transit debt is issued by the Metropolitan Council for public transit operations and is payable from ad valorem taxes levied on all taxable property within the Metropolitan Transit District. This amount excludes $227,150,000 of general obligation debt payable from revenues.

General Obligation Debt

Bonds secured solely by ad valorem taxes (includes this Issue)	$ 79,145,000
Bonds secured primarily by revenues	8,048,301
Subtotal	$ 87,193,301
Less bonds secured by revenues	(8,048,301)
Direct General Obligation Debt	79,145,000
Add taxpayers' share of indirect debt	112,291,369
Direct and Indirect Debt	$ 191,436,369

Special Obligation Debt

$10,500 Golf Range Picker Lease	$ 1,050

Facts for Ratio Computations

2024/2025 Economic Market Value (real and personal property)	$8,948,261,777
Population (2025 Estimate)	55,476

Debt Ratios Excluding Revenue-Supported Debt

	Direct Debt	*Indirect Debt*	*Direct and Indirect Debt*
To Economic Market Value	0.88%	1.25%	2.13%
Per Capita	1,427	$2,024	$3,451

APPENDIX A

Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

$32,450,000 GENERAL OBLIGATION BONDS, SERIES 2025A
CITY OF APPLE VALLEY
DAKOTA COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Apple Valley, Dakota County, Minnesota (the "Issuer"), of its $32,450,000 General Obligation Bonds, Series 2025A, bearing a date of original issue of August 20, 2025 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of

Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Proposed Form of Continuing Disclosure Undertaking

[Appendix ___ to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Apple Valley, Minnesota (the "Issuer"), in connection with the issuance of its $32,450,000 General Obligation Bonds, Series 2025A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on July 24, 2025 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated __________, 2025, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. If Audited Financial Statements of the Issuer for the Fiscal Year ended December 31, 2024, are not included in the Final Official Statement, then the Issuer shall provide, or shall cause the Dissemination Agent to provide, to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report consisting only of Audited Financial Statements for such Fiscal Year that are consistent with the requirements of Section 4B of this Disclosure Undertaking by not later than December 31, 2025.

B. Beginning in connection with the Fiscal Year ending on December 31, 2025, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2026, and by December 31 of each year thereafter.

C. If the Issuer is unable to provide to the MSRB an Annual Report by the dates required in subsections A or B, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Economic and Financial Information – "Valuations," "Tax Capacity Rates" and "Tax Levies and Collections;" and Summary of Debt and Debt Statistics.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(7) Modifications to rights of security holders, if material;
(8) Bond calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: August 20, 2025.

CITY OF APPLE VALLEY, MINNESOTA

By ________________________________
Its Mayor

By ________________________________
Its City Clerk

APPENDIX C

Excerpts from City's Financial Statement

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2024. The complete financial report for the year 2024 and the prior two years are available for inspection at the Apple Valley City Hall and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

Annual Comprehensive Financial Report

City of Apple Valley, Minnesota

Year Ended December 31, 2024

CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

Annual Comprehensive Financial Report
for the Year Ended
December 31, 2024

Prepared by
Finance Department

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

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CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

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CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

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DAKOTA COUNTY, MINNESOTA

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INTRODUCTORY SECTION

TAB

CITY OF APPLE VALLEY
DAKOTA COUNTY, MINNESOTA

Elected Officials and Administration
December 31, 2024

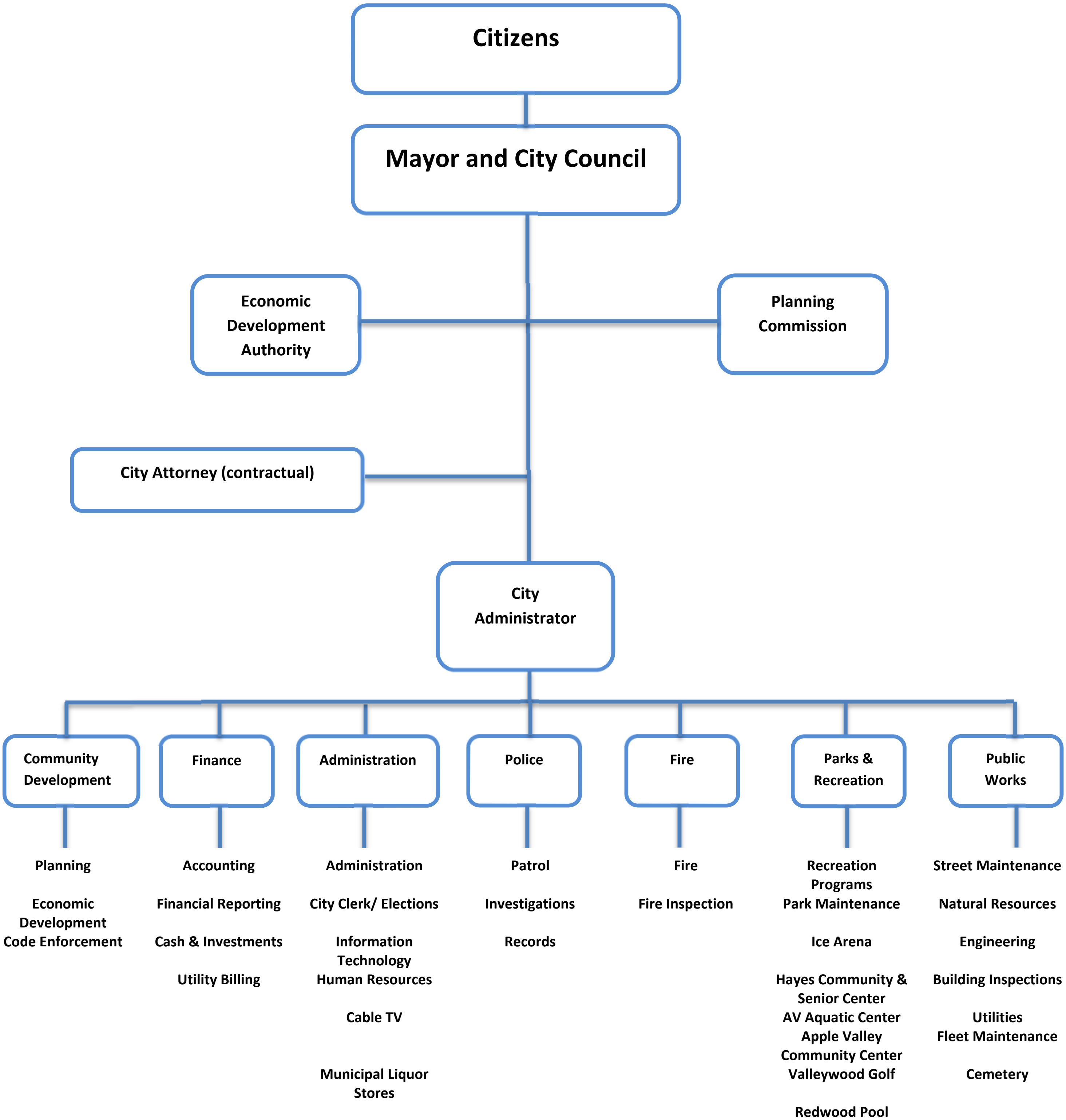
ELECTED OFFICIALS

		Term Expires
Clint Hooppaw	Mayor	December 31, 2026
John Bergman	Councilmember	December 31, 2026
Thomas Goodwin	Councilmember	December 31, 2024
Ruth Grendahl	Councilmember	December 31, 2024
Thomas Melander	Councilmember	December 31, 2026

ADMINISTRATION

M. Thomas Lawell	City Administrator
Christina Scipioni	City Clerk
Ronald Hedberg	Finance Director/Treasurer
Matt Saam	Public Works Director
Nick Francis	Police Chief
Matt Nelson	Fire Chief
Tim Benetti	Community Development Director
Eric Carlson	Parks and Recreation Director
Joe Rotz	Assistant Finance Director
Charles Grawe	Assistant City Administrator
Vacant	Human Resource Manager
Brandon Anderson	City Engineer
Brian Skok	Public Works Superintendent

Organizational Structure
City of Apple Valley



City of Apple Valley
7100 147th St. W
Apple Valley, MN 55124

Telephone (952) 953-2540
Fax (952)953-2515
www.ci.apple-valley.mn.us

June 23, 2025

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

The Annual Comprehensive Financial Report (ACFR) of the City of Apple Valley, Minnesota (the City), for the year ended December 31, 2024, is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board and meets the requirements of the State Auditor's Office.

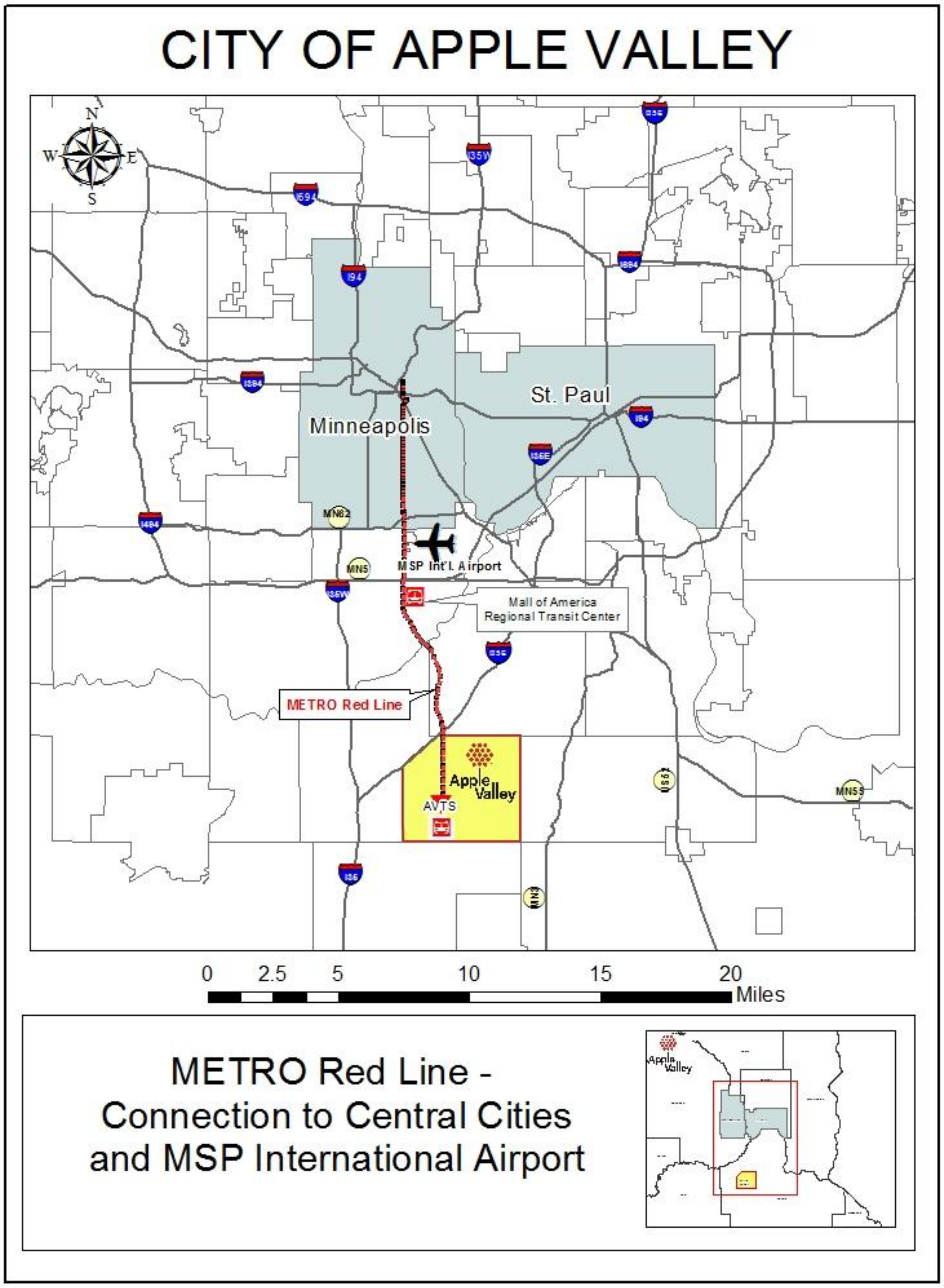
The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented within this report. To provide a reasonable basis for making these representations, management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

The City's financial statements have been audited by LB Carlson, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended December 31, 2024, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates used by management; and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements, for the year ended December 31, 2024, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented in the financial section of this report.

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

Profile of the City

The City was incorporated as a village on January 1, 1969, and incorporated as a city on January 1, 1974. The City is a suburban community located 17 miles south of downtown Minneapolis within Dakota County, and has a convenient location with a comprehensive system of highways – Interstate 35E serves the northwest boundary of the City, while State Highway 77 runs north and south through the City. The City is served by a bus rapid transit service that connects to the light rail system serving Minneapolis and St. Paul. The City is seven miles from the Minneapolis-St. Paul International Airport within the seven-county Twin Cities metropolitan region, has a land area of 17.5 square miles, and serves a community with a current estimated 2024 population of 56,361, according to the Metropolitan Council.



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

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

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

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

Factors Affecting Financial Condition

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

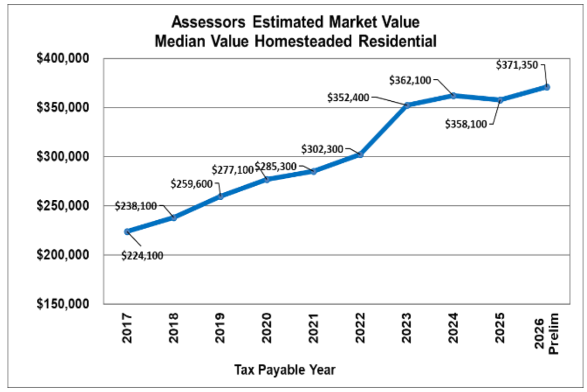
Local Economy

The economic conditions remain better for the City, its residents, and its businesses than at the state and national levels. The City's unemployment rate as of December 2024 remains favorable because of the strength of the Twin Cities Metropolitan area, the rate for example, is 2.1 percent, compared to the State of Minnesota's rate of 3.0 percent and the national unemployment rate of 4.1 percent.

Unemployment Rate	Dec. 2024	Dec. 2023	Dec. 2022	Dec. 2021	Dec. 2020
City of Apple Valley	2.1%	2.1%	2.2%	2.0%	4.0%
Dakota County	2.2%	2.2%	2.7%	2.4%	4.3%
State of Minnesota	3.0%	2.8%	3.2%	2.6%	4.9%
National	4.1%	3.8%	3.3%	3.7%	6.5%
(Source: MN Dept. of Economic Development)					

Housing Values

Home values in the City are continuing a positive trend, reflecting the current strength of the local housing market. The County Assessor's estimated residential market value for the median valued home increased approximately 2.8 percent for 2024, which followed a historic increase in 2023. Assessor values for 2025 and 2026 show valuation increases moderating towards more typical annual increases.



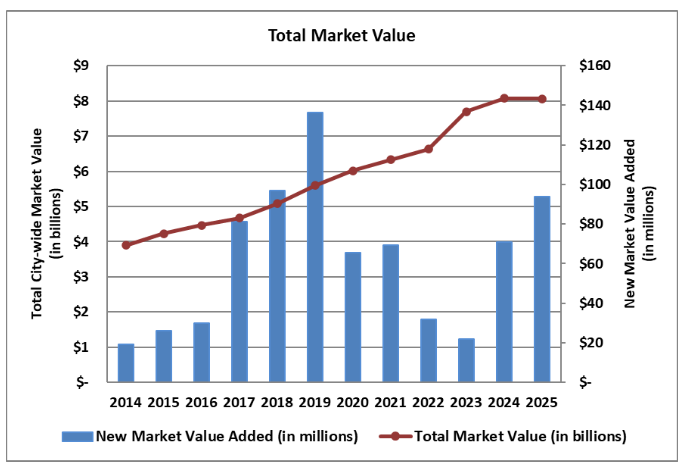
Increase in Median Value Home	
2018	6.2%
2019	9.0%
2020	6.7%
2021	3.0%
2022	6.0%
2023	16.6%
2024	2.8%
2025	(1.1%)
2026 (Preliminary)	3.7%

The population of the City has increased from 585 in 1960 to 56,374 in 2020, according to the 2020 U.S. Census and is estimated at 56,361 by the Metropolitan Council for 2024. The average age is 38 and the median household income is estimated at $99,277 in 2024 by the American Community Survey compared to an average age of 32 and household income of $90,162 as reported in the 2020 Census.

The City is the home to Uponor and Wings Financial Credit Union. Other major employers in the area include Independent School District (ISD) 196, Target, Walmart, Minnesota Zoo, Dakota County, Augustana Health Care, Cub Foods, and Menards.

Market Value Growth

The City consistently adds new tax base each year. In 2024, a total of $70.9 million of market value was added to the City's tax base and market values are increasing for the coming year. Total market value increased, approximately 4.8 percent, to $8.1 billion for 2024 resulting from market value appreciation and additional residential construction. Conditions look to remain stable for 2025 with County Assessor data for payable 2025 remaining flat, this data includes adding $94.0 million of new construction while experiencing a reduction for existing properties, correcting for the larger increase experienced in 2023.



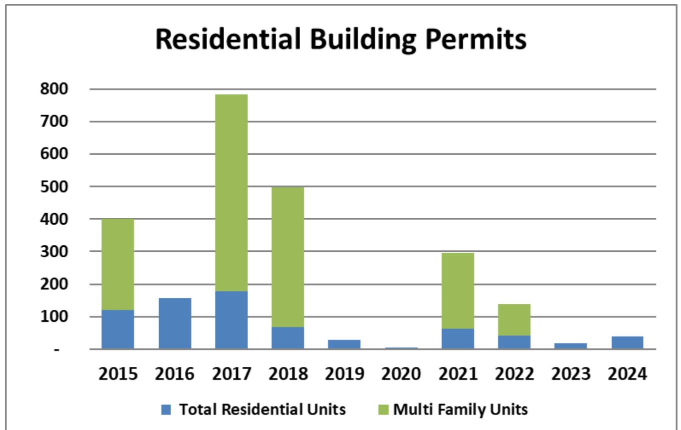
Major Initiatives

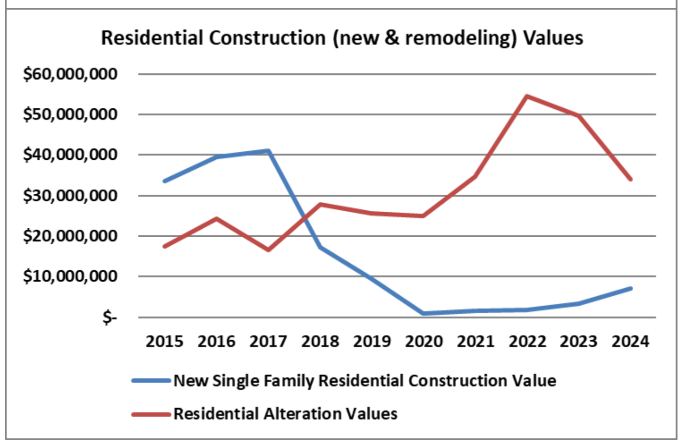
In 2024, investment continued in the City as new businesses opened and new developments were approved. What follows is a sample of some of the development projects that were reviewed, approved, began construction, or were completed in 2024, as well as some of the long-range planning and economic development initiatives that will help maintain the City's high quality of life.

Residential Development

Over the past 10 years, single-family construction has averaged 76 units per year, and 2024 saw 40 single-family units constructed, valued at $12.5 million. In 2024, there were no new multi-family permits issued for construction, as the previous permits projects were completed and are being absorbed into the marketplace. The taxable value of these recent projects will come online for taxes payable in 2024 and into 2025. In late 2023, the construction of Applewood Point, a 98-unit project, was completed.

The construction of new single-family properties continues at a lower level than previous history, which results from the lower availability of fully developed lots, however the valuation added by remodeling and renovations is being maintained at a high level, valued at over $33.9 million. This reflects homeowners' continued interest in investing in their properties.

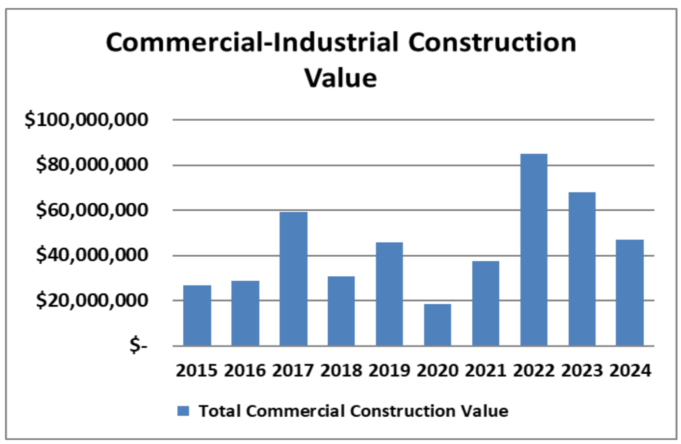




Commercial Development

Commercial and industrial development continue to be strong in 2024, with total improvement values, including commercial alterations, totaling $47.0 million in 2024.

New permitted commercial construction projects included a number of retail locations, including Nordstrom Rack, Urban Air Adventure, Radiant Health, Memorial Blood Center, Associated Clinic of Psychology, Qdoba, Dave's Hot Chicken, Wingstop, Tono Pizzeria, Berry Sweet Kitchen, Vivi Bubble Tea, Ridge Marketplace, Floor and Décor Store, Lunds & Byerlys.



Commercial projects permitted in 2023 and completed in 2024 include the 77,700 ft^2 Floor and Décor Store.

Upcoming initiatives include:

Orchard Place Commercial - Mixed-Use Business Campus

A transformative initiative is the Orchard Place Commercial project, where approximately 350 acres of land are set to be master-planned as a mixed business campus. This expansive plan envisions a synergy between private development and public infrastructure improvements; think roads, trails, carefully designed ponding areas, and refurbishments to existing park spaces. The proposals for 2025 within Orchard Place include a range of complementary projects:

- Residential: A 135-unit Orchard Place Apartments project paired with a 75-unit senior independent living expansion by Orchard Path Presbyterian Homes.

- Entertainment & Services: The multi-entertainment venue Skyline Social and Games is slated to add a vibrant social and recreational component.

- Additional Key Tenants: Established businesses such as Les Schwab Tires and a McDonald's restaurant will serve as key draws, underpinning the economic viability and appeal of the campus.

This multi-layered approach enhances the quality of life and stimulates further growth regionally.

Complementing these commercial endeavors are targeted housing projects designed to meet essential community needs:

New Workforce Housing Apartment Project (Gaslight Site). In early 2024, Real Estate Equities (REE) secured approval to purchase the City's EDA-owned Gaslight Site at 15584 Gaslight Drive. The plan is to develop a 148-unit apartment building characterized as affordable by workforce housing standards. With construction anticipated to begin in Summer 2025 and completion by late 2026, this initiative is pivotal in ensuring accessible housing options for working families.

Apple Valley Village (Cassia) Expansion. In May 2025, Cassia received permission to expand its existing senior care facility with a new 60-unit (or 64-bed) addition. This project underscores the region's commitment to providing quality care and living arrangements for its senior population.

Institutional Development

Apple Valley is investing resources across a broad spectrum of public services to build a resilient, attractive community—one that nurtures both quality of life and economic opportunity. The coordinated investments in parks, education, public safety, and civic infrastructure reveal a proactive vision to make the City a place where residents not only live but thrive.

Parks and Recreation

In November 2023, voters approved a $73 million bonding referendum dedicated to enhancing parks and trails. Projects such as the Apple Valley Family Aquatic Center, Redwood Park, Kelley Park, Hayes Park, and the Apple Valley Community Center are designed to provide vibrant outdoor spaces for recreation, social engagement, and overall community wellness. This investment underlines the City's commitment to creating environments where families can gather, exercise, and enjoy nature—a key ingredient for a dynamic community spirit.

Education Infrastructure

The educational landscape in Apple Valley is also undergoing a significant transformation. On May 9, 2023, ISD 196 voters approved a whopping $493 million in capital improvements through building bond referendums. The first phase, allocating $374 million, focuses on essential safety and security enhancements across the district—including critical upgrades at Scott Highlands Middle School, Dakota Ridge School, and improved science labs and performance spaces at secondary schools. The second phase earmarked $119 million for expansive activity centers at Apple Valley High School and Eastview High School. Additional projects include a secure vestibule upgrade for the Cedar Valley Learning Center and parking and expansion improvements for Dakota Ridge School, all of which signal a robust investment in the educational future and safety of the community.

Public Safety and Civic Amenities
Investments in public safety and essential services include:

- **Apple Valley Fire Station No. 2:** The City approved the phased demolition of the existing facility and constructed a state-of-the-art 30,111 sq. ft. two-story station on the same site, now serving as a modern hub for fire services. This project, completed in August 2024, enhances emergency response capabilities and bolsters community safety.
- **Central Maintenance Facility Expansion Project:** This comprehensive project includes a new 18,240 sq. ft. fleet maintenance building, a 24,800 sq. ft. vehicle storage addition, a 1,400 sq. ft. office space, and a 1,040 sq. ft. parks storage garage. Accompanied by roadway and stormwater treatment improvements, this expansion (set to begin mid-2024 and finish by 2025) underpins the City's commitment to effective municipal service delivery.
- **Police Operations Building Project:** The City has also greenlighted a new 25,000 sq. ft. police operations building designed to support fleet storage, office functions, and meeting spaces. Slated for completion by 2025, this project not only strengthens local law enforcement infrastructure but also ensures smoother administrative operations and heightened community safety.

Together, these projects represent a holistic approach to institutional development. They are a testament to how Apple Valley is willing to invest across the board, recognizing that building a successful and sustainable community means prioritizing recreational, educational, safety, and infrastructural needs simultaneously. This strategy creates a virtuous circle: enhanced public services and amenities attract families and businesses, creating a robust, interconnected community that can "plant, grow and prosper." These initiatives also illustrate how local government and voters are aligning financial commitments with long-term developmental goals. As Apple Valley continues to evolve, the integration of these diverse investments not only meets present-day demands but also sets the stage for a future that is both secure and prosperous.

Open to Business - Since its inception in 2013, the Open to Business (OTB) program has assisted individual businesses and entrepreneurs that need business advice, counseling, and access to capital that is not available from the commercial banking system. Experienced advisors offer their services free of cost due to the collaboratively funded effort with the Apple Valley Economic Development Authority and the Dakota County Community Development Agency. The program has provided direct financing to help fill gaps for these smaller businesses in order to receive larger loans from traditional lenders.

In 2024, OTB provided services to over 33 businesses, including a pizza restaurant, and indoor pickle ball group, a new fish and chips style restaurant, a bubble tea shop, driving school, healthcare/assisted living, salons, event planning, daycares, Italian bakery, spice house / grocery store, and an Ethiopian market. OTB provided over 398 technical assistance hours for Apple Valley clientele, which is approx. 30 percent of the total hours logged for Dakota County. Of the 33 businesses served, 70 percent were black, indigenous, and people of color owned; 51 percent were women owned; and 42 percent were low income owned.

Infrastructure Improvements

The City is committed to maintaining its significant investment in the community's infrastructure with the implementation of an aggressive street maintenance program in 2012. In 2024, over $11.6 million was invested to maintain the infrastructure and included the following significant projects:

- Reconstruction of street and utilities on Whitney Drive.
- Reconstruction of 127th Street from Cedar Ave. to Galaxie Ave.
- Roundabout at Diamond Path and 140th Street.
- Street and utility improvements on Lower 134th and Fernando Ave. and Court.
- Additional resurfacing of streets throughout the community to preserve their useful lives.

Long-Term Financial Planning

In developing the annual budget, the City follows five core fiscal principles. These include:

- Focus on the provision of basic city services and fund their provision at adequate levels.
- Estimate anticipated revenues at realistic levels.
- Retain adequate reserves to protect against fiscal uncertainty.
- Anticipate continued community growth and program capital improvements to serve our growing community.
- Demonstrate strong stewardship of existing infrastructure and plan for its repair/replacement in a proactive manner.

Each year, the City adopts a five-year Capital Improvement Program (CIP). The CIP is a five-year plan that identifies the City's infrastructure, development objectives, and the allocation of resources for these projects. This CIP provides policy makers and the community with a strategic approach to implementation and administration of improvement projects. The 2024–2028 CIP identified $279.3 million of capital projects, along with the associated funding. The five-year CIP also includes five-year revenue and expenditure projections for the majority of funds identified in the document. The larger improvements included in the 2024–2028 CIP includes $73.0 million of various park improvements authorized by citizens in a park referendum held in the fall of 2023, the continued street and utility reconstruction and reconditioning program, which totals $56.2 million over the next five years and $53 million of building improvements at the Central Maintenance Facility and a new fire station and a new police operations/garage building, funded with the issuance of Capital Improvement Plan Bonds over the next few years.

Relevant Financial Policies

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

Cash temporarily idle during the year was invested in U.S. government agency obligations, municipal securities, certificates of deposit, and money market instruments. The City's investment policy calls for the investment of public funds in a manner that will provide the highest investment return with minimum risk, while meeting the daily cash flow demands of the City. For investments held at December 31, 2024, the effective duration of the investment portfolio was 1.89 years, compared to an effective duration of 1.71 years at December 31, 2023. The City's average return on investments in 2024 was 4.14 percent, compared to 2023, which was 4.96 percent.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the City a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended December 31, 2023. This is the 13th year that the City achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully Submitted,

CITY OF APPLE VALLEY, MINNESOTA

Ronald Hedberg
Finance Director

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Apple Valley
Minnesota

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

TAB

LB | CARLSON

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Apple Valley, Minnesota (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

(continued)

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(continued)

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Respectfully submitted,

LB Carlson, LLP

LB CARLSON, LLP
Minneapolis, Minnesota

June 23, 2025

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As management of the City of Apple Valley, Minnesota (the City), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, located earlier in this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $334,407,869 (*net position*). Of this amount, $66,531,283 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors; $26,087,081 is restricted for specific purposes (*restricted net position*); and $241,789,505 represents the net investment in capital assets. The City's total net position increased by $14,521,844 during the year ended December 31, 2024.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $85,520,963, an increase of $12,998,870.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $22,378,977, or 53.6 percent, of total General Fund expenditures based on 2025 budgeted expenditure levels.

- The City's long-term debt increased by $25,990,065, or 75.0 percent, during the current fiscal year, due to bond issuance in 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balances for the General Fund, American Rescue Plan Act Special Revenue Fund, Closed Bond Issues Debt Service Fund, Road Improvements Capital Projects Fund, Facilities C.I.P. Construction Capital Projects Fund, Parks Development Capital Projects Fund, Construction Projects Capital Projects Fund, and Future Capital Projects – Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Road Improvements Capital Projects Fund, Future Capital Projects – Capital Projects Fund, Cable TV Special Revenue Fund, Opioid Settlement Special Revenue Fund, Valleywood Golf Special Revenue Fund, EDA Operations Special Revenue Fund, Education Building Capital Projects Fund, Capital Building Capital Projects Fund, Cable Capital Equipment Capital Projects Fund, Cable Capital Equipment/PEG Capital Projects Fund, Parks Facilities Maintenance Capital Projects Fund, and Fire Facilities Maintenance Capital Projects Fund. A budgetary comparison statement or schedule has been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor, sports arena, water and sewer, storm drainage, cemetery, and street light utility operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its dental insurance, benefits/other insurance, and vehicle and equipment replacement. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the municipal liquor, sports arena, water and sewer, storm drainage, cemetery, and street light utility operations, all of which are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and the combining and individual fund statements and schedules (presented as supplementary information) referred to earlier in connection with nonmajor governmental funds and internal service funds, which are presented immediately following the basic financial statements.

Further, a statistical section has been included as part of the ACFR to facilitate additional analysis and is the third and final section of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $334,407,869 at the close of the most recent fiscal year.

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

The following table provides the City's Summary of Net Position:

Table 1
Summary of Net Position
as of December 31, 2024 and 2023

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	$ 110,622,396	$ 97,195,524	$ 32,496,512	$ 30,939,898	$ 143,118,908	$ 128,135,422
Capital assets, net	162,636,043	140,644,038	123,873,025	120,739,836	286,509,068	261,383,874
Total assets	$ 273,258,439	$ 237,839,562	$ 156,369,537	$ 151,679,734	$ 429,627,976	$ 389,519,296
Deferred outflows of resources						
Pension plan deferments	$ 13,326,511	$ 17,867,013	$ 253,843	$ 504,692	$ 13,580,354	$ 18,371,705
OPEB plan deferments	1,140,386	392,616	189,046	73,562	1,329,432	466,178
Total deferred outflows of resources	$ 14,466,897	$ 18,259,629	$ 442,889	$ 578,254	$ 14,909,786	$ 18,837,883
Total assets and deferred outflows of resources	$ 287,725,336	$ 256,099,191	$ 156,812,426	$ 152,257,988	$ 444,537,762	$ 408,357,179
Liabilities						
Other liabilities	$ 7,967,748	$ 8,772,818	$ 1,435,422	$ 1,442,861	$ 9,403,170	$ 10,215,679
Noncurrent liabilities	67,133,238	42,592,708	11,604,091	13,413,002	78,737,329	56,005,710
Total liabilities	$ 75,100,986	$ 51,365,526	$ 13,039,513	$ 14,855,863	$ 88,140,499	$ 66,221,389
Deferred inflows of resources						
Lease revenue for subsequent years	$ 3,848,189	$ 4,556,527	$ –	$ –	$ 3,848,189	$ 4,556,527
Pension plan deferments	16,122,872	15,477,787	819,973	615,048	16,942,845	16,092,835
OPEB plan deferments	1,027,953	1,199,412	170,407	224,729	1,198,360	1,424,141
Total deferred inflows of resources	$ 20,999,014	$ 21,233,726	$ 990,380	$ 839,777	$ 21,989,394	$ 22,073,503
Net position						
Net investment in capital assets	$ 126,816,100	$ 119,581,864	$ 114,973,405	$ 111,728,603	$ 241,789,505	$ 231,310,467
Restricted	26,087,081	24,923,802	–	–	26,087,081	24,923,802
Unrestricted	38,722,155	38,994,273	27,809,128	24,833,745	66,531,283	63,828,018
Total net position	$ 191,625,336	$ 183,499,939	$ 142,782,533	$ 136,562,348	$ 334,407,869	$ 320,062,287
Total liabilities, deferred inflows of resources, and net position	$ 287,725,336	$ 256,099,191	$ 156,812,426	$ 152,257,988	$ 444,537,762	$ 408,357,179

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $66,531,283 may be used to meet the City's ongoing obligations to citizens and creditors.

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

There was an increase in net position in the governmental activities of $8,125,397, and an increase in business-type activities of $6,220,185, for a net total government-wide increase of $14,345,582 in net position.

Current and other assets and noncurrent liabilities increased the result of bonds issued during the year. Capital asset additions financed with grants, a property tax levy, and available internal resources caused an increase in the City's capital assets, net. Changes in the City's proportionate share of two state-wide defined benefit pension plans administered by the Minnesota Public Employees Retirement Association contributed to the changes in deferred outflows of resources and noncurrent liabilities.

The following table provides a condensed version of the Statement of Activities for the year ended December 31, 2024 with comparative amounts for the year ended December 31, 2023 which was updated for the reported error correction:

Table 2
Change in Net Position
for the Years Ended December 31, 2024 and 2023

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	$ 9,993,616	$ 9,622,062	$ 30,835,421	$ 30,099,705	$ 40,829,037	$ 39,721,767
Operating grants and contributions	1,520,536	4,566,304	–	–	1,520,536	4,566,304
Capital grants and contributions	6,702,771	7,451,604	550,561	5,969,129	7,253,332	13,420,733
General revenues						
Property taxes	35,466,821	32,508,106	121,000	121,000	35,587,821	32,629,106
Other taxes	151,661	147,716	–	–	151,661	147,716
Franchise taxes	1,136,492	1,229,429	–	–	1,136,492	1,229,429
Grants and contributions not restricted to specific programs	415,111	125,944	–	–	415,111	125,944
Other	10,957	18,148	–	–	10,957	18,148
Investment earnings	3,306,895	3,691,110	1,006,041	1,039,595	4,312,936	4,730,705
Gain on sale of assets	377,204	210,686	16,442	7,895	393,646	218,581
Total revenues	59,082,064	59,571,109	32,529,465	37,237,324	91,611,529	96,808,433
Expenses						
General government	8,815,746	8,535,673	–	–	8,815,746	8,535,673
Public safety	17,706,018	16,937,626	–	–	17,706,018	16,937,626
Public works	12,350,317	11,637,069	–	–	12,350,317	11,637,069
Parks and recreation	10,574,892	10,417,136	–	–	10,574,892	10,417,136
Interest and fiscal charges	913,196	694,490	–	–	913,196	694,490
Municipal liquor	–	–	10,108,572	10,075,982	10,108,572	10,075,982
Sports arena	–	–	1,152,583	1,107,393	1,152,583	1,107,393
Water and sewer	–	–	12,129,081	11,851,009	12,129,081	11,851,009
Storm drainage	–	–	2,705,264	2,678,546	2,705,264	2,678,546
Cemetery	–	–	232,972	231,435	232,972	231,435
Street light utility	–	–	577,306	652,585	577,306	652,585
Total expenses	50,360,169	48,221,994	26,905,778	26,596,950	77,265,947	74,818,944
Increase in net position before transfers	8,721,895	11,349,115	5,623,687	10,640,374	14,345,582	21,989,489
Transfers	(596,498)	2,643,000	596,498	(2,643,000)	–	–
Change in net position	8,125,397	13,992,115	6,220,185	7,997,374	14,345,582	21,989,489
Net position – beginning	183,499,939	169,507,824	136,562,348	128,564,974	320,062,287	298,072,798
Net position – ending	$ 191,625,336	$ 183,499,939	$ 142,782,533	$ 136,562,348	$ 334,407,869	$ 320,062,287

Governmental Activities – The City’s net position for governmental activities increased by $8,125,397, or 4.4 percent, after $596,498 of net transfers to business-type activities. Key elements of this increase are seen in the table above.

Revenues decreased overall by $489,045, or 0.8 percent. This change included:

- A decrease in operating grants and contributions of $3,045,768, resulting from the receipt of public safety state aid revenue in the prior year in the amount of $2,464,493.

- Property taxes increased $2,958,715 due to an increase in the property tax levy.

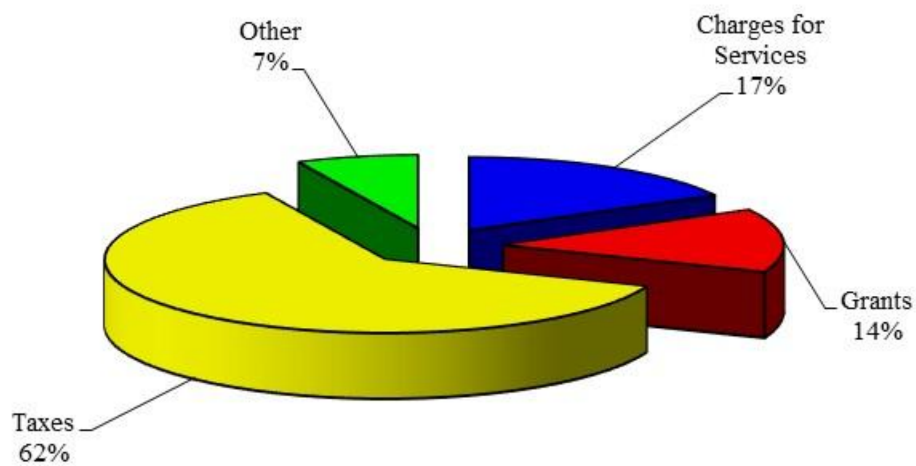
Expenses increased overall by $2,138,175, or 4.4 percent. This increase included:

- The public safety function increased $768,392, mostly in police personal service-related costs.

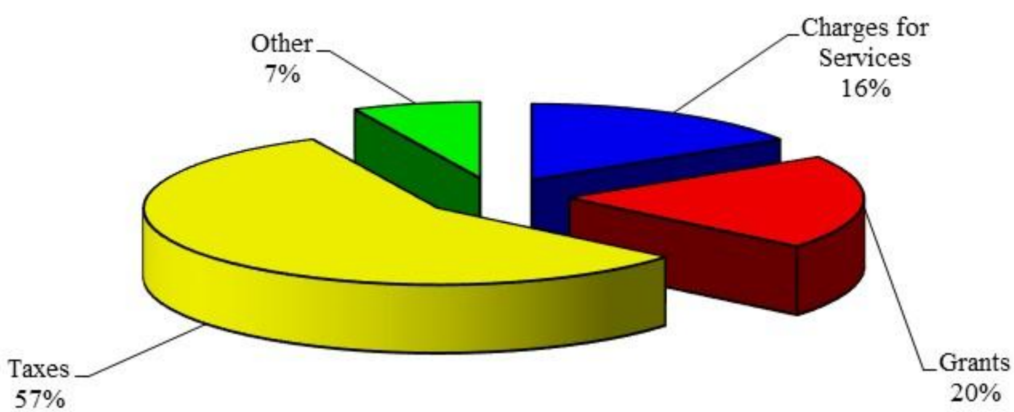
- The public works function increased $713,248, mainly related to capital project activity and increased depreciation on capital assets.

The following graphs reflect revenue by source in governmental activities in the last two years:

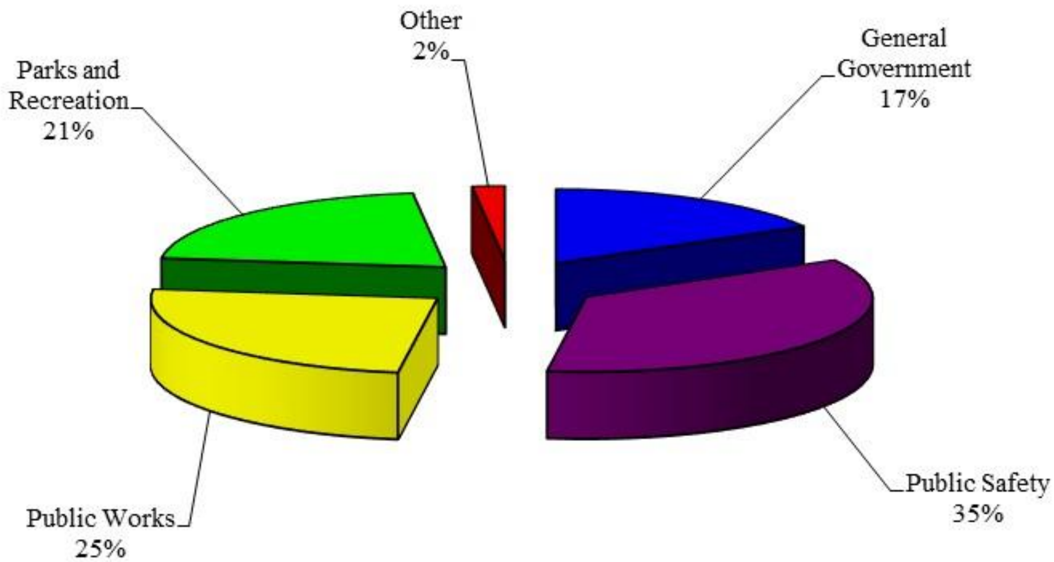
2024 Revenues by Source – Governmental Activities



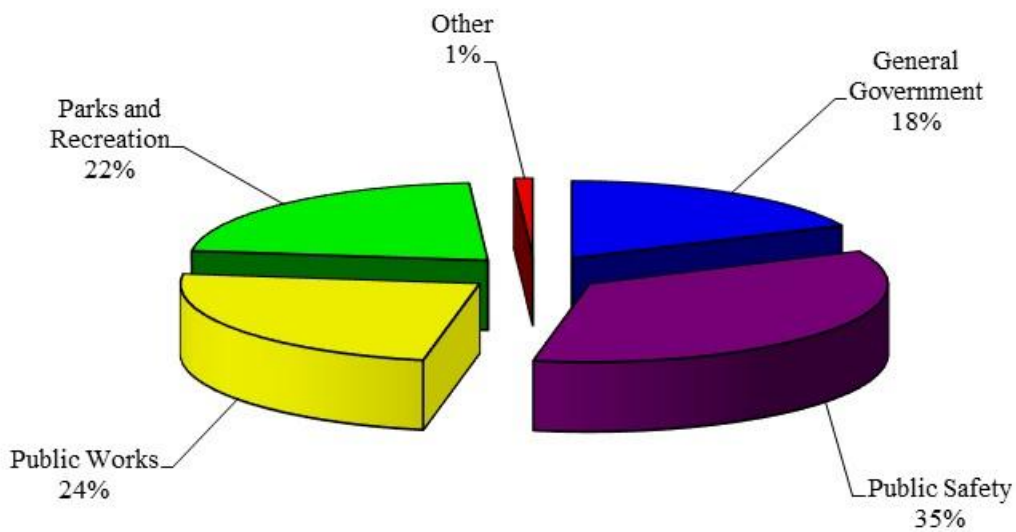
2023 Revenues by Source – Governmental Activities



2024 Expenses – Governmental Activities



2023 Expenses – Governmental Activities



The expenses in the graphs above for governmental activities show the amounts spent on different activities for 2024 and 2023. The other category includes debt service interest and fiscal charges in governmental activities.

Business-Type Activities – Business-type activities increased the City's total net position in the current year. Key elements of the business-type activities are as follows:

- Charges for services for business-type activities include sales for municipal liquor and sports arena, and charges for water and sewer, storm drainage, cemetery, and street light utility operations. The following graph shows the relationship between the revenues and expenses for the various activities.

- Capital grants and contributions decreased in the current year in the storm drainage activities related to developer contributions in the prior year.

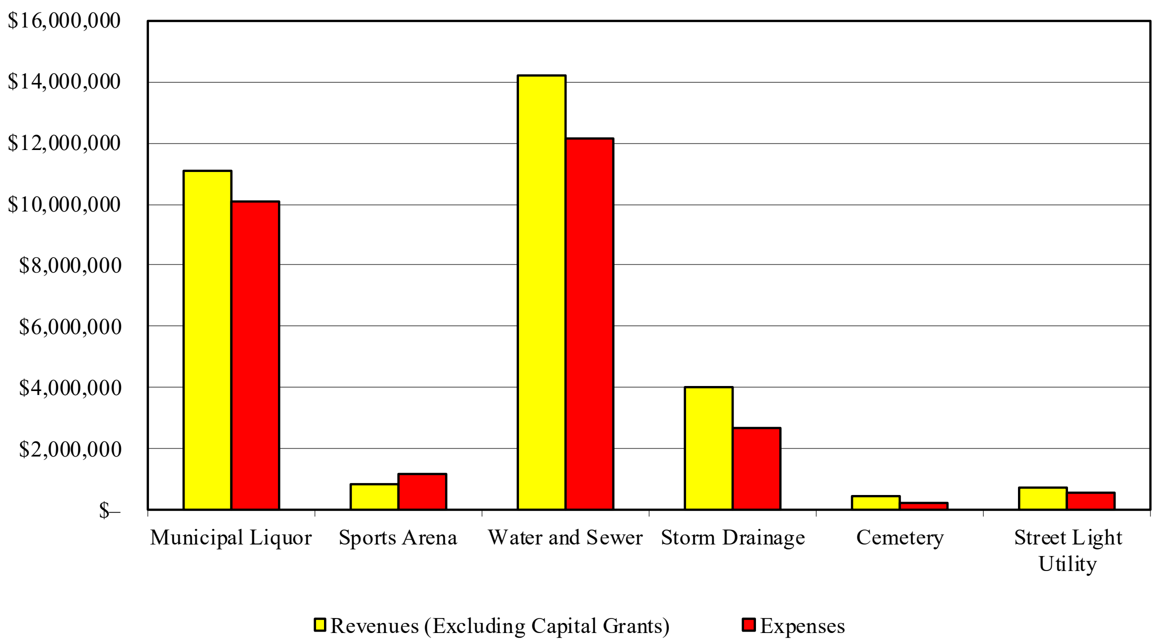
- Charges for services increased $735,716 in the current year, due mainly to increased fees related to the storm drainage utility and increase in liquor sales in the current year.

- About 83 percent of all business-type activity expenses are from the municipal liquor and water and sewer utility operations.

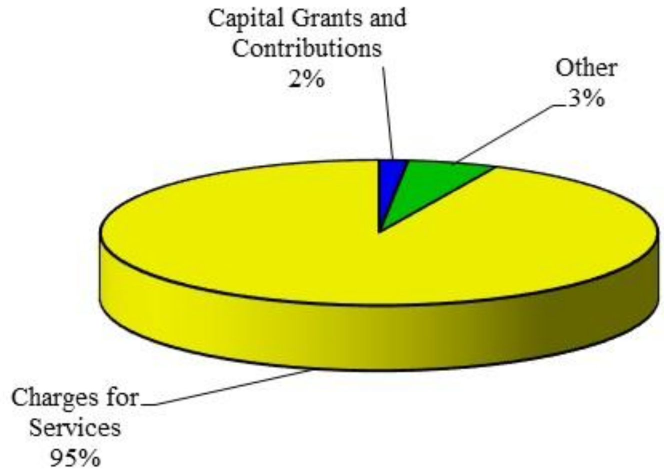
- The Sports Arena fund received a $2,313,498 capital contribution from the general government, which is reported in transfers, for improvements to the ice arena funded by the 2024A General Obligation Bonds.

- Overall, business-type activities generated an increase in net position before transfers of $5,623,687. After considering the net transfers in from governmental activities totaling $596,498, net position increased by $6,220,185.

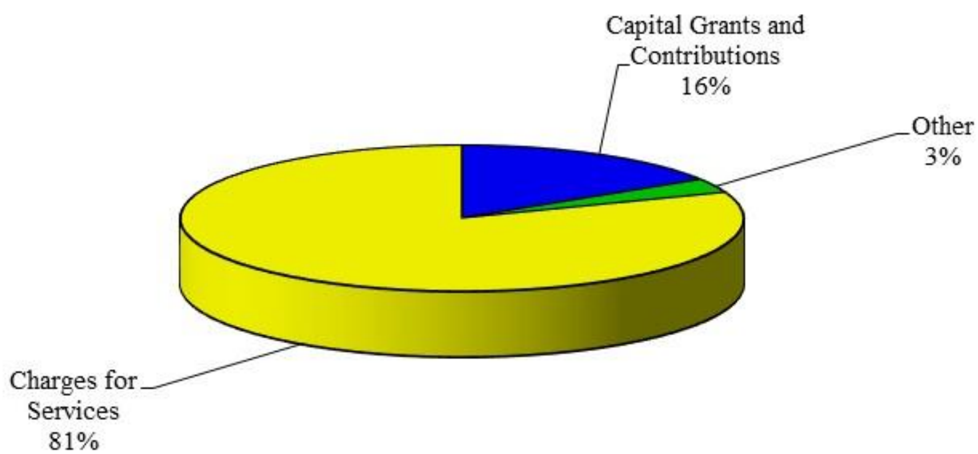
Revenues and Expenses – Business-Type Activities



2024 Revenues by Source – Business-Type Activities



2023 Revenues by Source – Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of currently available resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $85,520,963, an increase of $12,998,870 in comparison with the prior year.

The City has seven major governmental funds: the General Fund, the American Rescue Plan Act Special Revenue Fund, the Closed Bond Issues Debt Service Fund, the Road Improvements Capital Projects Fund, the Facilities C.I.P Construction Capital Projects Fund, the Parks Development Capital Projects Fund, the Construction Projects Capital Projects Fund, and the Future Capital Projects – Capital Projects Fund.

General Fund
The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund was $25,334,036. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 53.6 percent of subsequent year budgeted expenditures and 47.9 percent of subsequent year budgeted expenditures and transfers out.

Total fund balance for the City's General Fund increased by $1,031,370 during 2024. Key factors in this increase are as follows:

- The City adopted a balanced budget prior to the start of the current year.

- Taxes increased $2,629,067 from the prior year, due to an increase in the tax levy for 2024.

- Intergovernmental revenue decreased $2,361,744, mainly the result of additional public safety state aid in the prior year not received in 2024.

- Revenues were $1,137,925 over budgeted amounts, mostly in intergovernmental, charges for services for engineering charges, and investment earnings. Investment earnings were $597,400 higher than anticipated, due to higher balances and conservative budget amounts.

- Expenditures increased $2,712,125, or 7.6 percent, in the current year with increases spread across several functional areas. The largest increase was in public safety totaling $1,615,963, mostly in police personal service-related costs.

- Net transfers were ($3,338,000) in the General Fund, the majority is a transfer out to the Road Improvements Capital Projects Fund.

American Rescue Plan Act Special Revenue Fund
In fiscal 2021, the City received ARPA funding. The fund balance at the end of 2024 is $0, which is due to the final spend down of awarded money.

Closed Bond Issues Debt Service Fund
The Closed Bond Issues Debt Service Fund accumulates resources remaining from retired debt service funds. The fund balance at the end of 2024 is $8,890,501, which increased $7,819 from the prior year.

Road Improvements Capital Projects Fund
The Road Improvements Capital Projects Fund receives transfers from other funds. These resources are used to finance street overlays and reconstruction projects according to the City's pavement management plan. The fund balance at the end of 2024 is negative $1,395,729, decreasing $346,197 from the prior year. Transfers totaling $5,710,000 from the General Fund and Future Capital Projects – Capital Projects Fund were anticipated in the 2024 budget and $4,960,000 were provided in 2024.

Facilities C.I.P Construction Capital Projects Fund
The Facilities C.I.P. Construction Capital Projects Fund accounts for bond proceeds received from the issuance of capital improvement bonds and the expenditure-related projects. The fund balance at the end of 2024 is $3,049,516, which is a decrease of $2,088,954 from the prior year, due to large project expenditures in the current year, drawing down bond proceeds as planned.

Parks Development Capital Projects Fund
The Parks Development Capital Projects Fund is a major fund in 2024. This fund accounts for the bond proceeds from the issuance of park referendum bonds included in the 2024A bond issue. The fund balance at the end of 2024 is $10,943,226 and will be expended in the coming year.

Construction Projects Capital Projects Fund
The Construction Projects Capital Projects Fund accounts for development projects, the costs of which will be recovered through the development process, including specially assessing the benefiting properties. The fund balance at the end of 2024 is $3,026,255, which is an increase of $1,543,492 from the prior year. Development projects accounted for in this fund in 2024 will be assessed to developers after project completion.

Future Capital Projects Capital Projects Fund
The Future Capital Projects Capital Projects Fund accumulates resources according to the City Council's adopted fund balance policy. This policy calls for amounts in the General Fund that exceed a maximum level to be transferred to the Future Capital Projects Capital Projects Fund. The fund balance at the end of 2024 is $11,266,349, which is a decrease of $621,688 from the prior year.

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

The total net position of all enterprise funds totals $143,071,279, $114,973,405 of which is capital assets, net of related debt, and in total, is an increase of $6,401,184 from the prior year. The total unrestricted net position for all proprietary funds for the year was $28,097,874, an increase of $3,156,382.

Municipal Liquor Fund
The net position in the Municipal Liquor Fund increased $193,698 after transfers out of $885,000. Operating revenues increased $305,023, or 2.8 percent, in the current year. Operating expenses decreased $174,973, mainly in personal costs and other charges.

Sports Arena Fund
The Sports Arena Fund posted an increase in net position of $2,139,163, which is after inclusion of an annual $121,000 property tax levy and $2,313,498 of capital contributions. In the current year, operating revenue increased $133,236, while operating expenses increased $45,190, mainly in personal services.

Water and Sewer Fund
The Water and Sewer Fund is the City's largest proprietary fund. Unrestricted net position at the end of the year amounted to $18,462,598, an increase of $372,201. Net position increased $1,938,247 in the current year, due to operations and $673,843 in investment earnings. Total net investment in capital assets totaled $69,217,534, an increase of $1,566,046.

Storm Drainage Fund
The Storm Drainage Fund increased its net position by $1,532,181 due to current year operations. The storm water utility operating revenues increased $461,604, approximately 14.3 percent, resulting from a rate increase of 15.0 percent in 2024.

Cemetery Fund
The Cemetery Fund increased its net position by $229,479, which resulted from continued sales during the year.

Street Light Utility Fund
The Street Light Utility Fund increased its net position by $192,154 in the current year. Operating revenues increased $66,000, approximately 9.6 percent, resulting from a rate increase in 2024.

General Fund Budgetary Highlights

The City annually adopts a balanced budget, where expenditures do not exceed available revenues. During the year, amendments were made to the adopted budget decreasing revenues and other financing sources by $179,710, increasing expenditures and other financing uses by $487,400.

Total actual revenues came in over budget by $1,137,925. Some notable actual results to budget include:

- Charges for service revenues were over budget by $444,274, due to development charges for projects being over budget in 2024.

- Investment earnings came in $597,400 over budget and resulted from higher balances and conservative budget amounts.

Total actual expenditures are below the amended budget by $337,772. When comparing budget to actuals, some of the notable variances include:

- General government was under budget by $681,152 spread across multiple departments. A positive budget variance in information technology of $148,530 was experienced in capital outlay and other current expenditures.

- Public safety was $438,446 higher than budget mostly in personal services for police protection.

- Public works was lower than budget by $357,547, spread across multiple departments with the highest being streets, which was lower than budget by $247,589, mainly in personal services, which was under budget by $255,348.

- Parks and recreation was over budget by $8,778.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2024 amounts to $286,509,068 (net of accumulated depreciation/amortization). This investment in capital assets includes land and land improvements, construction in progress, buildings, other improvements, furniture and equipment, infrastructure, leased assets, and technology subscriptions. Total depreciation/amortization charged in 2024 was $14,586,227.

City of Apple Valley's Capital Assets

Table 3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Capital assets						
Land and land improvements	$ 6,752,808	$ 6,752,808	$ 6,362,305	$ 6,249,354	$ 13,115,113	$ 13,002,162
Construction in progress	14,936,123	18,876,563	2,903,726	1,636,401	17,839,849	20,512,964
Buildings	58,580,372	42,367,181	24,274,028	21,943,545	82,854,400	64,310,726
Other improvements	30,744,662	28,398,149	192,913,250	189,184,236	223,657,912	217,582,385
Furniture and equipment	28,372,690	25,483,866	7,164,171	6,516,809	35,536,861	32,000,675
Infrastructure	170,236,547	158,039,652	–	–	170,236,547	158,039,652
Lease assets	–	–	1,298,265	1,298,265	1,298,265	1,298,265
Technology subscriptions	356,315	547,538	136,102	275,279	492,417	822,817
Less accumulated depreciation/amortization	(147,343,474)	(139,821,719)	(111,178,822)	(106,364,053)	(258,522,296)	(246,185,772)
Total capital assets, net of depreciation/amortization	$ 162,636,043	$ 140,644,038	$ 123,873,025	$ 120,739,836	$ 286,509,068	$ 261,383,874

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

- Infrastructure projects totaling approximately $7.8 million, including the following major projects: city-wide street and utility improvements, Whitney Drive reconstruction, 127th Street – Cedar to Galaxie Avenue, and the Diamond Path Roundabout.

- Multi-year building improvements continued with the completion of Fire Station #2 project, and the start of the Police Operations Building and future new facilities at the Central Maintenance Facility, both projects will be completed over the next couple of years.

- Water and sewer additions totaled approximately $3.1 million were largely related to Orchard Place 2nd and Whitney Drive and lift and booster station improvements.

- Storm drainage additions totaled approximately $1.0 million and were largely for Whitney Drive and Garrett Avenue/ 153rd Street storm sewer improvements.

Additional information on the City's capital assets can be found in Note 5 of the notes to basic financial statements.

Long-Term Debt – At the end of the current fiscal year, the City had total long-term debt outstanding of $63,334,007. Of this amount, $54,985,829 is backed by the full faith and credit of the City. Of this total, property taxes are the primary source of repayment for the general obligation bonds noted below, in the amount of $46,695,000. The revenue bonds and revenue notes have the full faith and credit backing of the City, with enterprise fund revenues being the primary source of repayment.

City of Apple Valley's Long-Term Debt

Table 4
Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	$ 46,695,000	$ 21,555,000	$ –	$ –	$ 46,695,000	$ 21,555,000
General obligation revenue bonds	–	–	6,530,000	7,185,000	6,530,000	7,185,000
General obligation revenue notes	–	–	1,760,829	2,235,360	1,760,829	2,235,360
Subtotal bonded debt	46,695,000	21,555,000	8,290,829	9,420,360	54,985,829	30,975,360
Financed purchases	2,178	85,390	–	–	2,178	85,390
Lease liabilities	–	–	900,103	1,034,750	900,103	1,034,750
Subscription liabilities	157,702	333,384	44,690	160,024	202,392	493,408
Unamortized premium	2,957,805	571,163	341,366	378,665	3,299,171	949,828
Compensated absences	3,511,007	3,364,136	433,327	441,070	3,944,334	3,805,206
Total	$ 53,323,692	$ 25,909,073	$ 10,010,315	$ 11,434,869	$ 63,334,007	$ 37,343,942

The City's total bonded debt increased by $24,010,469 during 2024, due to the issuance of G.O. Bond Series 2024A.

The City maintains an "Aaa" rating from Moody's and "AAA" from Standard & Poor's on all of its general obligation debt.

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

Additional information on the City's long-term debt can be found in Note 6 of the notes to basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budget, along with the five-year Capital Improvement Plan, is an important part of the City's public process. The combination of these documents provides the framework that allows the City to address needed maintenance and provide for the growth and demands for service. Through innovation and efficiencies, the City continues to provide quality services that meet or exceed the expectations of our community members. Strong financial stewardship and quality customer service is a hallmark of the City's government and is evidenced by the City's AAA bond rating.

Departments successfully managed their expenditures and, as a result, General Fund expenditures were approximately 0.9 percent below the authorized budget. The City will continue to make significant ongoing investments in the Street and Utility Infrastructure Preservation and Reconstruction Program.

These factors were considered in preparing the City's budget for the 2025 fiscal year:

- Property taxes are the largest source of revenue for supporting General Fund activities, contributing approximately 71.9 percent. In 2025, Minnesota cities are not subject to levy limits.

- Property values in the City are changing similar to trends in other areas. For the 2025 budget year, the median valued residential property decreased by approximately 1.1 percent, down from a 2.8 percent increase in 2024 and 16.6 percent increase in 2023. Preliminary county data for 2026 indicates a 3.7 percent increase in the median valued home reflecting an adjustment to the escalation in values in prior years.

- The total property tax levy increased 13.8 percent for 2025; a large portion of the levy increase is due to levy requirements of the 2024A bond issue.

- The taxes paid by the median valued home increased for 2025 to $1,486 from $1,365 in 2024, approximately 8.9 percent.

- Contract settlements have been reached with each of the City's three unions through 2025.

- A 5.0 percent increase in water and a 10.0 percent increase in sanitary sewer utility rates were enacted for 2025 to fund operations and the utilities portion of the Street and Utility Infrastructure Preservation. Rates for the storm water utility increased by 10.0 percent to fund additional required storm water improvements and the street light utility rates increased by 5.0 percent.

REQUESTS FOR INFORMATION

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TAB

CITY OF APPLE VALLEY

Statement of Net Position
as of December 31, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	$ 90,011,602	$ 26,674,528	$ 116,686,130
Receivables			
Accounts and interest	1,376,542	4,250,252	5,626,794
Taxes	1,868,906	–	1,868,906
Special assessments	3,903,496	298,476	4,201,972
Due from other governmental units	2,572,444	289,491	2,861,935
Lease	3,912,564	–	3,912,564
Internal balances	1,308,752	(1,308,752)	–
Prepaids	607,345	393,646	1,000,991
Inventory	72,331	1,898,871	1,971,202
Land held for resale	1,877,559	–	1,877,559
Net pension asset	3,110,855	–	3,110,855
Capital assets			
Not depreciated/amortized	21,688,931	9,266,031	30,954,962
Depreciated, net of accumulated depreciation/amortization	140,947,112	114,606,994	255,554,106
Total assets	273,258,439	156,369,537	429,627,976
Deferred outflows of resources			
Pension plan deferments	13,326,511	253,843	13,580,354
OPEB plan deferments	1,140,386	189,046	1,329,432
Total deferred outflows of resources	14,466,897	442,889	14,909,786
Total assets and deferred outflows of resources	$ 287,725,336	$ 156,812,426	$ 444,537,762
Liabilities			
Accrued salaries payable	$ 1,519,840	$ 230,257	$ 1,750,097
Accounts payable	2,573,688	961,314	3,535,002
Contracts payable	3,589,962	42,301	3,632,263
Interest payable	108,322	10,585	118,907
Due to other governmental units	127,161	190,965	318,126
Claims incurred, but not reported	5,022	–	5,022
Unearned revenue	43,753	–	43,753
Net pension liability			
Due in more than one year	11,590,514	1,225,920	12,816,434
Total OPEB liability			
Due within one year	104,073	–	104,073
Due in more than one year	2,114,959	367,856	2,482,815
Long-term debt			
Due within one year	4,558,360	1,654,085	6,212,445
Due in more than one year	48,765,332	8,356,230	57,121,562
Total long-term debt	53,323,692	10,010,315	63,334,007
Total liabilities	75,100,986	13,039,513	88,140,499
Deferred inflows of resources			
Lease revenue for subsequent years	3,848,189	–	3,848,189
Pension plan deferments	16,122,872	819,973	16,942,845
OPEB plan deferments	1,027,953	170,407	1,198,360
Total deferred inflows of resources	20,999,014	990,380	21,989,394
Net position			
Net investment in capital assets	126,816,100	114,973,405	241,789,505
Restricted for			
Debt service	2,053,312	–	2,053,312
Tax increment financing	3,324,550	–	3,324,550
Economic development	1,454,942	–	1,454,942
Police forfeiture	399,113	–	399,113
Public safety	2,382,303	–	2,382,303
Capital acquisition	10,456,451	–	10,456,451
Park dedication	2,328,349	–	2,328,349
Fire relief pension	3,110,855	–	3,110,855
Other purposes	577,206	–	577,206
Unrestricted	38,722,155	27,809,128	66,531,283
Total net position	191,625,336	142,782,533	334,407,869
Total liabilities, deferred inflows of resources, and net position	$ 287,725,336	$ 156,812,426	$ 444,537,762

See notes to basic financial statements

CITY OF APPLE VALLEY

Statement of Activities
Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities				
General government	$ 8,815,746	$ 2,073,456	$ 51,246	$ 79,431
Public safety	17,706,018	886,149	1,469,290	–
Public works	12,350,317	3,157,914	–	6,623,340
Parks and recreation	10,574,892	3,876,097	–	–
Interest and fiscal charges	913,196	–	–	–
Total governmental activities	50,360,169	9,993,616	1,520,536	6,702,771
Business-type activities				
Municipal liquor	10,108,572	11,105,403	–	–
Sports arena	1,152,583	856,283	–	–
Water and sewer	12,129,081	13,836,387	–	374,818
Storm drainage	2,705,264	3,855,243	–	175,743
Cemetery	232,972	430,272	–	–
Street light utility	577,306	751,833	–	–
Total business-type activities	26,905,778	30,835,421	–	550,561
Total governmental and business-type activities	$ 77,265,947	$ 40,829,037	$ 1,520,536	$ 7,253,332

General revenues
- Property taxes
- Other taxes
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Other general revenues
- Investment earnings
- Gain on sale of assets

Transfers

Total general revenues and transfers

Change in net position

Net position – beginning, as previously reported

Error correction

Net position – beginning, as restated

Net position – ending

See notes to basic financial statements

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (6,611,613)	$ –	$ (6,611,613)
(15,350,579)	–	(15,350,579)
(2,569,063)	–	(2,569,063)
(6,698,795)	–	(6,698,795)
(913,196)	–	(913,196)
(32,143,246)	–	(32,143,246)
–	996,831	996,831
–	(296,300)	(296,300)
–	2,082,124	2,082,124
–	1,325,722	1,325,722
–	197,300	197,300
–	174,527	174,527
–	4,480,204	4,480,204
(32,143,246)	4,480,204	(27,663,042)
35,466,821	121,000	35,587,821
151,661	–	151,661
1,136,492	–	1,136,492
415,111	–	415,111
10,957	–	10,957
3,306,895	1,006,041	4,312,936
377,204	16,442	393,646
(596,498)	596,498	–
40,268,643	1,739,981	42,008,624
8,125,397	6,220,185	14,345,582
183,499,939	136,386,086	319,886,025
–	176,262	176,262
183,499,939	136,562,348	320,062,287
$ 191,625,336	$ 142,782,533	$ 334,407,869

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FUNDAMENTAL

FUND FINANCIAL STATEMENTS

TAB

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Balance Sheet
Governmental Funds
as of December 31, 2024

	General Fund (1000)	Special Revenue: American Rescue Plan Act (2110)	Debt Service: Closed Bond Issues (3205)	Road Improvements (2025)
Assets				
Cash and investments	$ 24,139,151	$ –	$ 6,953,251	$ 82,377
Receivables				
Accounts	245,632	–	–	–
Taxes	1,868,906	–	–	–
Special assessments				
Current	1,035	–	408,974	28,336
Delinquent	186	–	–	–
Deferred	615	–	3,436,014	28,336
Lease	3,372,122	–	–	–
Interest	835,011	–	–	–
Due from other governmental units	107,489	–	–	1,986,481
Due from other funds	–	–	–	–
Advances to other funds	–	–	72,095	–
Prepaids	326,415	–	–	–
Inventory	29,172	–	–	–
Land held for resale	–	–	1,877,559	–
Total assets	$ 30,925,734	$ –	$ 12,747,893	$ 2,125,530
Liabilities				
Accrued salaries payable	$ 1,472,703	$ –	$ –	$ –
Accounts payable	387,282	–	12,404	301,104
Contracts payable	–	–	–	927,099
Due to other governmental units	107,222	–	–	–
Due to other funds	–	–	–	804,410
Advances from other funds	–	–	–	–
Unearned revenue	–	–	–	–
Total liabilities	1,967,207	–	12,404	2,032,613
Deferred inflows of resources				
Lease revenue for subsequent years	3,322,953	–	–	–
Unavailable revenue – property taxes	300,317	–	–	–
Unavailable revenue – state aids	–	–	–	1,431,974
Unavailable revenue – special assessments	1,221	–	3,844,988	56,672
Total deferred inflows of resources	3,624,491	–	3,844,988	1,488,646
Fund balances (deficit)				
Nonspendable	404,756	–	–	–
Restricted	2,382,303	–	–	–
Committed	168,000	–	–	–
Assigned	–	–	8,890,501	–
Unassigned	22,378,977	–	–	(1,395,729)
Total fund balances (deficit)	25,334,036	–	8,890,501	(1,395,729)
Total liabilities, deferred inflows of resources, and fund balances	$ 30,925,734	$ –	$ 12,747,893	$ 2,125,530

See notes to basic financial statements

Capital Projects					
	Formerly Nonmajor				
Facilities C.I.P. Construction (4420/4430)	Parks Development (2300)	Construction Projects (4500)	Future Capital Projects (4930)	Nonmajor Governmental Funds	Total Governmental Funds
$ 3,973,976	$ 12,386,908	$ 4,007,963	$ 9,355,763	$ 25,050,803	$ 85,950,192
12,437	–	16,385	–	161,548	436,002
–	–	–	–	–	1,868,906
–	–	–	–	–	438,345
–	–	–	–	–	186
–	–	–	–	–	3,464,965
–	–	–	–	540,442	3,912,564
21,863	–	–	–	–	856,874
478,474	–	–	–	–	2,572,444
–	–	–	986,661	–	986,661
–	–	–	1,020,006	–	1,092,101
–	–	–	–	4,931	331,346
–	–	–	–	43,159	72,331
–	–	–	–	–	1,877,559
$ 4,486,750	$ 12,386,908	$ 4,024,348	$ 11,362,430	$ 25,800,883	$ 103,860,476
$ –	$ –	$ –	$ –	$ 47,137	$ 1,519,840
126,874	185,461	998,093	899	522,619	2,534,736
1,310,360	1,257,321	–	95,182	–	3,589,962
–	900	–	–	983	109,105
–	–	–	–	182,251	986,661
–	–	–	–	72,095	72,095
–	–	–	–	43,753	43,753
1,437,234	1,443,682	998,093	96,081	868,838	8,856,152
–	–	–	–	525,236	3,848,189
–	–	–	–	–	300,317
–	–	–	–	–	1,431,974
–	–	–	–	–	3,902,881
–	–	–	–	525,236	9,483,361
–	–	–	–	63,296	468,052
3,049,516	10,943,226	3,026,255	–	17,675,990	37,077,290
–	–	–	–	437,877	605,877
–	–	–	11,266,349	6,413,205	26,570,055
–	–	–	–	(183,559)	20,799,689
3,049,516	10,943,226	3,026,255	11,266,349	24,406,809	85,520,963
$ 4,486,750	$ 12,386,908	$ 4,024,348	$ 11,362,430	$ 25,800,883	$ 103,860,476

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CITY OF APPLE VALLEY

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of December 31, 2024

Total fund balances – governmental funds	$ 85,520,963
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	288,862,654
Less accumulated depreciation/amortization	(135,647,861)
Net pension assets are included in net position, but are excluded from fund balances because they do not represent financial resources.	3,110,855
Long-term liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds.	
Bonds payable	(46,695,000)
Subscription liabilities	(157,702)
Total OPEB liability	(2,219,032)
Net pension liability	(11,590,514)
Due to availability, certain revenues are not recognized under the governmental fund statements until received; however, under full accrual in the government-wide Statement of Activities, revenues are recorded when earned regardless of when received.	5,635,172
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(108,322)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
Internal service fund balances included in governmental activities	10,267,110
Add internal services balances allocated to business-type activities	288,746
Governmental funds report debt premiums as other financing sources at the time of issuance. Premiums are reported as liabilities in the Statement of Net Position.	(2,957,805)
Governmental funds do not report certain long-term amounts related to pensions and OPEB that are included in net position.	
Deferred outflows of resources – pension plan deferments	13,326,511
Deferred outflows of resources – OPEB plan deferments	1,140,386
Deferred inflows of resources – pension plan deferments	(16,122,872)
Deferred inflows of resources – OPEB plan deferments	(1,027,953)
Total net position – governmental activities	$ 191,625,336

CITY OF APPLE VALLEY

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
as of December 31, 2024

		Special Revenue	Debt Service	
	General Fund (1000)	American Rescue Plan Act (2110)	Closed Bond Issues (3205)	Road Improvements (2025)
Revenue				
Taxes	$ 32,443,383	$ –	$ –	$ –
Other taxes	57,557	–	–	–
Franchise taxes	291,125	–	–	–
Special assessments	6,556	–	774,755	33,011
Licenses and permits	1,994,880	–	–	–
Intergovernmental	1,578,572	1,686,534	–	1,981,753
Charges for services	4,099,184	–	–	–
Fines and forfeits	255,565	–	–	–
Investment earnings	847,400	32,295	345,192	–
Other	961,253	–	–	–
Total revenue	42,535,475	1,718,829	1,119,947	2,014,764
Expenditures				
Current				
General government	7,058,000	184,659	–	–
Public safety	17,745,808	–	–	–
Public works	6,251,450	–	–	–
Parks and recreation	6,608,113	–	–	–
Capital outlay	421,814	1,482,308	–	7,320,961
Debt service				
Principal	249,117	–	–	–
Interest and fiscal charges	4,586	–	2,236	–
Total expenditures	38,338,888	1,666,967	2,236	7,320,961
Excess (deficiency) of revenue over expenditures	4,196,587	51,862	1,117,711	(5,306,197)
Other financing sources (uses)				
Sale of capital assets	41,644	–	–	–
Transfers in	1,567,000	–	–	4,960,000
Transfers (out)	(4,905,000)	–	(1,109,892)	–
Debt issued	131,139	–	–	–
Premium on debt issued	–	–	–	–
Total other financing sources (uses)	(3,165,217)	–	(1,109,892)	4,960,000
Net change in fund balances	1,031,370	51,862	7,819	(346,197)
Fund balances (deficit)				
Beginning of year, as previously reported	24,302,666	(51,862)	8,882,682	(1,049,532)
Change in financial reporting entity – (nonmajor to major funds)	–	–	–	–
Beginning of year, as restated	24,302,666	(51,862)	8,882,682	(1,049,532)
End of year	$ 25,334,036	$ –	$ 8,890,501	$ (1,395,729)

See notes to basic financial statements

Facilities C.I.P. Construction (4420/4430)	Capital Projects — Formerly Nonmajor — Parks Development (2300)	Construction Projects (4500)	Future Capital Projects (4930)	Nonmajor Governmental Funds	Total Governmental Funds
$ –	$ –	$ –	$ –	$ 3,021,192	$ 35,464,575
–	–	–	–	94,104	151,661
–	–	–	–	845,367	1,136,492
–	–	–	–	–	814,322
–	–	–	–	–	1,994,880
–	–	–	–	473,182	5,720,041
–	–	–	–	1,875,918	5,975,102
–	–	–	–	–	255,565
218,785	225,491	118,987	424,744	919,517	3,132,411
–	–	566,233	–	586,144	2,113,630
218,785	225,491	685,220	424,744	7,815,424	56,758,679
–	–	–	–	1,006,761	8,249,420
–	–	–	–	148,614	17,894,422
211,010	–	–	241,052	138,261	6,841,773
–	2,082,960	–	–	2,264,741	10,955,814
12,998,804	4,746,563	251,620	10,380	618,728	27,851,178
–	–	–	–	1,355,000	1,604,117
126,644	198,088	–	–	660,706	992,260
13,336,458	7,027,611	251,620	251,432	6,192,811	74,388,984
(13,117,673)	(6,802,120)	433,600	173,312	1,622,613	(17,630,305)
–	–	–	–	–	41,644
–	–	1,109,892	–	1,080,450	8,717,342
–	–	–	(795,000)	(496,450)	(7,306,342)
10,190,000	16,305,000	–	–	–	26,626,139
838,719	1,457,552	–	–	254,121	2,550,392
11,028,719	17,762,552	1,109,892	(795,000)	838,121	30,629,175
(2,088,954)	10,960,432	1,543,492	(621,688)	2,460,734	12,998,870
5,138,470	–	1,482,763	11,888,037	21,928,869	72,522,093
–	(17,206)	–	–	17,206	–
5,138,470	(17,206)	1,482,763	11,888,037	21,946,075	72,522,093
$ 3,049,516	$ 10,943,226	$ 3,026,255	$ 11,266,349	$ 24,406,809	$ 85,520,963

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CITY OF APPLE VALLEY

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2024

Total net change in fund balances – governmental funds	$ 12,998,870
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/amortization expense.	
Capital outlay	29,992,362
Transfer of capital assets to business-type activities	(2,313,498)
Depreciation/amortization expense	(7,853,165)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	3,302
Net pension assets are only recorded in the government-wide financial statements as they are not current financial resources to governmental funds.	1,884,690
The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.	(26,626,139)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,604,117
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(81,284)
Governmental funds report debt issuance premiums as other financing sources at the time of issuance. Premiums are reported as liabilities in the Statement of Net Position.	(2,386,642)
Certain revenues are recognized as soon as they are earned in the Statement of Activities; however, under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	1,341,747
Internal service funds are used by management to charge certain costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities in the government-wide financial statements.	
Internal service fund activity included in governmental activities	948,569
Add back internal service fund activity allocated to business-type activities	4,737
Governmental funds do not report long-term amounts related to pensions and OPEB that are included in the change in net position.	
Net pension liability	3,858,091
Total OPEB liability	(984,002)
Deferred outflows of resources – pension plan deferments	(4,540,502)
Deferred outflows of resources – OPEB plan deferments	747,770
Deferred inflows of resources – pension plan deferments	(645,085)
Deferred inflows of resources – OPEB plan deferments	171,459
Change in net position – governmental activities	$ 8,125,397

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CITY OF APPLE VALLEY

Statement of Revenue, Expenditures, and Changes in Fund Balances
General Fund – Budget and Actual
Year Ended December 31, 2024

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
Revenue				
Taxes	$ 32,575,715	$ 32,575,715	$ 32,443,383	$ (132,332)
Other taxes	68,000	68,000	57,557	(10,443)
Franchise taxes	360,000	360,000	291,125	(68,875)
Special assessments	2,500	2,500	6,556	4,056
Licenses and permits	1,956,650	1,956,650	1,994,880	38,230
Intergovernmental	1,391,810	1,208,500	1,578,572	370,072
Charges for services	3,654,910	3,654,910	4,099,184	444,274
Fines and forfeits	300,000	300,000	255,565	(44,435)
Investment earnings	250,000	250,000	847,400	597,400
Other	1,017,675	1,021,275	961,253	(60,022)
Total revenue	41,577,260	41,397,550	42,535,475	1,137,925
Expenditures				
Current				
General government	7,598,895	7,596,895	7,058,000	(538,895)
Public safety	17,317,310	17,407,910	17,745,808	337,898
Public works	6,508,970	6,588,770	6,251,450	(337,320)
Parks and recreation	6,599,335	6,599,335	6,608,113	8,778
Capital outlay				
General government	219,750	373,750	231,493	(142,257)
Public safety	–	75,000	175,548	100,548
Public works	20,000	35,000	14,773	(20,227)
Debt service				
Principal	–	–	249,117	249,117
Interest and fiscal charges	–	–	4,586	4,586
Total expenditures	38,264,260	38,676,660	38,338,888	(337,772)
Excess of revenue over expenditures	3,313,000	2,720,890	4,196,587	1,475,697
Other financing sources (uses)				
Sale of capital assets	25,000	25,000	41,644	16,644
Debt issued	–	–	131,139	131,139
Transfers in	1,567,000	1,567,000	1,567,000	–
Transfers (out)	(4,905,000)	(4,980,000)	(4,905,000)	75,000
Total other financing sources (uses)	(3,313,000)	(3,388,000)	(3,165,217)	222,783
Net change in fund balances	$ –	$ (667,110)	1,031,370	$ 1,698,480
Fund balances				
Beginning of year			24,302,666	
End of year			$ 25,334,036	

CITY OF APPLE VALLEY

Statement of Net Position
Proprietary Funds
as of December 31, 2024

	Business-Type Activities – Enterprise Funds		
	Municipal Liquor (5000, 5030)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Current assets			
Cash and investments	$ 2,507,684	$ 800	$ 16,496,380
Receivables			
Special assessments			
Current	–	–	262,288
Delinquent	–	–	11,056
Accounts	733	213,267	3,041,431
Interest (charges)	–	–	(6,437)
Due from other governmental units	–	287,177	–
Due from other funds	–	–	58,732
Prepaids	503	–	393,143
Inventory	1,803,375	–	95,496
Total current assets	4,312,295	501,244	20,352,089
Noncurrent assets			
Deferred special assessment receivable	–	–	6,245
Capital assets			
Land and land improvements	1,177,683	2,000	2,263,907
Construction in progress	–	–	1,424,060
Buildings	3,888,270	8,605,155	11,780,603
Other improvements	87,149	109,420	127,729,879
Furniture and equipment	502,021	444,989	5,093,670
Lease assets	1,298,265	–	–
Technology subscriptions	–	–	52,158
Less accumulated depreciation/amortization	(3,106,670)	(4,488,928)	(72,747,345)
Total capital assets (net of accumulated depreciation/amortization)	3,846,718	4,672,636	75,596,932
Total noncurrent assets	3,846,718	4,672,636	75,603,177
Total assets	8,159,013	5,173,880	95,955,266
Deferred outflows of resources			
Pension plan deferments	62,045	20,928	152,774
OPEB plan deferments	49,322	14,092	124,568
Total deferred outflows of resources	111,367	35,020	277,342
Total assets and deferred outflows of resources	$ 8,270,380	$ 5,208,900	$ 96,232,608

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
$ 5,882,755	$ 997,254	$ 789,655	$ 26,674,528	$ 4,061,410
994	–	–	263,282	–
–	–	–	11,056	–
831,128	–	170,130	4,256,689	83,666
–	–	–	(6,437)	–
–	–	2,314	289,491	–
–	–	–	58,732	–
–	–	–	393,646	275,999
–	–	–	1,898,871	–
6,714,877	997,254	962,099	33,839,858	4,421,075
17,893	–	–	24,138	–
2,405,155	513,560	–	6,362,305	–
1,468,482	11,184	–	2,903,726	–
–	–	–	24,274,028	–
62,332,362	2,654,441	–	192,913,251	–
1,088,491	35,000	–	7,164,171	21,116,863
–	–	–	1,298,265	–
25,606	25,524	32,814	136,102	–
(29,970,006)	(833,060)	(32,814)	(111,178,823)	(11,695,613)
37,350,090	2,406,649	–	123,873,025	9,421,250
37,367,983	2,406,649	–	123,897,163	9,421,250
44,082,860	3,403,903	962,099	157,737,021	13,842,325
18,096	–	–	253,843	–
1,064	–	–	189,046	–
19,160	–	–	442,889	–
$ 44,102,020	$ 3,403,903	$ 962,099	$ 158,179,910	$ 13,842,325

(continued)

CITY OF APPLE VALLEY

Statement of Net Position
Proprietary Funds (continued)
as of December 31, 2024

	Business-Type Activities – Enterprise Funds		
	Municipal Liquor (5000, 5030)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Current liabilities			
Accrued salaries payable	$ 64,969	$ 26,764	$ 127,866
Accounts payable	494,759	36,624	134,004
Contracts payable	–	–	41,453
Interest payable	791	–	6,026
Due to other governmental units	125,878	12,116	18,236
Claims payable	–	–	–
Due to other funds	–	58,732	–
Accrued compensated absences	111,661	21,199	163,020
Lease liability	140,680	–	–
Subscription liabilities	–	–	18,074
Financed purchase	–	–	–
Revenue note payable	–	–	488,633
Bonds payable	–	–	430,000
Total current liabilities	938,738	155,435	1,427,312
Noncurrent liabilities			
Accrued compensated absences	35,935	820	96,490
Total OPEB liability	95,974	27,421	242,391
Net pension liability	299,643	101,070	737,811
Advance from other fund	–	1,020,006	–
Lease liability	759,423	–	–
Revenue note payable	–	–	1,272,196
Bonds payable	–	–	4,170,495
Total noncurrent liabilities	1,190,975	1,149,317	6,519,383
Total liabilities	2,129,713	1,304,752	7,946,695
Deferred inflows of resources			
Pension plan deferments	200,420	67,602	493,495
OPEB plan deferments	44,459	12,703	112,286
Total deferred inflows of resources	244,879	80,305	605,781
Net position			
Net investment in capital assets	2,946,615	4,672,636	69,217,534
Unrestricted	2,949,173	(848,793)	18,462,598
Total net position	5,895,788	3,823,843	87,680,132
Total liabilities, deferred inflows of resources, and net position	$ 8,270,380	$ 5,208,900	$ 96,232,608

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
$ 10,266	$ 392	$ –	$ 230,257	$ –
66,860	1,651	227,416	961,314	38,952
848	–	–	42,301	–
3,768	–	–	10,585	–
32,116	–	2,619	190,965	18,056
–	–	–	–	5,022
–	–	–	58,732	–
4,202	–	–	300,082	2,555,839
–	–	–	140,680	–
8,963	8,935	8,718	44,690	–
–	–	–	–	2,178
–	–	–	488,633	–
250,000	–	–	680,000	–
377,023	10,978	238,753	3,148,239	2,620,047
–	–	–	133,245	955,168
2,070	–	–	367,856	–
87,396	–	–	1,225,920	–
–	–	–	1,020,006	–
–	–	–	759,423	–
–	–	–	1,272,196	–
2,020,871	–	–	6,191,366	–
2,110,337	–	–	10,970,012	955,168
2,487,360	10,978	238,753	14,118,251	3,575,215
58,456	–	–	819,973	–
959	–	–	170,407	–
59,415	–	–	990,380	–
35,747,624	2,397,714	(8,718)	114,973,405	9,419,072
5,807,621	995,211	732,064	28,097,874	848,038
41,555,245	3,392,925	723,346	143,071,279	10,267,110
$ 44,102,020	$ 3,403,903	$ 962,099	$ 158,179,910	$ 13,842,325

Total net position – enterprise funds	$ 143,071,279
Adjustment to reflect the consolidation of internal service fund activity related to enterprise funds	(288,746)
Net position – business-type activities	$ 142,782,533

CITY OF APPLE VALLEY

Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2024

	Business-Type Activities – Enterprise Funds		
	Municipal Liquor (5000, 5030)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Operating revenue			
Sales and rentals	$ 11,087,409	$ 851,563	$ –
Charges for services	–	–	13,765,456
Total operating revenue	11,087,409	851,563	13,765,456
Cost of goods sold	7,766,504	–	–
Gross profit	3,320,905	851,563	13,765,456
Operating expenses			
Personal services	1,405,313	461,648	2,100,069
Contractual services	52,990	37,559	334,492
Other charges	348,432	45,200	1,006,729
Supplies and repairs	63,310	60,876	632,482
Insurance	103,851	33,000	283,000
Utilities	56,975	160,348	475,001
Depreciation/amortization	297,225	353,952	3,069,300
Sewer charges	–	–	4,094,373
Total operating expenses	2,328,096	1,152,583	11,995,446
Operating income (loss)	992,809	(301,020)	1,770,010
Nonoperating revenue (expense)			
Taxes	–	121,000	–
Investment earnings	74,968	965	673,843
Other income	17,994	4,720	70,931
Gain (loss) on sale of capital assets	2,162	–	14,280
Interest expense	(9,235)	–	(133,635)
Total nonoperating revenue (expense)	85,889	126,685	625,419
Income (loss) before capital contributions and transfers	1,078,698	(174,335)	2,395,429
Capital contributions	–	–	56,476
Capital contributions – connection fees	–	–	318,342
Capital contributions from governmental funds	–	2,313,498	–
Transfers in	–	–	–
Transfers (out)	(885,000)	–	(832,000)
Change in net position	193,698	2,139,163	1,938,247
Net position			
Beginning of year, as previously reported	5,702,090	1,508,418	85,741,885
Error correction	–	176,262	–
Beginning of year, as restated	5,702,090	1,684,680	85,741,885
End of year	$ 5,895,788	$ 3,823,843	$ 87,680,132

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
$ –	$ –	$ –	$ 11,938,972	$ –
3,694,576	428,660	751,833	18,640,525	4,407,206
3,694,576	428,660	751,833	30,579,497	4,407,206
–	–	–	7,766,504	–
3,694,576	428,660	751,833	22,812,993	4,407,206
208,998	5,887	4,712	4,186,627	1,310,560
510,267	25,435	38,877	999,620	55,138
453,866	37,561	–	1,891,788	1,387,246
74,647	8,865	9,362	849,542	–
36,000	6,000	33,700	495,551	–
59,262	1,627	476,144	1,229,357	–
1,259,298	147,580	14,497	5,141,852	1,591,210
–	–	–	4,094,373	–
2,602,338	232,955	577,292	18,888,710	4,344,154
1,092,238	195,705	174,541	3,924,283	63,052
–	–	–	121,000	–
206,459	32,179	17,627	1,006,041	174,484
160,667	1,612	–	255,924	–
(10,491)	–	–	5,951	335,560
(92,435)	(17)	(14)	(235,336)	(3,402)
264,200	33,774	17,613	1,153,580	506,642
1,356,438	229,479	192,154	5,077,863	569,694
141,475	–	–	197,951	72,875
34,268	–	–	352,610	–
–	–	–	2,313,498	–
–	–	–	–	306,000
–	–	–	(1,717,000)	–
1,532,181	229,479	192,154	6,224,922	948,569
40,023,064	3,163,446	531,192	136,670,095	9,318,541
–	–	–	176,262	–
40,023,064	3,163,446	531,192	136,846,357	9,318,541
$ 41,555,245	$ 3,392,925	$ 723,346	$ 143,071,279	$ 10,267,110

Change in net position – enterprise funds	$ 6,224,922
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds	(4,737)
Change in net position – business-type activities	$ 6,220,185

CITY OF APPLE VALLEY

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2024

	Business-Type Activities – Enterprise Funds		
	Municipal Liquor (5000, 5030)	Sports Arena (5200)	Water and Sewer (5300, 5400)
Cash flows from operating activities			
Cash received from customers	$ 11,104,670	$ 657,751	$ 13,612,709
Cash receipts on interfund services provided	–	–	–
Cash payments to suppliers	(8,221,164)	(298,527)	(6,940,376)
Cash payments to employees for services	(1,472,237)	(451,229)	(2,250,343)
Net cash flows from operating activities	1,411,269	(92,005)	4,421,990
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(39,609)	(29,605)	(3,574,398)
Capital contributions – connection fees received	–	–	318,342
Proceeds from sale of capital assets	2,162	–	22,852
Payment on debt	(134,647)	–	(979,652)
Interest paid	(9,351)	–	(168,569)
Net cash flows from capital and related financing activities	(181,445)	(29,605)	(4,381,425)
Cash flows from investing activities			
Interest received on investments	74,968	965	673,843
Cash flows from noncapital financing activities			
Taxes	–	121,000	–
Cash paid to other funds	–	(10,314)	10,314
Transfers in	–	–	–
Transfers (out)	(885,000)	–	(832,000)
Net cash flows from noncapital financing activities	(885,000)	110,686	(821,686)
Net increase (decrease) in cash and cash equivalents	419,792	(9,959)	(107,278)
Cash and cash equivalents			
Beginning of year	2,087,892	10,759	16,603,658
End of year	$ 2,507,684	$ 800	$ 16,496,380
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	$ 992,809	$ (301,020)	$ 1,770,010
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation/amortization	297,225	353,952	3,069,300
Other revenue	17,994	4,720	70,931
Change in assets, deferred outflows/inflows of resources, and liabilities			
Receivables			
Special assessments	–	–	(33,135)
Accounts	(733)	(43,421)	(190,543)
Due from other governmental units	–	(155,111)	–
Inventory	142,951	–	(18,312)
Prepaids	17,234	–	(60,808)
Deferred outflows of resources	38,002	7,876	69,680
Accounts payable	11,076	26,384	10,628
Contracts payable	(3,000)	–	(15,292)
Accrued salaries payable	1,708	7,987	39,267
Claims payable	–	–	–
Total OPEB liability	37,023	16,423	86,216
Net pension liability	(198,083)	(49,052)	(395,253)
Accrued compensated absences	25,989	5,576	(41,896)
Due to other governmental units	2,637	12,072	(30,515)
Deferred inflows of resources	28,437	21,609	91,712
Net cash flows from operating activities	$ 1,411,269	$ (92,005)	$ 4,421,990
Noncash investing, capital, and financing activities			
Capital contributions	$ –	$ –	$ 56,476
Capital contributions from governmental funds	$ –	$ 2,313,498	$ –
Net book value of capital asset disposals	$ –	$ –	$ 8,572
Capital asset additions from trade-ins	$ –	$ –	$ –
Accounts payable for capital assets	$ –	$ –	$ –
Amortization of bond premium (discount)	$ –	$ –	$ 33,389

See notes to basic financial statements

Storm Drainage (5500, 5550)	Cemetery (5600, 5700)	Street Light Utility (5800)	Totals	Governmental Activities Internal Service Fund
$ 3,801,951	$ 430,272	$ 745,804	$ 30,353,157	$ –
–	–	–	–	4,323,540
(1,236,492)	(78,770)	(349,258)	(17,124,587)	(1,675,362)
(234,673)	(5,948)	(4,712)	(4,419,142)	(928,530)
2,330,786	345,554	391,834	8,809,428	1,719,648
(1,984,100)	(165,733)	–	(5,793,445)	(4,174,215)
34,268	–	–	352,610	72,875
10,790	–	–	35,804	323,868
(248,491)	(8,464)	(8,258)	(1,379,512)	(83,212)
(96,676)	(91)	(87)	(274,774)	(3,402)
(2,284,209)	(174,288)	(8,345)	(7,059,317)	(3,864,086)
219,334	32,179	17,627	1,018,916	174,484
–	–	–	121,000	–
–	–	–	–	–
–	–	–	–	306,000
–	–	–	(1,717,000)	–
–	–	–	(1,596,000)	306,000
265,911	203,445	401,116	1,173,027	(1,663,954)
5,616,844	793,809	388,539	25,501,501	5,725,364
$ 5,882,755	$ 997,254	$ 789,655	$ 26,674,528	$ 4,061,410
$ 1,092,238	$ 195,705	$ 174,541	$ 3,924,283	$ 63,052
1,259,298	147,580	14,497	5,141,852	1,591,210
160,667	1,612	–	255,924	–
994	–	–	(32,141)	–
(54,286)	–	(4,898)	(293,881)	(83,666)
–	–	(1,131)	(156,242)	–
–	–	–	124,639	–
–	–	–	(43,574)	(4,855)
19,807	–	–	135,365	–
(78,706)	704	206,206	176,292	(11,275)
(42,031)	–	–	(60,323)	–
978	(61)	–	49,879	–
–	–	–	–	165
(3,209)	–	–	136,453	–
(54,684)	–	–	(697,072)	–
2,588	–	–	(7,743)	146,871
18,287	14	2,619	5,114	18,146
8,845	–	–	150,603	–
$ 2,330,786	$ 345,554	$ 391,834	$ 8,809,428	$ 1,719,648
$ 141,475	$ –	$ –	$ 197,951	$ –
$ –	$ –	$ –	$ 2,313,498	$ –
$ 21,281	$ –	$ –	$ 29,853	$ 218,205
$ –	$ –	$ –	$ –	$ 229,897
$ –	$ –	$ –	$ –	$ 373,989
$ 3,910	$ –	$ –	$ 37,299	$ –

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

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

B. Reporting Entity

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

The Apple Valley Economic Development Authority (EDA) was established to provide economic development services to the City. Although a legally separate entity, the Apple Valley EDA is reported as if it were part of the primary government because it provides services exclusively for the City. The Apple Valley EDA governing body is substantially the same as the governing body of the primary government because five of the Apple Valley EDA board members are City Council members and the two other members are appointed by the City Council. Management of the primary government also has operational responsibility for the Apple Valley EDA. The Apple Valley EDA is a blended component unit of the City, with the following funds reported as funds of the City: Economic Development Debt Service Fund and the EDA Operations Special Revenue Fund. The Apple Valley EDA does not issue separate financial statements.

C. Government-Wide Financial Statement Presentation

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Fund Financial Statement Presentation

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

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

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

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

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Description of Funds

The City reports the following major governmental funds:

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

American Rescue Plan Act Special Revenue Fund (2110) – This fund accounts for funds received from the American Rescue Plan Act.

Closed Bond Issues Debt Service Fund (3205) – This fund accounts for all the closed bond issues that no longer have outstanding bonds.

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

Facilities C.I.P. Construction Capital Projects Fund (4420 and 4430) – Accounts for the expenditures and bond proceeds received from the issuance of 2021, 2022, and 2024 Facilities Capital Improvement Bonds.

Parks Development Capital Projects Fund (2300) – Accounts for the construction activities of projects approved in the 2023 Park Referendum.

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

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

The City reports the following major enterprise funds:

Municipal Liquor Fund (5000 and 5030) – This fund accounts for the operations of the City's liquor stores.

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

Water and Sewer Fund (5300 and 5400) – This fund accounts for the activities of the City's water and sewer operations.

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

Cemetery Fund (5600 and 5700) – This fund accounts for the activities of the City's cemetery operations.

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

Additionally, the City reports the following fund types:

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

E. Cash and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Certain bond proceeds may be held separately for capital projects. Earnings on these accounts are allocated directly to the respective funds. The City generally reports investments at fair value.

The City generally reports investments at fair value. The Minnesota Municipal Money Market (4M) Fund is an external investment pool regulated by Minnesota Statutes that is not registered with the Securities and Exchange Commission (SEC), but follows the same regulatory rules of the SEC. The fair value of the position in the pool is the same as the value of the pool shares, which is based on an amortized cost method that approximates fair value. The 4M Fund is sponsored by the League of Minnesota Cities. Investments are purchased and regulated according to Minnesota Statutes. For this investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required for the Liquid Class; the redemption notice period is 14 days for the Plus Class. There are no restrictions or limitations on withdrawals from the 4M Fund.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the City's recurring fair value measurements as of year-end.

F. Receivables

Utility and miscellaneous accounts receivable are reported at gross. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables. The only receivables not expected to be collected within one year are lease receivables, property taxes, and special assessments receivable.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Interfund Receivables and Payables

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

H. Land Held for Resale

Land held for resale represents various property purchases made by the City with the intent to sell in order to increase the tax base or to attract new businesses. These assets are stated at the lower of cost or acquisition value.

I. Property Taxes

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

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

J. Special Assessments

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

K. Prepaids

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

L. Inventories

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Subscription-Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The City has entered into certain SBITAs for financial, permit, licensing, and infrastructure technology. Capital assets associated with SBITAs are presented separately from other capital assets in Note 5 and are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. When applicable, a subscription liability is reported in Note 6 to include the terms and related disclosures associated with any subscription liability.

N. Capital Assets

Capital assets, which include land, land improvements, buildings, other improvements, furniture and equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value on the date of donation. Leased capital assets are recorded based on the measurement of payments applicable to the lease term. The City defines capital assets as those with an initial, individual cost of $25,000 or more, and $50,000 or more for groups of similar assets acquired at or near the same time with a single objective with an estimated useful life in excess of two years. SBITA capital assets are recorded based on the measurement of any subscription liability plus the payments due to a SBITA vendor at the commencement of the subscription term, including any applicable initial implementation costs as defined in the standard. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide and proprietary fund financial statements but are not reported in the governmental fund financial statements. Capital assets are depreciated/amortized using the straight-line method over their estimated useful lives. Lease assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. Technology subscriptions are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Land and construction in progress are not depreciated.

The estimated useful lives are as follows:

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, the following paragraph describes the types of leave that qualify for liability recognition for compensated absences. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Full-time employees employed by the City after January 1, 1995 are eligible for three to six weeks of annual leave depending on their length of service with the City. Annual leave may not accrue in excess of 800 hours. Upon termination of employment with the City, employees in "good standing" are reimbursed for all accrued and unused annual leave. Employees employed by the City prior to January 1, 1995 were eligible to elect to continue earning sick leave and vacation in lieu of the annual leave option. Those employees who elected not to take the annual leave provisions continue to be eligible to earn 12 days of sick leave and two to four 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.

P. Long-Term Liabilities

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition, respectively, of net assets that applies to future periods, and so will not be recognized as an outflow of resources (expense/expenditure), or an inflow of financial resources (revenue) until then.

The City reports deferred inflows of resources in both the governmental fund financial statements and the government-wide financial statements related to lease receivables, which requires lessors to recognize deferred inflows of resources to correspond to lease receivables. These amounts are deferred and amortized in a systematic and rational manner over the term of the lease.

The City reports deferred outflows and inflows of resources related to pensions and other post-employment benefits (OPEB) in the government-wide and enterprise funds Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, net collective differences between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

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

R. State-Wide and Fire Relief Pension Plans

For purposes of measuring the net pension liability or asset, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Apple Valley Fire Relief Association (the Association) and additions to/deductions from the PERA’s and the Association’s fiduciary net position have been determined on the same basis as they are reported by the PERA and the Association. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Budgets and Budgetary Accounting

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

1. In August of each year, city staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

2. Public hearings are conducted to obtain taxpayer comments.

3. The budget is legally enacted through passage of a resolution by the City Council.

4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

5. Expenditures may not legally exceed budgeted appropriations at the department level in the General Fund and Fund level in all other funds. No department/fund's budget can be increased without City Council approval. The City Council may authorize transfers of budgeted amounts between departments within the General Fund. Management may amend budgets within a department level, so long as the total department budget is not changed.

6. Annual appropriated budgets are adopted during the year for the General Fund, Cable TV Special Revenue Fund, Opioid Settlement Special Revenue Fund, Valleywood Golf Special Revenue Fund, and EDA Operations Special Revenue Fund. Annual appropriated budgets are not adopted for debt service funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for capital projects funds is accomplished through the use of project controls and formal appropriated budgets are not adopted for some capital projects funds. The City did adopt formal annual appropriated budgets for the Road Improvements, Future Capital Projects, Education Building, Capital Building, Cable Capital Equipment, Cable Capital Equipment/PEG, Parks Facilities Maintenance, and Fire Facilities Maintenance Capital Projects Funds.

7. The finance director/treasurer presents monthly reports to the City Council.

8. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditures lapse at year-end.

9. Expenditures were more than budgeted amounts in the EDA Operations Special Revenue Fund by $1,664 and the Cable Capital Equipment/PEG Capital Projects Fund by $8,527.

T. Statement of Cash Flows

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Net Position and Flow Assumptions

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation/amortization, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other elements of net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

V. Fund Balance Classifications and Flow Assumptions

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the city administrator and/or the finance director/treasurer are authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

W. Risk Management

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

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

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

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
2023	$ 6,126	$ 192,417	$ 193,686	$ 4,857
2024	$ 4,857	$ 236,706	$ 236,541	$ 5,022

X. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

Y. Error Correction

An error results from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date.

During fiscal year 2024, the City determined an error was made in the Sports Arena Enterprise Fund when cash receipts in the CivicRec point of sale system were mistakenly set up to be recorded as unearned revenue. These amounts should have been reported as revenues in this fund. This error caused revenues and ending fund balance in fiscal 2023 to be understated by $176,262.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ –
Investments	116,669,880
Petty cash	16,250
Total	$ 116,686,130

B. Deposits

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

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

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

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

At year-end, the carrying amount of the City's deposits was $0, while the balance on the bank records was $139,841. At December 31, 2024, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the City's agent in the City's name.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

	Credit Risk		Fair Value	Interest Risk – Maturity Duration in Years			
Investment Type	Rating	Agency	Measurements Using	Less Than 1	1 to 5	6 to 10	Total
U.S. agency securities	Aaa	Moody's	Level 2	$ 977,420	$ –	$ –	$ 977,420
U.S. agency securities	AA	S&P	Level 2	4,475,295	10,280,400	998,550	15,754,245
U.S. treasuries	AAA	Moody's	Level 2	987,710	4,958,350	–	5,946,060
State and local bonds (G.O.)	AAA	S&P	Level 2	5,554,517	9,538,623	750,938	15,844,078
State and local bonds (G.O.)	AA	S&P	Level 2	6,238,380	12,157,360	558,244	18,953,984
State and local bonds (G.O.)	A	S&P	Level 2	544,095	796,083	–	1,340,178
State and local bonds (G.O.)	Aaa	Moody's	Level 2	998,770	2,579,408	–	3,578,178
State and local bonds (G.O.)	Aa	Moody's	Level 2	4,027,044	7,734,453	417,663	12,179,160
State and local bonds (G.O.)	A	Moody's	Level 2	219,537	502,861	–	722,398
State and local bonds (Revenue)	AAA	S&P	Level 2	994,865	346,598	–	1,341,463
State and local bonds (Revenue)	AA	S&P	Level 2	–	2,700,248	–	2,700,248
State and local bonds (Revenue)	AA	Moody's	Level 2	224,276	–	–	224,276
Negotiable certificates of deposit	N/R	N/A	Level 2	2,352,742	4,860,598	–	7,213,340
				$ 27,594,651	$ 56,454,982	$ 2,725,395	86,775,028
Investment pools/mutual funds							
4M Fund	AAA	S&P	Amortized Cost				18,499,751
First American Government Obligation Fund	AAA	S&P	Level 1				11,395,101
Total investments							$ 116,669,880

N/A – Not Applicable
N/R – Not Rated

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

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

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration Risk – This is the risk associated with investing a significant portion of the City's investment (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policy states no more than 5.0 percent of the overall portfolio may be invested in the securities of a single issuer, except for the securities of the U.S. government, U.S. government agencies, or an external investment pool. The policy also limits investment holdings for state and local government securities, certificates of deposit, mortgage-backed securities, commercial paper, repurchase agreements, banker's acceptances, and money market mutual funds to 75.0, 75.0, 20.0, 10.0, 10.0, 10.0, and 75.0 percent, respectively. At December 31, 2024, the City held investments with the Federal Home Loan Bank totaling 7.2 percent of its investment portfolio.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policy states it will not invest in securities maturing more than 10 years from the date of purchase with an overall portfolio weighted average maturity of 3.5 years.

NOTE 3 – LEASE RECEIVABLE

The City has entered into lease receivable agreements for cell tower rental and space at various city sites. The lease terms include rates ranging from 0.51 percent to 1.39 percent with final maturities through 2042. During the current year, the City received principal and interest payments of $495,315 and $87,541, respectively, on these leases.

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due To and Due From Other Funds

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

	Due From Other Funds		
	Governmental	Enterprise	
Due To Other Funds	Future Capital Projects	Water and Sewer	Total
Governmental			
Road Improvements	$ 804,410	$ –	$ 804,410
Nonmajor funds	182,251	–	182,251
Enterprise			
Sports Arena	–	58,732	58,732
Total	$ 986,661	$ 58,732	$ 1,045,393

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

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

B. Advance From and Advance To Other Funds

Borrowing at year-end was as follows:

	Advance To Other Funds		
	Governmental		
Advance From Other Funds	Closed Bond Issues	Future Capital Projects	Total
Governmental			
Nonmajor	$ 72,095	$ –	$ 72,095
Enterprise			
Sports Arena	–	1,020,006	1,020,006
Total	$ 72,095	$ 1,020,006	$ 1,092,101

The Closed Bond Issues Fund provided an advance to the TIF District No. 15 Parkside Village Fund, a nonmajor capital projects fund. This advance bears interest at 4.00 percent, and the balance at December 31, 2024 is $72,095.

The Future Capital Projects Fund provided an advance to the Sports Arena Enterprise Fund to finance the replacement of the refrigeration system at the Apple Valley Sports Arena. This advance bears interest at 1.15 percent, and the balance at December 31, 2024 is $1,020,006.

C. Interfund Transfers

	Transfers In					
	Governmental					
Transfers Out	General Fund	Road Improvements	Construction Projects	Nonmajor	Internal Service	Total
Governmental						
General Fund	$ –	$ 4,360,000	$ –	$ 545,000	$ –	$ 4,905,000
Closed Bond Issue	–	–	1,109,892	–	–	1,109,892
Future Capital Projects	–	600,000	–	195,000	–	795,000
Nonmajor	–	–	–	190,450	306,000	496,450
Enterprise						
Municipal Liquor	735,000	–	–	150,000	–	885,000
Water and Sewer	832,000	–	–	–	–	832,000
Total	$ 1,567,000	$ 4,960,000	$ 1,109,892	$ 1,080,450	$ 306,000	$ 9,023,342

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The General Fund transferred $4,360,000 to the Road Improvements Fund Capital Projects Fund for the budgeted annual support of the infrastructure replacement program.

The General Fund transferred $150,000 to the Capital Building Fund, a nonmajor capital projects fund, for the budgeted annual support of the improvements to government buildings.

The General Fund transferred $40,000 to the Fire Facilities Maintenance Fund, a nonmajor capital projects fund, to fund improvements of the Fire Facilities Maintenance Fund.

The General Fund transferred $355,000 to the Park Facilities Maintenance Fund, a nonmajor capital projects fund, to fund improvements of the Park Facilities Maintenance Fund.

The Future Capital Projects – Capital Projects Fund transferred $600,000 to the Road Improvements Capital Projects Fund to fund a portion of the annual infrastructure maintenance program.

The Future Capital Projects – Capital Projects Fund transferred $195,000 to the Park Facilities Maintenance Fund to establish the Park Facilities Maintenance Fund.

The Cable Capital Equipment Fund, a nonmajor capital projects fund, transferred $190,450 to the Cable TV Fund, a nonmajor special revenue fund, to fund the City's share of the cable TV programing.

The Municipal Liquor Fund transferred $735,000 to the General Fund for the budgeted annual support of the General Fund, public safety equipment purchases, and support of park and recreation activities.

The Municipal Liquor Fund transferred $150,000 to the nonmajor Valleywood Golf Special Revenue Fund to support golf operations.

The Water and Sewer Fund transferred $832,000 to the General Fund for the budgeted annual support of the General Fund.

The Closed Bond Fund transferred $1,109,892 to the Construction Projects Capital Projects Fund, a nonmajor capital projects fund, to fund improvements of the Construction Projects Capital Projects Fund.

The nonmajor Valleywood Golf Special Revenue Fund transferred $306,000 to the VERF Fund, a nonmajor capital projects fund, to fund equipment purchases of the VERF Fund.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

A. Changes in Capital Assets Used in Governmental Activities

	Beginning of Year	Additions	Deletions	Transfers and Completed Construction	End of Year
Capital assets, not depreciated/amortized					
Land	$ 6,752,808	$ –	$ –	$ –	$ 6,752,808
Construction in progress	18,876,563	29,718,428	–	(33,658,868)	14,936,123
Total capital assets, not depreciated/amortized	25,629,371	29,718,428	–	(33,658,868)	21,688,931
Capital assets, depreciated/amortized					
Buildings	42,367,181	–	–	16,213,191	58,580,372
Other improvements	28,398,149	–	–	2,346,513	30,744,662
Furniture and equipment	25,483,866	4,166,619	(1,511,767)	233,972	28,372,690
Infrastructure	158,039,652	–	(354,799)	12,551,694	170,236,547
Technology subscriptions	547,538	137,439	(328,662)	–	356,315
Total capital assets, depreciated/amortized	254,836,386	4,304,058	(2,195,228)	31,345,370	288,290,586
Less accumulated depreciation/amortization on					
Buildings	21,305,336	1,602,041	–	–	22,907,377
Other improvements	17,017,525	1,039,441	–	–	18,056,966
Furniture and equipment	17,535,583	1,723,368	(1,293,561)	–	17,965,390
Infrastructure	83,656,004	4,870,584	(354,799)	–	88,171,789
Technology subscriptions	307,271	208,941	(274,260)	–	241,952
Total accumulated depreciation/amortization	139,821,719	9,444,375	(1,922,620)	–	147,343,474
Net capital assets, depreciated/amortized	115,014,667	(5,140,317)	(272,608)	31,345,370	140,947,112
Total capital assets, net	$ 140,644,038	$ 24,578,111	$ (272,608)	$ (2,313,498)	$ 162,636,043

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

	Beginning of Year	Additions	Deletions	Transfers and Completed Construction	End of Year
Capital assets, not depreciated/amortized					
Land	$ 6,249,354	$ 112,951	$ –	$ –	$ 6,362,305
Construction in progress	1,636,401	5,418,653	–	(4,151,328)	2,903,726
Total capital assets, not depreciated/amortized	7,885,755	5,531,604	–	(4,151,328)	9,266,031
Capital assets, depreciated/amortized					
Buildings	21,943,545	–	–	2,330,483	24,274,028
Other improvements	189,184,236	–	(159,817)	3,888,831	192,913,250
Furniture and equipment	6,516,809	459,792	(57,942)	245,512	7,164,171
Lease assets	1,298,265	–	–	–	1,298,265
Technology subscriptions	275,279	–	(139,177)	–	136,102
Total capital assets, depreciated/amortized	219,218,134	459,792	(356,936)	6,464,826	225,785,816
Less accumulated depreciation/amortization on					
Buildings	11,960,915	542,047	–	–	12,502,962
Other improvements	89,426,505	3,995,025	(129,964)	–	93,291,566
Furniture and equipment	4,524,683	368,922	(57,942)	–	4,835,663
Lease assets	285,856	142,928	–	–	428,784
Technology subscriptions	166,094	92,930	(139,177)	–	119,847
Total accumulated depreciation/amortization	106,364,053	5,141,852	(327,083)	–	111,178,822
Net capital assets, depreciated/amortized	112,854,081	(4,682,060)	(29,853)	6,464,826	114,606,994
Total capital assets, net	$ 120,739,836	$ 849,544	$ (29,853)	$ 2,313,498	$ 123,873,025

C. Depreciation/Amortization Expense by Function

Depreciation/amortization expense for the year ended December 31, 2024 was charged to the following functions:

Governmental activities	
General government	$ 580,050
Public safety	590,147
Public works	5,159,698
Parks and recreation	1,523,270
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,591,210
Total depreciation/amortization expense – governmental activities	$ 9,444,375
Business-type activities	
Municipal liquor	$ 297,225
Sports arena	353,952
Water and sewer	3,069,300
Storm drainage	1,259,298
Cemetery	147,580
Street light	14,497
Total depreciation/amortization expense – business-type activities	$ 5,141,852

NOTE 6 – LONG-TERM DEBT

A. Components of Long-Term Debt

	Original Issue	Interest Rate	Final Maturity	Balance – End of Year
Governmental activities				
General obligation bonds				
G.O. Crossover Refunding Bonds 2013A	$ 9,000,000	1.75–2.35%	12/15/2031	$ 6,705,000
G.O. Bonds 2015B	$ 4,225,000	2.00–2.75%	12/15/2029	490,000
G.O. Bonds 2021B Capital Improvement	$ 5,985,000	2.00–3.00%	12/15/2041	5,300,000
G.O. Bonds 2022A Capital Improvement	$ 7,995,000	4.00–5.00%	12/15/2047	7,705,000
G.O. Bonds 2024A Capital Improvement	$ 10,190,000	4.00–5.00%	12/15/2044	10,190,000
G.O. Bonds 2024A Parks Referendum	$ 16,305,000	4.00–5.00%	12/15/2044	16,305,000
Total general obligation bonds				46,695,000
Financed purchases				2,178
Subscription liabilities				157,702
Unamortized premium				2,957,805
Compensated absences				3,511,007
Total governmental activities				$ 53,323,692
Business-type activities				
General obligation revenue bonds				
G.O. Bonds 2015B	$ 1,605,000	2.00–2.75%	12/15/2026	$ 315,000
G.O. Bonds 2021A Refunding 2014A	$ 5,945,000	1.00–3.00%	12/15/2033	4,300,000
G.O. Bonds Storm Water 2022A	$ 2,000,000	4.00–5.00%	12/15/2047	1,915,000
Total general obligation revenue bonds				6,530,000
General obligation revenue notes				
G.O. Water Revenue Note 2018A	$ 4,000,000	2.95%	06/15/2028	1,760,829
Lease liabilities				900,103
Subscription liabilities				44,690
Unamortized premium				341,366
Compensated absences				433,327
Total business-type activities				$ 10,010,315

B. Changes in Long-Term Debt

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
Governmental activities					
General obligation bonds	$ 21,555,000	$ 26,495,000	$ 1,355,000	$ 46,695,000	$ 1,875,000
Financed purchases	85,390	–	83,212	2,178	2,178
Subscription liabilities	333,384	131,139	306,821	157,702	125,343
Unamortized premium	571,163	2,550,392	163,750	2,957,805	–
Compensated absences	3,364,136	2,399,729	2,252,858	3,511,007	2,555,839
Total governmental activities	25,909,073	31,576,260	4,161,641	53,323,692	4,558,360
Business-type activities					
General obligation revenue bonds	7,185,000	–	655,000	6,530,000	680,000
General obligation revenue notes	2,235,360	–	474,531	1,760,829	488,633
Lease liabilities	1,034,750	–	134,647	900,103	140,680
Subscription liabilities	160,024	–	115,334	44,690	44,690
Unamortized premium	378,665	–	37,299	341,366	–
Compensated absences	441,070	297,336	305,079	433,327	300,082
Total business-type activities	11,434,869	297,336	1,721,890	10,010,315	1,654,085
Total government-wide	$ 37,343,942	$ 31,873,596	$ 5,883,531	$ 63,334,007	$ 6,212,445

Note: Subscription liabilities deletions include write-off of a subscription liability totaling $57,704 due to refinancing.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Minimum Debt Payments

Minimum annual payments required to retire debt are as follows:

Governmental Activities

Year Ending	General Obligation Bonds		Financed Purchases		Subscription Liabilities		Total	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 1,875,000	$ 2,231,920	$ 2,178	$ 66	$ 125,343	$ 3,096	$ 1,877,178	$ 2,231,986
2026	2,310,000	1,806,650	–	–	32,359	640	2,310,000	1,806,650
2027	2,385,000	1,725,638	–	–	–	–	2,385,000	1,725,638
2028	2,500,000	1,641,013	–	–	–	–	2,500,000	1,641,013
2029	2,625,000	1,551,528	–	–	–	–	2,625,000	1,551,528
2030–2034	10,775,000	6,371,115	–	–	–	–	10,775,000	6,371,114
2035–2039	10,705,000	4,239,775	–	–	–	–	10,705,000	4,239,775
2040–2044	12,050,000	1,790,800	–	–	–	–	12,050,000	1,790,800
2045–2047	1,470,000	134,100	–	–	–	–	1,470,000	134,100
	$ 46,695,000	$ 21,492,539	$ 2,178	$ 66	$ 157,702	$ 3,736	$ 46,697,178	$ 21,492,604

Business-Type Activities

Year Ending	General Obligation Revenue Bonds		General Obligation Revenue Notes		Lease Liabilities		Subscription Liabilities		Total	
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 680,000	$ 183,120	$ 488,633	$ 48,367	$ 140,680	$ 8,820	$ 44,690	$ 229	$ 1,309,313	$ 240,307
2026	605,000	163,720	503,154	33,846	142,677	7,323	–	–	1,250,831	204,889
2027	510,000	145,432	518,106	18,894	144,189	5,811	–	–	1,172,295	170,137
2028	530,000	129,033	250,936	3,701	151,242	4,258	–	–	932,178	136,992
2029	545,000	111,933	–	–	153,350	2,650	–	–	698,350	114,583
2030–2034	2,365,000	385,450	–	–	167,965	1,035	–	–	2,532,965	386,485
2035–2039	420,000	245,650	–	–	–	–	–	–	420,000	245,650
2040–2044	515,000	150,575	–	–	–	–	–	–	515,000	150,575
2045–2047	360,000	32,850	–	–	–	–	–	–	360,000	32,850
	$ 6,530,000	$ 1,547,763	$ 1,760,829	$ 104,808	$ 900,103	$ 29,897	$ 44,690	$ 229	$ 9,190,932	$ 1,682,468

D. Description of Long-Term Debt

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

- **General Obligation Revenue Bonds** – The City issues revenue bonds to provide financing for its enterprise funds. The City issued G.O. revenue bonds for the water and sewer and storm drainage activity. Debt service is covered through the revenue producing activities of these funds.

- **General Obligation Revenue Notes** – The City issues revenue notes to provide financing for its enterprise funds. The City issued G.O. revenue notes for water and sewer activity. Debt service is covered through the revenue producing activities of these funds.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

- **Financed Purchases** – The City has one agreement for financing the acquisition of equipment for the municipal golf course. Revenues from the nonmajor Valleywood Golf Special Revenue Fund financed these agreements.

  This agreement matures in November 2025 and carries an interest rate of 3.5 percent.

  Upon the occurrence of a default on this agreement, the lessor may declare the entire balance of the unpaid principal and interest payments for the term of the agreement immediately due and payable; charge interest on all monies due from the date of default until paid; and require lessee to return the equipment originally financed.

- **Lease Liabilities** – The City has an agreement for the use of leased space. The total amount of underlying leased assets by major classes and the related accumulated amortization is presented in Note 5 to the basic financial statements. The lease liability will be repaid by the Municipal Liquor Enterprise Fund. The lease carries an interest rate of 1.0 percent and has a final maturity of December 31, 2031.

  Upon the occurrence of a default on this lease, the lessor may declare the entire balance of the unpaid lease payments for the term of the lease immediately due and payable; charge interest on all monies due from the date of default until paid; and require lessee to immediately vacate the property originally leased.

- **Subscription Liabilities** – The City has entered into agreements to finance the use of technology subscriptions for a variety of purposes, which call for monthly principal and interest payments through May 2026. The subscription liabilities are paid for by the General Fund and enterprise funds. The total amount of underlying technology subscription asset and the related amortization are presented in Note 5 to the basic financial statements. The subscription liabilities carry interest rates ranging from 2.6 to 3.6 percent.

- **Compensated Absences** – This liability represents benefits earned by employees through the end of the year, which will be paid or used in future periods. The Benefits/Other Insurance Internal Service Fund, Municipal Liquor, Sports Arena, Water and Sewer, and Storm Drainage Funds will be used to liquidate this liability.

E. Revenue Pledged

		Revenue Pledged				Current Year	
Bond Issue	Use of Proceeds	Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
G.O. Bonds 2015B	Utility improvements	Utility charges	100%	2015–2026	$ 324,175	$ 205,488	$ 3,694,576
G.O. Water Revenue Note 2018A	Utility improvements	Utility charges	100%	2018–2028	$ 1,865,637	$ 537,000	$ 13,765,456
G.O. Refunding Bonds 2021A	Utility improvements	Utility charges	100%	2021–2033	$ 4,694,963	$ 520,133	$ 13,765,456
G.O. Bonds Storm Water 2022A	Utility improvements	Utility charges	100%	2022–2047	$ 3,058,625	$ 131,100	$ 3,694,576

NOTE 6 – LONG-TERM DEBT (CONTINUED)

F. Conduit Debt Obligations

At times, the City has issued various types of revenue bonds to provide financial assistance to private sector, nonprofit, or governmental entities to finance the acquisition or construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the City's financial statements. As of December 31, 2024, the following conduit debt issues were outstanding:

Augustana Care		
Health Care Revenue Bonds (Augustana Health Care Center Project), Series 2016A	$	13,165,000
Minnesota Senior Living LLC		
Senior Living Revenue Bonds (Minnesota Senior Living LLC Project), Series 2016A		59,585,000
Senior Living Revenue Bonds (Minnesota Senior Living LLC Project), Series 2016B		44,020,000
Senior Living Revenue Bonds (Minnesota Senior Living LLC Project), Series 2016C		6,045,000
Senior Living Revenue Bonds (Minnesota Senior Living LLC Project), Series 2016D		19,500,000
Apple Valley Senior Housing Inc.		
Senior Housing Revenue Refunding Bond, Series 2018		46,445,000
Total conduit debt obligations	$	188,760,000

NOTE 7 – JOINT POWERS COMMITMENT

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

Information regarding the DCC can be obtained by contacting the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044-9177.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Pension Plan Disclosures

The City participates in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and a single-employer plan administered by the Association. The following is a summary of the net pension asset, net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended December 31, 2024:

Pension Plans	Net Pension Asset	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA – GERF	$ –	$ 5,945,292	$ 1,231,052	$ 3,976,589	$ 573,503
PERA – PEPFF	–	6,871,142	10,872,189	11,935,584	1,328,681
Fire Relief	3,110,855	–	1,477,113	1,030,672	894,611
Total pension plans	$ 3,110,855	$ 12,816,434	$ 13,580,354	$ 16,942,845	$ 2,796,795

The General Fund, nonmajor Valleywood Golf Special Revenue Fund, Municipal Liquor, Sports Arena, Water and Sewer, and Storm Drainage Funds will be used to liquidate this liability.

B. Plan Descriptions

The City participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA of Minnesota. These plan provisions are established and administered according to Minnesota Statutes, Chapters 353 and 356. Minnesota Statutes Chapter 356 defines each plan's financial reporting requirements. The PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

1. General Employees Retirement Fund (GERF)

Membership in the GERF includes employees of counties, cities, townships, schools in noncertified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Fund (PEPFF)

Membership in the PEPFF includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide PEPFF coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

C. Benefits Provided

The PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. GERF Benefits

The GERF requires three years of service to vest. 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 GERF members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, GERF members receive 1.2 percent of the highest average salary for each of the first 10 years of service, and 1.7 percent for each additional year. Under the Level formula, GERF members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90, and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows GERF members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a prorated increase.

2. PEPFF Benefits

Benefits for PEPFF members first hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50.0 percent vested after five years of service, and 100.0 percent vested after 10 years. After five years, vesting increases by 10.0 percent each full year of service until members are 100.0 percent vested after ten years. Police and Fire Plan members receive 3.0 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Benefit increases are provided to benefit recipients each January. The post-retirement increase is fixed at 1.0 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase, will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months, but less than 36 months as of the June 30 before the effective date of the increase, will receive a reduced prorated increase.

D. Contributions

Minnesota Statutes, Chapter 353 and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024, and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the GERF for the year ended December 31, 2024, were $1,052,350. The City's contributions were equal to the required contributions as set by state statutes.

2. PEPFF Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024, and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the PEPFF for the year ended December 31, 2024, were $1,353,107. The City's contributions were equal to the required contributions as set by state statutes.

E. Pension Costs

1. GERF Pension Costs

At December 31, 2024, the City reported a liability of $5,945,292 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction, due to the state of Minnesota's contribution of $16.0 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled $153,733.

City's proportionate share of the net pension liability	$ 5,945,292
State's proportionate share of the net pension liability associated with the City	153,733
Total	$ 6,099,025

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.1608 percent at the end of the measurement period and 0.1598 percent for the beginning of the period.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

For the year ended December 31, 2024, the City recognized pension expense of $569,382 for its proportionate share of the GERF's pension expense. In addition, the City recognized an additional $4,121 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16.0 million to the GERF.

During the plan year ended June 30, 2024, the state of Minnesota contributed $170.1 million to the General Employees Fund. The state of Minnesota is not included as a nonemployer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized $273,539 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 558,350	$ –
Changes in actuarial assumptions	29,257	2,239,803
Net difference between projected and actual earnings on pension plan investments	–	1,645,705
Changes in proportion	118,456	91,081
Employer contributions subsequent to the measurement date	524,989	–
Total	$ 1,231,052	$ 3,976,589

The $524,989 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2025	$ (1,762,315)
2026	$ (339,565)
2027	$ (712,974)
2028	$ (455,672)

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

2. PEPFF Pension Costs

At December 31, 2024, the City reported a liability of $6,871,142 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of the PERA's participating employers. The City's proportionate share was 0.5223 percent at the end of the measurement period and 0.4885 percent for the beginning of the period.

The state of Minnesota contributed $37.4 million to the PEPFF in the plan fiscal year ended June 30, 2024. The contribution consisted of $9.0 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of $19.4 million, and $9.0 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, the $9.0 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay $9.0 million to the PEPFF until full funding is reached or July 1, 2048, whichever is earlier. The $9.0 million in supplemental state aid will continue until the fund is 90.0 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90.0 percent funded, whichever occurs later. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled $261,925.

City's proportionate share of the net pension liability	$ 6,871,142
State's proportionate share of the net pension liability associated with the City	261,925
Total	$ 7,133,067

For the year ended December 31, 2024, the City recognized pension expense of $1,299,385 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized $29,296 as grant revenue and pension expense for its proportionate share of the state of Minnesota's pension expense for the contribution of $9.0 million to the PEPFF special funding situation.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized $48,797 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the PEPFF.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,562,833	$ –
Changes in actuarial assumptions	7,126,876	9,464,531
Net difference between projected and actual earnings on pension plan investments	–	2,219,055
Changes in proportion	521,625	251,998
Employer contributions subsequent to the measurement date	660,855	–
Total	$ 10,872,189	$ 11,935,584

The $660,855 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2025	$ (271,684)
2026	$ 1,672,091
2027	$ (913,380)
2028	$ (2,466,836)
2029	$ 255,559

F. Long-Term Expected Return on Investments

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Fixed income	25.00	0.75 %
Private markets	25.00	5.90 %
Total	100.00 %	

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

G. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.00 percent is within that range.

Inflation is assumed to be 2.25 percent for the General Employees Plan and the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75 percent after one year of service to 3.00 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit the PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan was reviewed in 2024. The PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

1. **GERF**

CHANGES IN ACTUARIAL ASSUMPTIONS

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 General Mortality Table, with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

CHANGES IN PLAN PROVISIONS

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors were updated to reflect the changes in assumptions.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

2. PEPFF

CHANGES IN PLAN PROVISIONS

- The state contribution of $9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.00 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.00 percent funded status for one year.
- The additional $9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

H. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

I. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
City's proportionate share of the GERF net pension liability	$ 12,985,474	$ 5,945,292	$ 154,100
City's proportionate share of the PEPFF net pension liability	$ 16,237,849	$ 6,871,142	$ (820,886)

J. Pension Plan Fiduciary Net Position

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

NOTE 9 – DEFINED CONTRIBUTION PENSION PLAN – STATE-WIDE

Councilmembers 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 IRC, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D and 356, 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 5.00 percent of their salary, which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees, contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, the PERA receives 2.00 percent of employer contributions and 25 hundredths of 1.00 percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate for Employees and Employers
Employee	Employer	Employee	Employer	
$ 1,598	$ 1,598	5.00%	5.00%	5.00%

NOTE 10 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

All members of the Apple Valley Fire Department (the Department) are covered by a defined benefit plan administered by the Apple Valley Firefighters' Relief Association (the Association). As of the measurement date, the plan covered 71 active members, 12 inactive members entitled to future benefits, and 39 inactive members or beneficiaries currently receiving benefits. The plan is a single-employer retirement plan and is established and administered in accordance with Minnesota Statutes, Chapter 69.

The Association maintains a separate Special Pension Trust Fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines of Minnesota Statutes. Funds are also derived from contributions from the City and investment income.

NOTE 10 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

B. Benefits Provided

Each member who is at least 50 years of age, has separated from service from the fire department, has served at least 5 years of active service for members commencing active duty prior to January 1, 2010, and 10 years of active service for members commencing active duty after January 1, 2010 with such department before separation and has been a member of the Association in good standing at least 5 years prior to such separation shall be entitled to a lump sum service pension in the amount of $13,000 for each year of service (including each year over 20) or a monthly service pension of $47.00 for each year of service (including each year over 20), but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

According to the bylaws of the Association and pursuant to Minnesota Statutes, members who separate from service with less than 20 years of service and have reached the age of at least 50, and have completed at least 5 years of active membership for members commencing active duty prior to January 1, 2010, and 10 years of active membership for members commencing active duty after January 1, 2010, are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable nonforfeitable percentage of pension for the completed years of service times the applicable nonforfeitable percentage of pension.

C. Contributions

Minnesota Statutes, Chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary city contributions (if applicable). Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2024, were $466,123. The City's contributions were equal to the required contributions as set by state statutes. The City made voluntary contributions to the plan totaling $307,460. Furthermore, the firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2024, the City reported a net pension liability (asset) of ($3,110,855) for the plan. The net pension liability (asset) was measured as of December 31, 2024. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB Statement No. 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2023.

For the year ended December 31, 2024, the City recognized pension expense of $894,611. The City also recognized $425,185 as revenue for the state of Minnesota's on-behalf contributions to the Department.

NOTE 10 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning balance	$ 8,587,408	$ 9,813,573	$ (1,226,165)
Changes for the year			
Service cost	316,256	–	316,256
Interest	501,618	–	501,618
Difference between expected and actual experience	35,387	–	35,387
Change of assumptions	(407,005)	–	(407,005)
Changes of benefit terms	890,124	–	890,124
Contributions – state and local	–	775,185	(775,185)
Net investment income	–	2,480,871	(2,480,871)
Benefit payments	(359,748)	(359,748)	–
Administrative costs	–	(34,986)	34,986
Total net changes	976,632	2,861,322	(1,884,690)
Ending balance	$ 9,564,040	$ 12,674,895	$ (3,110,855)

At December 31, 2024, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 300,963	$ 123,195
Changes in actuarial assumptions	402,567	394,614
Differences between projected and actual investment earnings	–	46,740
City contributions subsequent to the measurement date	307,460	–
State aid to the City subsequent to the measurement date	466,123	466,123
Total	$ 1,477,113	$ 1,030,672

Deferred outflows of resources totaling $773,583 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Deferred inflows of resources totaling $466,123 related to state aid received subsequent to the measurement date will be recognized for its impact on the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2025	$ (18,442)
2026	$ 167,438
2027	$ 378,768
2028	$ (344,822)
2029	$ (1,209)
Thereafter	$ (42,752)

NOTE 10 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The total pension liability at December 31, 2024 was determined using the entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50%
Salary increases	N/A
Investment rate of return	6.50% net of pension plan investment expense, including inflation
Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal G.O. AA Index); used in discount rate determination	3.86%

N/A – Not Applicable

Mortality rates were based on the July 1, 2023 Minnesota PERA Police and Fire Plan actuarial valuation as described below:

Healthy Pre-Retirement – Pub-2010 Public Safety Employee mortality tables with projected mortality improvements based on scale MP-2021.

Healthy Post-Retirement – Pub-2010 Healthy Retired Public Safety mortality tables with projected mortality improvements based on scale MP-2021. Male rates are adjusted by a factor of 0.98.

Disabled – Pub-2010 Public Safety Disabled Retired mortality tables with projected mortality improvements based on scale MP-2021. Male rates are adjusted by a factor of 1.05.

The changes in actuarial assumptions and benefits since the prior valuation included:

- The expected investment return and discount rate changed from 5.75 percent to 6.50 percent to reflect updated capital market assumptions.

- The lump sum benefit amount increased from $11,000 to $13,000. Participants are now fully vested with an unreduced benefit at 10 years of service.

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

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	81.34 %	4.91 %	7.41 %
International equity	2.76	5.32 %	7.82 %
Fixed income	5.93	2.30 %	4.80 %
Real estate and alternatives	–	3.79 %	6.29 %
Cash and equivalents	9.97	0.77 %	3.27 %
Total	100.00 %		7.11 %
Reduced for assumed investment expense			(0.50)
Net assumed investment return (rounded to 1/4%)			6.50 %

NOTE 10 – DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in state statutes. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Association's net pension liability (asset)	$ (2,527,182)	$ (3,110,855)	$ (3,633,832)

H. Pension Plan Fiduciary Net Position

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

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The City provides post-employment insurance benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. The Plan does not issue a publicly available financial report. No plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance. Per state statutes, the City is also required to contribute towards the cost of continued health insurance coverage for officers and firefighters disabled or killed in the line of duty.

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the City. The City's current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled $104,073.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	10
Active plan members	202
Total members	212

E. Total OPEB Liability of the City

The City's total OPEB liability of $2,586,888 as of year-end was measured as of December 31, 2023, and was determined by an actuarial valuation as of January 1, 2024.

The General Fund, Municipal Liquor, nonmajor Valleywood Golf Special Revenue, Sports Arena, Water and Sewer, and Storm Drainage Funds will be used to liquidate this liability.

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2024, using the entry-age method. Procedures were used to roll forward the total OPEB liability to the measurement date since the actuarial valuation date is not the same as the measurement date. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.77%
20-year municipal bond yield	3.77%
Inflation rate	2.60%
Salary increases	Not Applicable
Healthcare trend rate	7.75%, grading to 4.00% over 20 years

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota city employees. The state pension plans base their assumptions on periodic experience studies. Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

Since the Plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate of 3.77 percent, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date. The City discount rate used in the prior measurement date was 4.05 percent.

Mortality rates were based on the Pub-2010 General Employee Mortality Tables.

Future retirees electing coverage is assumed to be 35.00 percent. Married future retirees electing spouse coverage is assumed to be 35.00 percent for all plan participants.

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning balance	$ 1,466,433
Changes for the year	
Service cost	127,731
Interest	62,361
Differences between expected and actual experience	858,110
Changes of assumptions	181,065
Benefit payments	(108,812)
Total net changes	1,120,455
Ending balance	$ 2,586,888

Assumption changes since the prior measurement date include the following:

- Medical trend was updated based on trend model and trend surveys.
- Future retiree participation rates were updated from 40.00 percent to 35.00 percent.
- The discount rate was changed from 4.05 percent to 3.77 percent.
- Future retiree medical plan blending was updated based on an analysis of medical plan election rates as of the valuation date.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

H. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.77%	3.77%	4.77%
Total OPEB liability	$ 2,871,839	$ 2,586,888	$ 2,338,083

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB healthcare trend rate	6.75%, decreasing to 4.00% over 20 years	7.75%, decreasing to 4.00% over 20 years	8.75%, decreasing to 4.00% over 20 years
Total OPEB liability	$ 2,269,427	$ 2,586,888	$ 2,962,427

I. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the City recognized OPEB expense of $135,493. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 911,133	$ 284,390
Changes in actuarial assumptions	314,226	913,970
City's contributions subsequent to the measurement date	104,073	–
Total	$ 1,329,432	$ 1,198,360

A total of $104,073 reported as deferred outflows of resources related to OPEB resulting from city contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	OPEB Expense Amount
2025	$ (54,599)
2026	$ (54,599)
2027	$ (60,145)
2028	$ (44,440)
2029	$ 973
Thereafter	$ 239,809

NOTE 12 – DEFICIT FUND BALANCES

The following funds have a deficit fund balance/net position at December 31, 2024:

	Amount
Governmental	
Road Improvements	$ 1,395,729
Nonmajor funds	
Capital Projects	
Central Village Parking	$ 32,037
Cable Capital Equipment	$ 151,522
Internal Service	
Benefits/Other Insurance	$ 737,517

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

NOTE 13 – NET POSITION/FUND BALANCES

A. Net Investment in Capital Assets

The government-wide Statement of Net Position at December 31, 2024, includes the City's net investment in capital assets calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Net investment in capital assets			
Capital assets			
Nondepreciable/amortized	$ 21,688,931	$ 9,266,031	$ 30,954,962
Depreciable, net of accumulated depreciation/amortization	140,947,112	114,606,994	255,554,106
Less capital-related long-term debt outstanding	(49,812,685)	(9,576,988)	(59,389,673)
Capital asset related accounts and contracts payable	(2,568,581)	–	(2,568,581)
Unused bond proceeds	16,561,323	677,368	17,238,691
Total net investment in capital assets	$ 126,816,100	$ 114,973,405	$ 241,789,505

NOTE 13– NET POSITION/FUND BALANCES (CONTINUED)

B. Classifications

At December 31, 2024, the City had the following governmental fund balances:

		Special Revenue	Debt Service	Capital Projects						
	General Fund	American Rescue Plan Act	Closed Bond Issues	Road Improvements	Facilities C.I.P. Construction	Parks Development	Construction Projects	Future Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable										
Inventory	$ 29,172	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 43,159	$ 72,331
Prepaids	326,415	–	–	–	–	–	–	–	4,931	331,346
Net lease receivable	49,169	–	–	–	–	–	–	–	15,206	64,375
Total nonspendable	404,756	–	–	–	–	–	–	–	63,296	468,052
Restricted										
Debt service	–	–	–	–	–	–	–	–	922,032	922,032
EDA	–	–	–	–	–	–	–	–	1,454,942	1,454,942
TIF	–	–	–	–	–	–	–	–	1,239,602	1,239,602
TIF capital projects	–	–	–	–	–	–	–	–	3,324,550	3,324,550
Park dedication	–	–	–	–	–	–	–	–	2,328,349	2,328,349
Electric projects	–	–	–	–	–	–	–	–	7,241,536	7,241,536
Facilities projects	–	–	–	–	3,049,516	–	3,026,255	–	–	6,075,771
Parks development	–	–	–	–	–	10,943,226	–	–	–	10,943,226
Cable TV	–	–	–	–	–	–	–	–	221,218	221,218
Cable equipment	–	–	–	–	–	–	–	–	188,660	188,660
Solid waste grant	–	–	–	–	–	–	–	–	14,470	14,470
Local affordable housing	–	–	–	–	–	–	–	–	285,307	285,307
Police forfeiture	–	–	–	–	–	–	–	–	97,149	97,149
Opioid settlement	–	–	–	–	–	–	–	–	301,964	301,964
Lodging tax	–	–	–	–	–	–	–	–	56,211	56,211
Public safety aid	2,382,303	–	–	–	–	–	–	–	–	2,382,303
Total restricted	2,382,303	–	–	–	3,049,516	10,943,226	3,026,255	–	17,675,990	37,077,290
Committed										
Plan-It CIP Software	14,000	–	–	–	–	–	–	–	–	14,000
Compensation study	30,000	–	–	–	–	–	–	–	–	30,000
Shade tree management	9,000	–	–	–	–	–	–	–	–	9,000
Accela software implementation	30,000	–	–	–	–	–	–	–	–	30,000
Truck and tractor tire machine	20,000	–	–	–	–	–	–	–	–	20,000
Deicing supplies	50,000	–	–	–	–	–	–	–	–	50,000
Fleet software training	5,000	–	–	–	–	–	–	–	–	5,000
Future development studies	10,000	–	–	–	–	–	–	–	–	10,000
Valleywood Golf	–	–	–	–	–	–	–	–	437,877	437,877
Total committed	168,000	–	–	–	–	–	–	–	437,877	605,877
Assigned										
Debt service	–	–	8,890,501	–	–	–	–	–	2,045,088	10,935,589
Other capital projects	–	–	–	–	–	–	–	11,266,349	–	11,266,349
Police special projects	–	–	–	–	–	–	–	–	29,465	29,465
Tree preservation	–	–	–	–	–	–	–	–	410,003	410,003
Ponds	–	–	–	–	–	–	–	–	275,687	275,687
Pathways and sidewalks	–	–	–	–	–	–	–	–	277,593	277,593
Dodd Road	–	–	–	–	–	–	–	–	267,956	267,956
Former education building	–	–	–	–	–	–	–	–	238,048	238,048
Capital building	–	–	–	–	–	–	–	–	719,164	719,164
C.I.P. development	–	–	–	–	–	–	–	–	296,813	296,813
Valleywood improvement	–	–	–	–	–	–	–	–	35,940	35,940
Physical improvement	–	–	–	–	–	–	–	–	215,670	215,670
Private development	–	–	–	–	–	–	–	–	145,329	145,329
Improvement construction	–	–	–	–	–	–	–	–	111,577	111,577
Fire grants project	–	–	–	–	–	–	–	–	19,341	19,341
Park facilities maintenance	–	–	–	–	–	–	–	–	1,229,874	1,229,874
Fire facilities	–	–	–	–	–	–	–	–	46,792	46,792
Future improvements	–	–	–	–	–	–	–	–	48,865	48,865
Total assigned	–	–	8,890,501	–	–	–	–	11,266,349	6,413,205	26,570,055
Unassigned	22,378,977	–	–	(1,395,729)	–	–	–	–	(183,559)	20,799,689
Total	$ 25,334,036	$ –	$ 8,890,501	$ (1,395,729)	$ 3,049,516	$ 10,943,226	$ 3,026,255	$ 11,266,349	$ 24,406,809	$ 85,520,963

NOTE 13 – NET POSITION/FUND BALANCES (CONTINUED)

C. Minimum Fund Balance Policy

The City Council has formally adopted a fund balance policy. The policy establishes the City will strive to maintain a minimum unassigned General Fund balance of 50.0 percent of the subsequent year's budgeted expenditures. At December 31, 2024, the unassigned fund balance of the General Fund was 53.6 percent of the subsequent year's budgeted expenditures.

NOTE 14 – TAX ABATEMENT AGREEMENTS

The City, in order to spur economic development and redevelopment, has entered into private development and redevelopment agreements to encourage a developer to construct, expand, or improve new or existing properties and buildings or clean-up and redevelop blighted areas. The City has four agreements that would be considered a tax abatement under GASB Statement No. 77.

The City is authorized to create a tax increment finance plan under Minnesota Statutes, Chapter 469.175. The criteria that must be met under the statutes are that, in the opinion of the municipality:

- The proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future;

- The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less that the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the tax increment district permitted in the plan. The requirements of this item do not apply if the district is a housing district;

- That the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole; and

- That the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

NOTE 14 – TAX ABATEMENT AGREEMENTS (CONTINUED)

The City has entered into private development agreements regarding certain properties within a tax increment district. Included in the development agreement was the reimbursement of eligible development costs. The vehicle used for this reimbursement is called a tax increment revenue note.

These notes provide for the payment of principal, equal to the developer's eligible costs, plus interest at a set rate. Payments on the note will be made at the lesser of the note payment or a percent of the available tax increment received during the specific year as stated in the agreement. Payments are first applied to accrued interest and then to the principal balance. The notes are to be cancelled at the end of the term, whether or not the note has been repaid in full.

The agreements are not a general obligation of the City and are payable solely from available tax increments received from the property owner. The City's position is that these are obligations to assign future and uncertain revenues sources and, as such, is not actual debt in substance.

The outstanding principal balances as of December 31, 2024 for these agreements are as follows:

District Name	Purpose	Percentage of Taxes Returned During the Fiscal Year	Amount of Taxes Returned During the Fiscal Year	Outstanding Principal at Year-End	Date of Required Decertification
TIF No. 15 – Parkside Village – Gabella	Housing district, including the construction of multi-family residential buildings of 196 units with 20 percent affordable units.	70%	$292,467	$1,452,484	12/31/2041
TIF No. 15 – Parkside Village – Galante	Housing district, including the construction of multi-family residential buildings of 134 units with 20 percent affordable units.	70%	$143,711	$2,495,799	12/31/2041
TIF No. 16 – Uponor	Creation of 86,000 sq. ft. of manufacturing facilities and the addition of 75 full-time jobs.	90%	$90,379	$96,595	12/31/2025
TIF No. 17 – Karamella	Creation of 73,000 sq. ft. manufacturing facilities and the addition of 76 full-time jobs.	90%	$78,406	$554,786	12/31/2026

NOTE 15 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

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

B. Federal and State Funding

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

C. Tax Increment Districts

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

D. Construction Commitments

At December 31, 2024, the City is committed to various construction contracts for the improvement of city property. The City's remaining commitment under these contracts is $29,618,367.

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REQUIRED SUPPLEMENTARY INFORMATION

PERA – General Employees Retirement Fund
Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended December 31, 2024

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.1634%	$ 8,468,235	$ –	$ 8,468,235	$ 9,603,176	88.18%	78.2%
12/31/2016	06/30/2016	0.1561%	$ 12,674,544	$ 165,598	$ 12,840,142	$ 9,680,914	130.92%	68.9%
12/31/2017	06/30/2017	0.1643%	$ 10,488,804	$ 131,924	$ 10,620,728	$ 10,539,668	99.52%	75.9%
12/31/2018	06/30/2018	0.1552%	$ 8,609,861	$ 282,435	$ 8,892,296	$ 10,429,041	82.56%	79.5%
12/31/2019	06/30/2019	0.1541%	$ 8,519,846	$ 264,822	$ 8,784,668	$ 10,903,742	78.14%	80.2%
12/31/2020	06/30/2020	0.1563%	$ 9,370,899	$ 289,109	$ 9,660,008	$ 11,098,665	84.43%	79.1%
12/31/2021	06/30/2021	0.1550%	$ 6,619,194	$ 202,221	$ 6,821,415	$ 11,160,410	59.31%	87.0%
12/31/2022	06/30/2022	0.1621%	$ 12,838,374	$ 376,265	$ 13,214,639	$ 12,117,471	105.95%	76.7%
12/31/2023	06/30/2023	0.1598%	$ 8,935,837	$ 246,322	$ 9,182,159	$ 12,709,471	70.31%	83.1%
12/31/2024	06/30/2024	0.1608%	$ 5,945,292	$ 153,733	$ 6,099,025	$ 13,610,812	43.68%	89.1%

PERA – General Employees Retirement Fund
Schedule of City Contributions
Year Ended December 31, 2024

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	$ 750,987	$ 750,987	$ –	$ 10,013,141	7.50%
12/31/2016	$ 741,397	$ 741,397	$ –	$ 9,885,306	7.50%
12/31/2017	$ 768,029	$ 768,029	$ –	$ 10,240,379	7.50%
12/31/2018	$ 796,766	$ 796,766	$ –	$ 10,623,546	7.50%
12/31/2019	$ 831,557	$ 831,557	$ –	$ 11,087,351	7.50%
12/31/2020	$ 827,063	$ 827,063	$ –	$ 11,027,518	7.50%
12/31/2021	$ 876,563	$ 876,563	$ –	$ 11,687,480	7.50%
12/31/2022	$ 929,365	$ 929,365	$ –	$ 12,391,208	7.50%
12/31/2023	$ 980,026	$ 980,026	$ –	$ 13,067,017	7.50%
12/31/2024	$ 1,052,350	$ 1,052,350	$ –	$ 14,034,266	7.50%

PERA – Public Employees Police and Fire Fund
Schedule of City's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended December 31, 2024

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.5150%	$ 5,851,604	$ –	$ 5,851,604	$ 4,711,902	124.19%	86.6%
12/31/2016	06/30/2016	0.5190%	$ 20,828,373	$ –	$ 20,828,373	$ 4,976,069	418.57%	63.9%
12/31/2017	06/30/2017	0.5110%	$ 6,899,105	$ –	$ 6,899,105	$ 5,233,601	131.82%	85.4%
12/31/2018	06/30/2018	0.4992%	$ 5,320,954	$ –	$ 5,320,954	$ 5,261,108	101.14%	88.8%
12/31/2019	06/30/2019	0.4997%	$ 5,319,812	$ –	$ 5,319,812	$ 5,257,632	101.18%	89.3%
12/31/2020	06/30/2020	0.5121%	$ 6,750,026	$ 158,999	$ 6,909,025	$ 5,765,056	117.09%	87.2%
12/31/2021	06/30/2021	0.4904%	$ 3,785,368	$ 170,164	$ 3,955,532	$ 5,795,347	65.32%	93.7%
12/31/2022	06/30/2022	0.4939%	$ 21,492,576	$ 938,958	$ 22,431,534	$ 6,000,288	358.19%	70.5%
12/31/2023	06/30/2023	0.4885%	$ 8,435,760	$ 339,814	$ 8,775,574	$ 6,415,314	131.49%	86.5%
12/31/2024	06/30/2024	0.5223%	$ 6,871,142	$ 261,925	$ 7,133,067	$ 7,232,191	95.01%	90.2%

PERA – Public Employees Police and Fire Fund
Schedule of City Contributions
Year Ended December 31, 2024

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	$ 818,071	$ 818,071	$ –	$ 5,049,825	16.20%
12/31/2016	$ 808,641	$ 808,641	$ –	$ 4,991,606	16.20%
12/31/2017	$ 829,640	$ 829,640	$ –	$ 5,121,237	16.20%
12/31/2018	$ 858,645	$ 858,645	$ –	$ 5,300,284	16.20%
12/31/2019	$ 923,798	$ 923,798	$ –	$ 5,439,291	16.98%
12/31/2020	$ 1,033,491	$ 1,033,491	$ –	$ 5,838,936	17.70%
12/31/2021	$ 1,038,750	$ 1,038,750	$ –	$ 5,868,635	17.70%
12/31/2022	$ 1,097,714	$ 1,097,714	$ –	$ 6,201,802	17.70%
12/31/2023	$ 1,174,423	$ 1,174,423	$ –	$ 6,635,165	17.70%
12/31/2024	$ 1,353,107	$ 1,353,107	$ –	$ 7,644,662	17.70%

Apple Valley Firefighters' Relief Association
Schedule of Changes in the Relief Association's Net
Pension Liability and Related Ratios
December 31, 2024

City fiscal year-end date – December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Apple Valley Firefighters' Relief Association year-end date (measurement date) – December 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Service cost	$ 168,532	$ 181,221	$ 179,770	$ 149,826	$ 159,059	$ 201,766	$ 180,653	$ 197,877	$ 293,210	$ 316,256
Interest	369,565	398,162	402,119	427,292	419,004	410,516	416,808	411,485	484,936	501,618
Differences between expected and actual experience	-	12,130	(23,940)	(67,525)	21,501	(78,143)	(180,523)	77,118	320,222	35,387
Changes of assumptions	-	(209,787)	(509,724)	133,128	534,195	(154,449)	152,931	33,961	257,078	(407,005)
Changes in benefit terms	265,088	–	–	–	149,707	–	151,203	856,669	–	890,124
Benefit payments	(269,330)	(600,659)	(528,192)	(486,814)	(652,816)	(421,732)	(607,080)	(526,854)	(467,606)	(359,748)
Net change in total pension liability	533,855	(218,933)	(479,967)	155,907	630,650	(42,042)	113,992	1,050,256	887,840	976,632
Total pension liability – beginning of year	5,955,850	6,489,705	6,270,772	5,790,805	5,946,712	6,577,362	6,535,320	6,649,312	7,699,568	8,587,408
Total pension liability – end of year	$ 6,489,705	$ 6,270,772	$ 5,790,805	$ 5,946,712	$ 6,577,362	$ 6,535,320	$ 6,649,312	$ 7,699,568	$ 8,587,408	$ 9,564,040
Plan fiduciary net position										
Contributions (state and local)	$ 526,217	$ 477,537	$ 546,408	$ 530,781	$ 551,681	$ 566,875	$ 586,695	$ 624,213	$ 679,224	$ 775,185
Net investment income	239,737	(219,523)	549,126	1,164,210	(484,118)	1,754,977	1,620,613	1,833,065	(2,856,448)	2,480,871
Benefit payments	(269,330)	(600,659)	(528,192)	(486,814)	(652,816)	(421,732)	(607,080)	(526,854)	(467,606)	(359,748)
Administrative costs	(22,641)	(35,434)	(34,516)	(36,279)	(28,307)	(25,849)	(25,553)	(28,871)	(32,265)	(34,986)
Net change in plan fiduciary net position	473,983	(378,079)	532,826	1,171,898	(613,560)	1,874,271	1,574,675	1,901,553	(2,677,095)	2,861,322
Plan fiduciary net position – beginning of year	5,953,101	6,427,084	6,049,005	6,581,831	7,753,729	7,140,169	9,014,440	10,589,115	12,490,668	9,813,573
Plan fiduciary net position – end of year	$ 6,427,084	$ 6,049,005	$ 6,581,831	$ 7,753,729	$ 7,140,169	$ 9,014,440	$10,589,115	$12,490,668	$ 9,813,573	$12,674,895
Net pension liability (asset) – ending	$ 62,621	$ 221,767	$ (791,026)	$(1,807,017)	$ (562,807)	$(2,479,120)	$ (3,939,803)	$ (4,791,100)	$ (1,226,165)	$ (3,110,855)
Plan fiduciary net position as a percentage of the total pension liability	99.04%	96.46%	113.66%	130.39%	108.56%	137.93%	159.25%	162.23%	114.28%	132.53%

CITY OF APPLE VALLEY

Apple Valley Firefighters' Relief Association
Schedule of City Contributions

City Fiscal Year-End Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)
12/31/2015	$ 449,869	$ 526,217	$ (76,348)
12/31/2016	$ 338,049	$ 477,537	$ (139,488)
12/31/2017	$ 404,811	$ 546,408	$ (141,597)
12/31/2018	$ 442,233	$ 526,781	$ (84,548)
12/31/2019	$ 386,565	$ 547,681	$ (161,116)
12/31/2020	$ 256,821	$ 562,875	$ (306,054)
12/31/2021	$ 354,208	$ 584,695	$ (230,487)
12/31/2022	$ 345,326	$ 622,213	$ (276,887)
12/31/2023	$ 342,654	$ 678,224	$ (335,570)
12/31/2024	$ 235,569	$ 773,583	$ (538,014)

CITY OF APPLE VALLEY

Other Post-Employment Benefits Plan
Schedule of Changes in the City's Total
OPEB Liability and Related Ratios
Year Ended December 31, 2024

	Fiscal Year						
	2018	2019	2020	2021	2022	2023	2024
Total OPEB liability							
Service cost	$ 181,510	$ 199,217	$ 131,569	$ 165,292	$ 192,764	$ 165,631	$ 127,731
Interest	80,281	82,489	99,285	59,440	51,635	34,249	62,361
Differences between expected and actual experience	–	–	(648,940)	16,181	167,992	27,306	858,110
Changes of assumptions	57,294	(118,563)	203,592	89,997	(1,060,954)	(209,052)	181,065
Benefit payments	(61,516)	(63,841)	(68,021)	(86,765)	(97,427)	(97,290)	(108,812)
Net change in total OPEB liability	257,569	99,302	(282,515)	244,145	(745,990)	(79,156)	1,120,455
Total OPEB liability – beginning of year	1,973,078	2,230,647	2,329,949	2,047,434	2,291,579	1,545,589	1,466,433
Total OPEB liability – end of year	$ 2,230,647	$ 2,329,949	$ 2,047,434	$ 2,291,579	$ 1,545,589	$ 1,466,433	$ 2,586,888
Covered-employee payroll	$14,500,000	$15,000,000	$15,300,000	$15,800,000	$17,900,000	$16,600,000	$ 19,000,000
Total OPEB liability as a percentage of covered-employee payroll	15.4%	15.5%	13.4%	14.5%	8.6%	8.8%	13.6%

Note 1: The City implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Note: 2: No plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 General Mortality Table, with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

2024 CHANGES IN PLAN PROVISIONS

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors were updated to reflect the changes in assumptions.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 CHANGES IN PLAN PROVISIONS

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2024 CHANGES IN PLAN PROVISIONS

- The state contribution of $9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.00 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.00 percent funded status for one year.
- The additional $9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- Additional one-time direct state aid contribution of $19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50.00 percent vesting after five years, increasing incrementally to 100.00 percent after 10 years.
- A one-time, noncompounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- This single discount rate changed from 6.50 percent to 5.40 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 Public Safety Mortality Table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality Table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality Table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25–44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60.00 percent to 70.00 percent. Minor changes to form of payment assumptions were applied.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality projection scale was changed from MP-2016 to MP-2017.

2018 CHANGES IN PLAN PROVISIONS

- Post-retirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100.00 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30.00 percent for vested and nonvested deferred members. The CSA has been changed to 33.00 percent for vested members, and 2.00 percent for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 Fully Generational Table to the RP-2014 Fully Generational Table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 Disabled Mortality Table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years, to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037, and 2.50 percent per year thereafter, to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2037, and 2.50 percent per year thereafter.

2015 CHANGES IN PLAN PROVISIONS

- The post-retirement benefit increase to be paid after attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

APPLE VALLEY FIREFIGHTERS' RELIEF ASSOCIATION

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected investment return and discount rate changed from 5.75 percent to 6.50 percent to reflect updated capital market assumptions.

2024 CHANGES IN BENEFIT TERMS

- The lump sum benefit amount increased from $11,000 to $13,000. Participants are now fully vested with an unreduced benefit at 10 years of service.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected investment return and discount rate changed from 6.25 percent to 5.75 percent to reflect updated capital market assumptions.
- The inflation rate assumption increased from 2.25 percent to 2.50 percent.
- The mortality assumptions were updated to the rates used in the July 1, 2022 Minnesota PERA Police and Fire Plan actuarial valuation.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality assumptions were updated to the rates used in the July 1, 2021 Minnesota PERA Police and Fire Plan actuarial valuation.

2022 CHANGES IN PLAN PROVISIONS

- The base annuity benefit was eliminated for all future retirees, the base annuity benefit for current retirees increased from $46.50 to $47.00 per month per year of service, and the lump sum benefit increased from $7,500 to $11,000 per year of service.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected investment return and discount rate changed from 6.50 percent to 6.25 percent to reflect updated capital market assumptions.
- The inflation rate assumption decreased from 2.50 percent to 2.25 percent.
- The mortality assumptions were updated to the rates used in the most recent Minnesota PERA Police and Fire Plan actuarial valuation.

2021 CHANGES IN PLAN PROVISIONS

- The base annuity benefit increased from $46 to $46.50 per month of service and the base lump sum benefit increased from $7,000 to $7,500 per year of service.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected investment return and discount rate increased from 6.25 percent to 6.50 percent to reflect updated capital market assumptions.
- The mortality assumption was updated from the rates used in the July 1, 2018 Minnesota PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2019 Minnesota PERA Police and Fire Plan actuarial valuation.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected investment return and discount rate decreased from 7.25 percent to 6.25 percent to reflect updated capital market assumptions.
- The assumed inflation assumption decreased from 2.75 percent to 2.50 percent.
- The mortality assumptions were updated to the rates used in the most recent Minnesota PERA Police and Fire Plan actuarial valuation.

2019 CHANGES IN PLAN PROVISIONS

- The base annuity benefit increased from $45 to $46 per month per year of service, and the base lump sum benefit increased from $6,700 to $7,000 per year of service.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected investment return and discount rate decreased from 7.50 percent to 7.25 percent to reflect updated capital market assumptions.
- Mortality and termination rates were changed to those used in the most recent Minnesota PERA Police and Fire Plan actuarial valuation.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The expected investment return and discount rate increased from 6.50 percent to 7.50 percent to reflect updated capital market assumptions.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed to reflect updated investment expectations. Disability decrements were added to reflect the disability benefit. Retirement rates were changed from 100.00 percent at age 50 with 20 years of service to a graded schedule.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- Medical trend was updated based on trend model and trend surveys.
- Future retiree participation rates were updated from 40.00 percent to 35.00 percent.
- The discount rate was changed from 4.05 percent to 3.77 percent.
- Future retiree medical plan blending was updated based on an analysis of medical plan election rates as of the valuation date.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.06 percent to 4.05 percent.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- Medical trend rate was updated based on trend rate models and surveys.
- The discount rate was changed from 2.12 percent to 2.06 percent.
- Future retiree participation rates were updated from 65.00 percent to 40.00 percent.
- Future retiree spouse participation rates were updated from 40.00 percent for PERA Coordinated and 60.00 percent for PERA Police and Fire, to 35.00 percent for all participants.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.74 percent to 2.12 percent.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 4.09 percent to 2.74 percent.
- The mortality improvement scale was changed from MP-2015 to MP-2018.
- The healthcare trend rate was changed from 8.00 percent, grading to 5.00 percent over 9 years, to 7.67 percent, grading to 5.00 percent over 8 years.
- Salary increases were changed from 3.50 percent to 3.25 percent.
- Inflation rate was changed from 2.75 percent to 2.00 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.44 percent to 4.09 percent.
- The healthcare trend rate was changed from 10.00 percent, grading to 5.00 percent over 10 years, to 8.00 percent, grading to 5.00 percent over 9 years.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 4.50 percent to 3.44 percent.

PROPOSAL FORM

TO: City of Apple Valley, Minnesota
C/O Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Phone: 612-851-5900
Email: PublicSale@northlandsecurities.com

Sale Date: July 24, 2025

For all or none of the $32,450,000* General Obligation Bonds, Series 2025A, in accordance with the Notice of Sale, we will pay you $__________________________, (not less than $32,190,400) plus accrued interest, if any, to date of delivery (estimated to be August 20, 2025) for fully registered Bonds bearing interest rates and maturing on December 15 as follows:

Year	Interest Rate	Yield	Year	Interest Rate	Yield	Year	Interest Rate	Yield
2026	%	%	2033	%	%	2040	%	%
2027	%	%	2034	%	%	2041	%	%
2028	%	%	2035	%	%	2042	%	%
2029	%	%	2036	%	%	2043	%	%
2030	%	%	2037	%	%	2044	%	%
2031	%	%	2038	%	%	2045	%	%
2032	%	%	2039	%	%			

True interest percentage:_______________________% Net interest cost: $__________________________

Term Bond Option: Bonds maturing in the years:	To be accumulated into a Term Bond maturing in year:
________ through ________	________.
________ through ________	________.
________ through ________	________.
________ through ________	________.
________ through ________	________.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the City will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: ______________________________ By: ___________________________________

The foregoing proposal is hereby duly accepted by and on behalf of the City of Apple Valley, Minnesota at 7:00 PM on July 24, 2025.

______________________________________ ______________________________________

Administrator Mayor

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.