



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2019



MINNESOTA

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Comprehensive Annual Financial Report

of the

City of Andover, Minnesota

For the Year Ended

December 31, 2019

Prepared By: Finance Department
City of Andover

CITY OF ANDOVER, MINNESOTA
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I. INTRODUCTORY SECTION



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June 16, 2020

To the Honorable Mayor and City Council
City of Andover
1685 Crosstown Blvd. NW
Andover, Minnesota 55304

Dear Honorable Mayor and Council Members:

The Comprehensive Annual Financial Report is submitted in conformance with all applicable governing laws and regulations. The following has set the standards forth:

- *Andover City Policy and Code
- *The State Auditor, State of Minnesota
- *Government Finance Officers Association
- *Governmental Accounting Standards Board

RESPONSIBILITY. Responsibility for both the accuracy of the presented data and the completeness of the financial statements including all disclosures rests with the City. We believe the data, as presented, is accurate in all material aspects. This report has been presented in a manner designed to fairly set forth the financial position and results of operations as measured by the financial activity of its various funds.

FINANCIAL STATEMENT FORMAT. This Comprehensive Annual Financial Report is presented in three main sections:

- I. Introductory
- II. Financial
- III. Statistical

The **Introduction** includes a list of the City's principal officials as of December 31, 2019, the table of contents, the public officials, organizational chart, and this Letter of Transmittal. The **Financial Section** includes: (1) independent auditor's report; (2) management's discussion and analysis; (3) government wide and fund financial statements; (4) notes to the financial statements; (5) required supplementary information; (6) the combining statements, individual fund statements; and, (7) the supplemental information. The **Statistical Section** includes tables and reports of various economic, social, financial and fiscal data designed to reflect trends and ratios.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Andover's MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY. All City funds, departments, commissions, and other organizations for which the City of Andover is financially accountable are presented within the Comprehensive Annual Financial Report. The Andover Firefighters' Relief Association does not meet the established criteria for inclusion in the reporting entity, and accordingly is excluded from this report.

GENERAL INFORMATION. The city we know today as Andover was first organized in 1857 under the name "Round Lake Township." However, in 1860 the name was changed to "Grow Township" in honor of Senator Galusha A. Grow of Pennsylvania. Senator Grow spoke at a political campaign in Anoka that year, and the town name was changed to reflect Senator Grow because of his strong advocacy of the Union cause. At that time, the population was 330 and included the geographical area we know today as Ham Lake. In fact, the area of Ham Lake was considered a part of Grow Township until 1871.

In 1972, the Grow Township Board of Supervisors recognized that the town was growing at a very rapid rate. They felt a village form of government would provide better services to the community. Board supervisors then voted in favor of proceeding with the incorporation process. The board voted to submit a new name for the village. "Andover Village" was chosen because the name Andover had historical interest. The historical interest, we believe, came from the Andover train station.

To the Honorable Mayor and City Council
City of Andover, Minnesota

You may have heard the popular “train myth” about how Andover received its name. The myth states that a train tipped over in a swamp, and an eyewitness, relaying the incident, said it “went over and over,” thereby naming the city “Andover.” However, research reveals that the name Andover first appeared in an article dated March 14, 1899 in the *Anoka County Union Newspaper* - before train tracks were ever built in the city.

The article stated that the Eastern Minnesota line of the Great Northern Railway was in the process of constructing railroad tracks from the Coon Creek Cut-off to the North. The railway announced that new railroad stations with mathematical precision were to be located five miles apart from each other. The new stations (from Coon Creek to the North, along the new railroad line) were to be named Andover, Cedar, Bethel, Isanti, Cambridge, Stanchfield, Braham, Grasston, Cornell, and Brook Park. On July 4, 1899, the first train passed through the Andover station. Where the railway came up with the name Andover still remains unknown.

Andover Village was established in 1972 and then became the City of Andover, a city of the fourth class, in 1974. Today the City of Andover’s population exceeds 20,000, classifying it as a second class city.

The City of Andover as it exists today consists of 23,040 acres. Andover has a population estimated at 33,000. A growing suburb of the northern metropolitan area, the City of Andover is approximately sixteen miles from Minneapolis.

SERVICES PROVIDED. The City of Andover provides various services to the residents in the community. The current services are:

General Government:

Mayor and City council	Financial administration	Information systems
Newsletter	Elections	Facility management
City clerk	Assessing	Engineering
Administration	Legal	Risk management
Human resources	Planning and zoning	

Public Safety:

Police	Protective inspection	Animal control
Fire protection	Civil defense	

Public Works:

Streets and highways	Street signs	Traffic signals
Snow and ice removal	Central equipment maintenance	Water maintenance
Street lighting		

Sanitation:

Storm sewers	Sanitary sewer maintenance
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Parks and Recreation

Recycling

GOVERNMENT STRUCTURE. Andover is a statutory city with the City Council appointing a City Administrator. The City Administrator has operating responsibilities for all City functions. A list of public officials and organizational chart can be found on page 10 and 11 respectively.

ECONOMIC CONDITION AND OUTLOOK

Moderate population growth is expected to continue in 2020 and 2021, with an estimated population of 33,300 by 2020. The rate of residential growth as compared to the growth in the 1990’s and 2000’s has significantly declined as the availability of residentially zoned property decreased. The City has experienced a significant amount of commercial growth from 2000 through current 2019. Continual commercial growth is anticipated over the next couple years, beyond that growth will slow as the amount of undeveloped commercially zoned property also declines.

The City’s General Fund has two major categories of revenue, which accounted for 85% of the total in 2018. They are general property taxes at 73% and charges for services at 9%. In prior years, intergovernmental revenue was the second largest category of revenue for the General Fund. Intergovernmental revenue includes state aids, such as local government aid (LGA), market value homestead credit (MVHC), highway maintenance aid, fire relief aid and police aid; and county grants, such as recycling and community development.

To the Honorable Mayor and City Council
 City of Andover, Minnesota

During the past several years, the State of Minnesota has made numerous changes to laws pertaining to the distribution of LGA, Homestead and Agricultural Credit Aid (HACA) and MVHC resulting in significant reductions in intergovernmental revenue.

The City has been able to make up this loss in aid through operational efficiencies and an increased tax levy, the most substantial increase in the local tax rate took place in 2002. The tax laws that resulted in the 2002 change also greatly reduced school district property tax levies, resulting in no net tax increase for most residential property owners. Sweeping changes approved in 2003 resulted in the loss of approximately \$590,000 in aid to Andover, that loss in aid was originally intended to be for two years (2003 & 2004) but that loss was extended to include years 2005 and 2006. The state allowed cities the ability to levy up to 60% of the lost 2003 aid in 2004. Again, in 2008 through 2012, the State of Minnesota significantly reduced MVHC to help deal with the state budget deficit. In 2013, the State eliminated MVHC and instituted the new market value exclusion program.

In 2014, LGA was reinstated for the City in the amount of \$74,655. Due to the unpredictability of the State, those funds were used to help offset the growing needs of the Road and Bridge Capital Projects Fund for street improvements/replacements. The City is not intending to rely on this funding for general operational needs. In 2015, LGA was eliminated again for the City. In 2016, the City received \$2,706 in LGA. In 2017, 2018 and 2019, it was eliminated again for the City.

For 1998 through 2000, cities with populations over 2,500 were under levy limit restrictions imposed by the State. Levy limits severely curb the ability of cities to generate additional tax revenue needed to respond to an increasing demand for services. For 1999 and 2000, the levy limit formula was modified to allow for increases based on commercial and industrial growth. This was a favorable change for Andover, as the City experienced a surge in commercial growth during that period. Levy limits were lifted for 2001 but were reinstated for 2002 - 2004. The 2004 levy limits were so severe that the State did not allow cities the ability to capture residential and commercial market value growth. Levy limits were lifted from 2005 to 2008, but reinstated for 2009 and are still in place in some form yet today.

The City's General Fund receives a substantial amount of revenue from licenses and permits. The past ten years are shown below:

	<u>Revenues</u>	<u>Change</u>
2010	\$ 329,901	n/a
2011	387,206	\$ 57,305
2012	449,826	62,620
2013	536,706	86,880
2014	364,430	(172,276)
2015	452,422	87,992
2016	625,907	173,485
2017	546,378	(79,529)
2018	562,525	16,147
2019	855,831	293,306

Revenue from residential building continued to modestly increase from 2010 to 2013, but it is unlikely that those revenues will reach the levels of the early 2000's as a reduced number of new residential lots are being added to the overall lot inventory. From 2010 to 2013, the home building market showed signs of improvement and some commercial activity taking place accounted for the increase in permit revenue. In 2014, there was a decrease in both residential and commercial activity. There was a slight increase in construction activity in 2015. In 2016, there was an increase in both residential and commercial construction. In 2017, there was a decrease in single-family building permits issued going from 111 permits in 2016 to 94 in 2017. The decline in single-family building permits continued in 2018 to a total of 60, but commercial permit valuations exceeded 2017 by over \$10,000,000 thus the increase in 2018. The increase in 2019 is due to single-family building permits reaching 116, nearly double of 2018. There was a lot of commercial activity as well with the school district and city starting expansion projects.

The City's General Fund also receives a considerable amount of revenue from charges for services. The past ten years are shown below:

To the Honorable Mayor and City Council
 City of Andover, Minnesota

	<u>Revenues</u>	<u>Change</u>
2010	\$ 755,184	n/a
2011	866,584	\$ 111,400
2012	973,605	107,021
2013	1,122,461	148,856
2014	998,510	(123,951)
2015	804,228	(194,282)
2016	912,219	107,991
2017	843,023	(69,196)
2018	888,947	45,924
2019	1,133,161	244,214

The City analyzes user fees every year as part of the budget process and makes adjustments where appropriate. From 2010 to 2013, the home building market showed signs of improvement and some commercial activity taking place accounted for the increase in plan review revenue. In 2014, the decrease in both residential and commercial activity resulted in a decrease as compared to 2013. A reduction in the scope of roadway projects accounted for a large part of the reduction in 2015 for engineering fees charged as compared to 2014. The increase in 2016 pertains to plan check fees associated with the increase in construction activity and engineering fees charged to roadway projects. The slight decline in 2017 relates to the decrease in housing permits issued as compared to 2016. The increase in 2018 pertains to plan check fees associated with the commercial construction activity taking place. The increase in 2019 is due to single-family building permits reaching 116, nearly double of 2018. There was a lot of commercial activity as well with the school district and city starting expansion projects.

In 2019, the City issued 116 new single-family building permits with a total valuation of \$37,258,814 compared to 60 new single-family building permits with a total valuation of \$19,703,856 the prior year. The past ten years are shown below:

	<u>New Residential</u>		<u>New Commercial / Industrial</u>	
	<u>Permits</u>	<u>Valuation</u>	<u>Permits</u>	<u>Valuation</u>
2010	71	\$ 14,700,800	11	\$ 1,247,106
2011	58	11,803,000	24	11,461,453
2012	81	15,243,007	25	5,042,964
2013	98	20,351,892	15	9,249,466
2014	52	13,926,901	14	4,285,281
2015	74	19,631,775	16	2,513,609
2016	111	28,893,036	7	14,009,200
2017	94	27,847,716	-	-
2018	60	19,703,856	2	2,860,000
2019	116	37,258,817	1	3,381,400

Residential Development

New residential development included approval of 125 urban lots within the Catcher’s Creek West, Catcher’s Creek East, Shadowbrook North, Winslow Cove Second Addition and Villas at Crosstown Woods. Also 7 rural lots were approved in a development known as the Estates at Cedar Ridge. The City currently has a supply of 208 urban lots and 16 rural lots (which includes the lots above).

Commercial Industrial Development

New institutional/commercial/industrial businesses moved to Andover in 2019. These business’ included Star Nails, Mathnasium, Canine Crossing, Inspire Academy of Music, Andover Tobacco, Sora Pediatric Therapy, CBD RS, and Custom Smiles Dentistry.

Andover High School is to receive close to \$30 million in additions totaling 67,000 square feet, and other improvements to another 5,700 square feet of space in the school. Phase 1 additions and remodeling started in 2018 and was completed in 2019. Priority among the projects is an addition to the building to create safe and secure learning environments through the removal of 12 portable classrooms. The school was originally designed for 1,400 students, but today 1,700 students attend the school. The projects will bring the school’s capacity to 2,000 students. There will also be an expansion of the school’s security control space, classroom expansion, group learning space, staff planning areas, additional student lockers; expansion of administrative and guidance areas to support the expanded capacity; and an auditorium expansion to increase seating and better serve the increased student capacity and community. In addition, there will be an expansion of the school’s cafeteria to accommodate the expanded capacity; an expansion of Andover’s strength/fitness space to provide all students and school/community programs with opportunities before and after school; an additional gymnasium attached to existing gym space to accommodate the expanded capacity and address storage deficiencies. Phase 2 is expected to occur in the spring of 2020.

To the Honorable Mayor and City Council
 City of Andover, Minnesota

Legacy Christian Academy started their expansion project during 2019 and will include additional classrooms. The expansion includes a three-story classroom addition (approximately 33,000 sq. ft.) between the existing buildings to replace temporary classrooms.

The Anoka County Parks Department completed two new outdoor gathering spaces at the Bunker Hills Activities Center. The first area removed the current ramps on the south side of the building and replaced it with a 120-person capacity deck. This will provide additional space for meetings, family gatherings, weddings, and other events. The second area converted the existing greenhouse into an exterior patio area accessible from the inside as well as the outside. Construction on the deck and patio started in 2018 and was completed in the spring of 2019.

EMPLOYMENT

The City of Andover’s largest employers are government entities. The Anoka-Hennepin School District has a significant presence in the community and Anoka County’s Parks and Highway Departments and Sheriffs Office headquarters are located in Andover. The City of Andover is best classified as a bedroom community, since a majority of the residents commute outside of Andover for employment opportunities. The City does anticipate with the completion of development of the Andover Station Commercial Park that additional employment opportunities will be provided to residents in the near future.

Major employers in Andover are as follows:

<u>Firm</u>	<u>Type of Business / Product</u>	<u>Number of Employees</u>
Anoka-Hennepin ISD No 11	Elementary and secondary education	928
Wal-Mart	Retail	335
Fairview - Andover Clinic	Healthcare	300
Kottkes' Bus Service, Inc.	Bus transportation	225
YMCA	Youth organization - fitness center	220
TE Connectivity	Connector and sensor manufacturing	201
Target	Retail	200
Anoka County Sheriff's Office	County government and services	171
GAF Materials Corp	Roofing materials-manufacturing	150
Anoka County Highway Department	County government and services	120

MAJOR INITIATIVES

FOR THE YEAR. The City has many accomplishments to report for 2019. The following list is a summary of some of the major initiatives completed throughout the year.

- 1) In 2019, the City again saw new residential development which included approval of 125 urban lots within the Catcher’s Creek West, Catcher’s Creek East, Shadowbrook North, Winslow Cove Second Addition and Villas at Crosstown Woods. Also 7 rural lots were approved in a development known as the Estates at Cedar Ridge. The City currently has a supply of 208 urban lots and 16 rural lots (which includes the lots above).
- 2) In 2019, the City saw commercial, industrial and institutional construction throughout the community totaling close to \$30 million in valuation. Many businesses came to Andover that did extensive tenant finishes or remodels in existing multi-tenant buildings.
- 3) In 2019, Legacy Christian Academy a K-12 private school started their expansion project. The expansion includes a three-story classroom addition (approximately 33,000 sq. ft.) between the existing buildings to replace temporary classrooms.
- 4) Andover High School will receive close to \$30 million in additions totaling 67,000 square feet and other improvements adding another 5,700 square feet of space in the school. Phase 1 of the additions and remodeling started in 2018 and was completed in 2019. Part of the project is the removal of 12 portable classrooms. The school was originally designed for 1,400 students, but today 1,700 students attend the school. Phase 2 construction will take place in 2020 and when the construction is complete the school’s capacity will be 2,000 students.
- 5) The City completed the master planning concept layout of the City Campus site in 2016 to prepare for the facility needs for the ultimate build out of the City. The master planning concept layout provides for the Public Works, Public Safety, General Government and Recreational long-term needs of the community. In 2017, the City hired two

To the Honorable Mayor and City Council
City of Andover, Minnesota

architectural firms to start the design for a Public Works Maintenance Facility, cold storage building and to explore a potential expansion of the Andover YMCA/Community Center. Both projects completed design in 2018. The Public Works component (Maintenance Facility, Fleet Storage Building and Vehicle Wash Bay) was out for bid in late 2018 and a bid awarded for construction in early 2019 with a \$10.5 million budget. The Community Center Expansion design continued throughout 2018, the project (a new sports complex with elevated walking track, additional fieldhouse court, team training space, youth center, remodeled Community Rooms, added meeting spaces and expanded parking) was out for bid in early 2019 and a bid awarded for construction in late Spring 2019 with a \$17.9 million budget.

- 6) In 2018, working with the Anoka County Parks Department, two new outdoor gathering spaces at the Bunker Hills Activities Center started construction. The first area will remove the current ramps on the south side of the building and replace it with a 120-person capacity deck. This will provide additional space for meetings, family gatherings, weddings, and other events. The second area converts the existing greenhouse into an exterior patio area accessible from the inside as well as the outside. This project started in 2018 and was completed in 2019.
- 7) In 2017 and 2018, the City of Andover, in cooperation with the Anoka County Highway Department, worked through the planning of the Hanson Boulevard expansion and reconstruction. Right of Way clearing and utility work took place in 2018 with full construction of Phase 1 in 2019, Phase 2 will be underway and completed in 2020. This project is financed primarily by a federal grant. Trails and intersection improvements are also constructed as part of the project phases.
- 8) The City of Andover EDA went through the public hearing process in 2011 to modify the City Development Plan to create redevelopment areas of the community and to facilitate the opportunity to acquire dilapidated and substandard multi-family homes within specified target areas. The EDA was successful in acquiring one 4-plex property in November of 2011 to start the redevelopment process with hopes of continuing to add to the critical land mass necessary to start marketing for a redevelopment project. In late 2017 the EDA was successful in acquiring three more 4-plex properties and one additional 4-plex in 2018. The EDA continues to pursue the acquisition of properties in the redevelopment areas from willing sellers.
- 9) In 2016, City Staff started work with the State of Minnesota Board of Soil and Water Resources on a wetland restoration of the old Woodland Creek Golf Course parcel. The City acquired the old 74-acre golf course in late 2013, subsequently a 6-acre parcel was sold to a developer and a 6-unit subdivision called Shadow Ponds was the outcome. The remaining acreage was to be restored to a wetland with passive nature trails. Construction bids were received in late 2016 with the first phase of construction completed the summer and fall of 2017. Other restoration elements including the addition of a boardwalk continued throughout 2018. Final restoration work on the project's nature trails continued into 2019 and the trails were open to the public in the summer of 2019.
- 10) Andover residents continue to have one of the highest recycling rates per person for all recyclable materials in Anoka County. In 2014, the City added a new Recycling Center to expand the current recycling opportunities for Andover residents. In 2019, the City hosted monthly recycling events (on weekends), generally with a specific focus, such as paper shredding and appliance or electronics collection.
- 11) A strategic planning session was held with the City Council, a final Council Community Vision and Organization Goals and Values document was approved at the July 7, 2015 City Council meeting. Direction provided in that document has been integrated into various department work plans and budgets. As part of the 2020 Budget Development process the Council participated in a new strategic planning process throughout 2019 updating the Council Community Vision and Organization Goals and Values document.
- 12) The City's Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2018 was awarded the Government Finance Officers Association's "Excellence in Financial Reporting Award." The City completes this document internally and recognized significant cost savings in the form of reduced financial consulting fees. This is the seventeenth consecutive year receiving the award and it is anticipated that the City's CAFR for the year ended December 31, 2019 will also achieve this award.
- 13) For the eighteenth year in a row, the City of Andover was awarded the Government Finance Officers Association Distinguished Budget Presentation Award for the City's 2019 Annual Budget. This award recognizes excellence in the preparation of the City's budget document as a policy document, an operations guide, as a financial plan and as a communications device.
- 14) Ongoing implementation of a single-family rental housing license program to provide property owners/landlords with educational materials and checklists on how to inspect and maintain the exterior of the property, a list of potential ordinance violations that may occur with a rental property, and an exterior inspection of the building and grounds with

To the Honorable Mayor and City Council
City of Andover, Minnesota

city staff. This program was authorized by the Andover City Council in 2009 and is reviewed annually, there were close to 260 single family rental licenses issued throughout the City in 2019.

- 15) The City continues to make significant progress on the process of digitally imaging documents retained, this includes standard and legal documents and large construction plan documents. The imaging project has helped the City reduce staffing through data storage retrieval efficiencies, eliminated the need for office expansion and has expedited City research projects.
- 16) The City continues to utilize updates to our financial management software to improve reporting and operating efficiencies. These updates continue to yield reduced personnel costs and more timely reports. In 2019, the City saw increased growth in the number of online and counter credit card payments for various City permits and services. Approximately 50% of the Building Department's permits were done online.

FOR THE FUTURE. The City continues to focus on quality of life improvements throughout the City. These efforts cover a broad array of areas including: protecting and improving the environment, revitalization of parks and public areas, expanding recreational opportunities, providing cost-effective city services, increased communication between city representatives and the public and added commercial/retail opportunities.

The City utilizes many avenues to reach its residents, whether through community access television, electronic reader boards, the City newsletter, Facebook, Twitter or the City's webpage (www.andovermn.gov). It is important to the City that our residents are informed and have the ability to participate in the activities of their City. The City did conduct a community survey in 2006, with the help of a polling firm, to secure opinions and suggestions from the public. The City initiated and completed a community survey in early 2014, the City received very high marks.

RELEVANT FINANCIAL POLICIES

The City has a policy regarding General Fund reserve balances. The City plans for an unassigned fund balance in the General Fund equivalent to 6-months of the current year's budgeted expenditures to provide working capital between semi-annual property tax settlements. Since the property tax settlements are received by the City in July and December, the City needs sufficient cash reserves to avoid short-term borrowing to finance operations. The City also classifies fund balances for prepaid items, inventories and other legal obligations. The City may also classify a portion of fund balance for special purposes.

The primary goal of the City's investment policy is to ensure the safety of the principal invested. Cash temporarily idle during the year is invested in certificates of deposit, commercial paper, and obligations of the U.S. Treasury and government agencies. Cash balances from all City funds are pooled into an investment fund and investment income is distributed on a pro-rata basis at the end of each quarter. Extended maturities are utilized to take advantage of higher yields but staggered in a way to meet projected liquidity needs.

Capital financing for major improvements is provided through improvement bonds, general obligation bonds, tax increment bonds, or revenue bonds. Depending on the project, special assessments may be levied upon properties to share in the cost of the improvement project. The special assessments are collected over a period of time and are used to help satisfy the improvement bond debt or reimburse the fund used to finance the project.

The City Council has also adopted financial management policies in order to allow for the planning of adequate funding of services desired by the public, to manage City finances wisely, and to carefully account for public funds. These policies are reviewed each year when the annual budget is adopted. The financial management policies included: operating budget policies; revenue policies; accounting, auditing and financial reporting policies; investment policies; debt policies; capital improvement policies; and risk management policies.

The City Council has adopted a comprehensive set of internal control procedures. The City's accounting system was developed and is continually evaluated to assure the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance in the areas of: safeguarding assets against loss from unauthorized use or disposition, reliability of financial records, and convenience of access for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance adopted by the City Council recognizes that the evaluation of cost and benefits requires estimates and judgments by management, and the cost of a control should not exceed the benefits likely to be derived. All internal controls are evaluated against the above criteria. It is our belief that the City's internal accounting controls adequately safeguard the City's assets and also provide reasonable assurance of properly recording financial transactions.

To the Honorable Mayor and City Council
City of Andover, Minnesota

OTHER INFORMATION

AWARDS. The Government Finance Officers Association (GFOA) of the United States and Canada presented a Distinguished Budget Presentation Award to the City of Andover for its annual budget for the fiscal year beginning January 1, 2019. This is the eighteenth year in a row the City of Andover has received this award. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. This award is valid for a period of one year only. We believe that the annual budget for the fiscal year beginning January 1, 2020 continues to conform to the program requirements and have submitted it to the GFOA to determine its eligibility for another award.

The GFOA also presented the Certificate of Achievement for Excellence in Financial Reporting Award to the City of Andover for its 2018 Comprehensive Annual Financial Report. This is the seventeenth time the City of Andover has received this award. In order to receive this award, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. This award is valid for a period of one year only. We believe this report for 2019 continues to conform to the Certificate of Achievement Program requirements and have submitted it to the GFOA to determine its eligibility for another award.

INDEPENDENT AUDIT. State statutes require an annual audit by independent certified public accountants. Redpath and Company, Ltd. was engaged by the City to render an opinion on the City's financial statements. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

ACKNOWLEDGMENTS. The preparation of this report could not have been accomplished without the efficient services and dedication of the Finance Department staff and the consultation of the City's auditing firm. Staff members: Lee Brezinka, Melissa Knutson and Brenda Fildes have my sincere appreciation for their contribution to the preparation of this report.

I also want to express our appreciation to the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a fiscally responsible manner.

Respectfully submitted,



James Dickinson
City Administrator

CITY OF ANDOVER, MINNESOTA
ORGANIZATION
 December 31, 2019

<u>Office</u>	<u>Name</u>	<u>Term</u>
Mayor	Julie Trude	January 5, 2021
Council Member	Jamie Barthel	January 1, 2023
Council Member	Sheri Bukkila	January 5, 2021
Council Member	Valerie Holthus	January 1, 2023
Council Member	Michael Knight	January 5, 2021
City Administrator / City Clerk	James Dickinson	Appointed
Community Development Director	Joe Janish	Appointed
Director of Public Works / City Engineer	David Berkowitz	Appointed
Finance Manager	Lee Brezinka	Appointed
Building Official	Fred Patch	Appointed
Fire Chief	Jerry Streich	Appointed
Attorney	Hawkins & Baumgartner, P.A.	Appointed
Fiscal Consultants	Ehlers & Associates, Inc.	Appointed

CITY OF ANDOVER Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Andover
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO

II. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Andover, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Andover, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Andover, Minnesota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Andover, Minnesota, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Andover, Minnesota's 2018 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated May 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Andover, Minnesota's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, statistical section and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2020, on our consideration of the City of Andover, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Andover, Minnesota'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 of Andover, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 4, 2020

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

As management of the City of Andover, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2 through 9 of 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 \$191,070,822 (net position). Of this amount, \$40,591,162 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

The City's total net position increased by \$7,198,385 from current year activity, primarily due to the budget savings and an increase in commercial/residential construction fees.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$52,150,535.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Nonspendable	\$ 122,993	\$ 1,957	\$ -	\$ -	\$ 124,950
Restricted	-	106,164	1,436,104	18,154,615	19,696,883
Committed	-	518,312	-	-	518,312
Assigned	-	556,441	-	22,013,491	22,569,932
Unassigned	<u>9,240,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,240,458</u>
	<u>\$ 9,363,451</u>	<u>\$ 1,182,874</u>	<u>\$ 1,436,104</u>	<u>\$ 40,168,106</u>	<u>\$ 52,150,535</u>

The City's total long-term liabilities increased by \$15,058,360 during the current fiscal year, primarily due to the issuance of general obligation abatement bonds for the addition to the community center; multi-sports complex, additional court to the fieldhouse and meeting spaces.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Bonds payable	\$ 24,864,000	\$17,228,695	\$ (1,473,648)	\$ 40,619,047
Other post employment benefits	251,446	50,075	(10,587)	290,934
Compensated absences	692,379	441,978	(412,703)	721,654
Net pension liability	<u>3,135,929</u>	<u>348,787</u>	<u>(406,731)</u>	<u>3,077,985</u>
Total governmental activities	<u>28,943,754</u>	<u>18,069,535</u>	<u>(2,303,669)</u>	<u>44,709,620</u>
Business-type activities:				
Bonds payable	3,829,374	-	(718,316)	3,111,058
Other post employment benefits	40,933	8,153	(1,724)	47,362
Compensated absences	198,927	72,988	(59,667)	212,248
Net pension liability	<u>405,101</u>	<u>29,537</u>	<u>(38,477)</u>	<u>396,161</u>
Total business-type activities	<u>4,474,335</u>	<u>110,678</u>	<u>(818,184)</u>	<u>3,766,829</u>
Total City long-term liabilities	<u>\$ 33,418,089</u>	<u>\$18,180,213</u>	<u>\$ (3,121,853)</u>	<u>\$ 48,476,449</u>

Overview of the Financial Statements

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

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

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two 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 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, sanitation, parks and recreation, recycling and economic development. The business-type activities of the City include water, sewer and storm sewer.

The government-wide financial statements can be found on pages 29 through 31 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 statement. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the following major funds: General Fund and the following capital projects funds (CPF): Water Trunk, Sewer Trunk, Road and Bridge, 2018A G.O. Capital Improvement Plan Bonds, 2019A G.O. Abatement Bonds and Tax Increment Projects.

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds.

A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 32 through 37 of this report.

Proprietary funds. When the City charges customers for the services it provided – whether to outside customers or to other departments of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of revenues, expenses and changes in net position.

The enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses enterprise funds to account for its water, sanitary sewer and storm sewer operations.

Internal service funds are used to report activities that provide supplies and services for the City's other departments, such as the equipment maintenance and insurance funds. The internal service funds are reported with governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 38 through 43 of this report.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 through 77 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information on budgetary comparisons, the modified approach for streets and trails infrastructure and pension information. Combining and individual fund statements and schedules can be found on pages 92 through 123 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$191,070,822 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$145,185,050 or 76 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. It does not include any refunding debt that has not met the refunding date of the original issue. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF ANDOVER'S NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Current and other assets	\$ 48,786,279	\$ 60,002,871	\$ 10,527,200	\$ 10,773,602	\$ 59,313,479	\$ 70,776,473
Capital assets	<u>118,615,236</u>	<u>132,538,146</u>	<u>40,898,073</u>	<u>41,658,673</u>	<u>159,513,309</u>	<u>174,196,819</u>
Total assets	<u>167,401,515</u>	<u>192,541,017</u>	<u>51,425,273</u>	<u>52,432,275</u>	<u>218,826,788</u>	<u>244,973,292</u>
Deferred outflows of resources	<u>949,991</u>	<u>554,870</u>	<u>72,215</u>	<u>34,748</u>	<u>1,022,206</u>	<u>589,618</u>
Long-term liabilities						
outstanding	28,943,754	44,709,620	4,474,335	3,766,829	33,418,089	48,476,449
Other liabilities	<u>1,084,990</u>	<u>4,808,958</u>	<u>21,846</u>	<u>87,460</u>	<u>1,106,836</u>	<u>4,896,418</u>
Total liabilities	<u>30,028,744</u>	<u>49,518,578</u>	<u>4,496,181</u>	<u>3,854,289</u>	<u>34,524,925</u>	<u>53,372,867</u>
Deferred inflows of resources	<u>1,344,705</u>	<u>1,036,651</u>	<u>106,927</u>	<u>82,570</u>	<u>1,451,632</u>	<u>1,119,221</u>
Net position:						
Net investment in capital assets	103,577,524	106,637,436	37,068,699	38,547,614	140,646,223	145,185,050
Restricted	5,081,230	5,294,610	-	-	5,081,230	5,294,610
Unrestricted	<u>28,319,303</u>	<u>30,608,612</u>	<u>9,825,681</u>	<u>9,982,550</u>	<u>38,144,984</u>	<u>40,591,162</u>
Total net position	<u>\$ 136,978,057</u>	<u>\$ 142,540,658</u>	<u>\$ 46,894,380</u>	<u>\$ 48,530,164</u>	<u>\$ 183,872,437</u>	<u>\$ 191,070,822</u>

A 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 (\$38,144,984) 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.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

Government-wide Activities

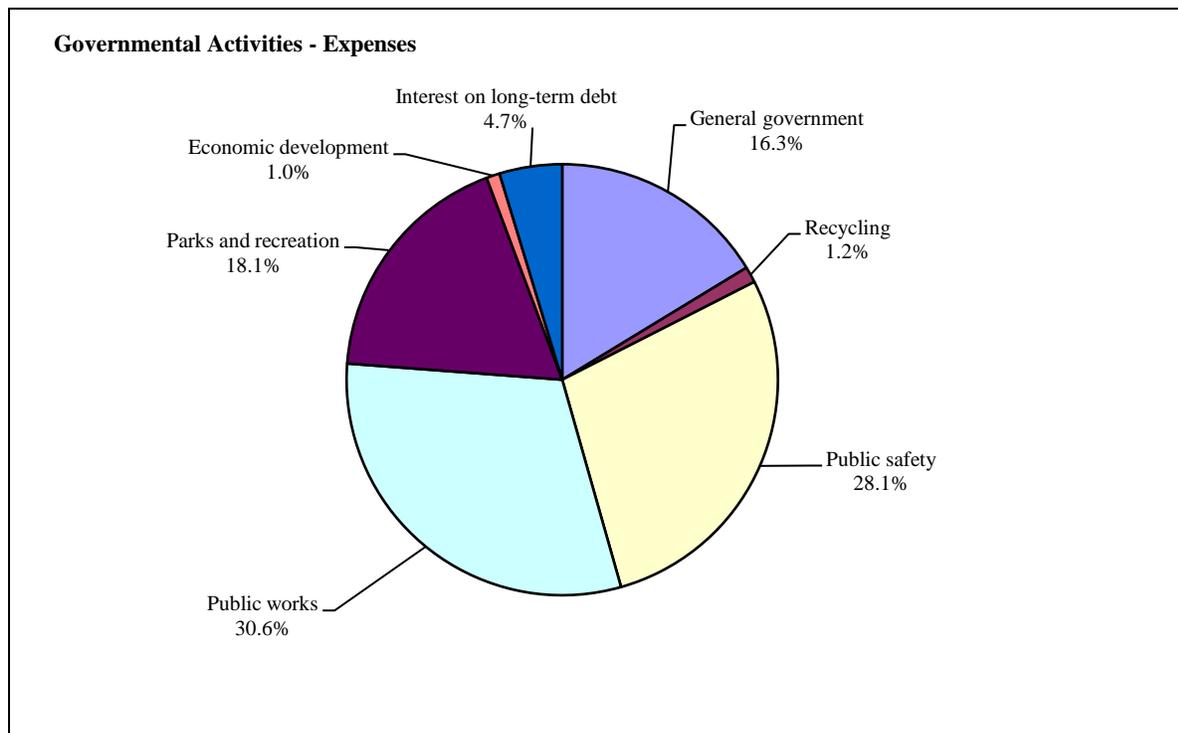
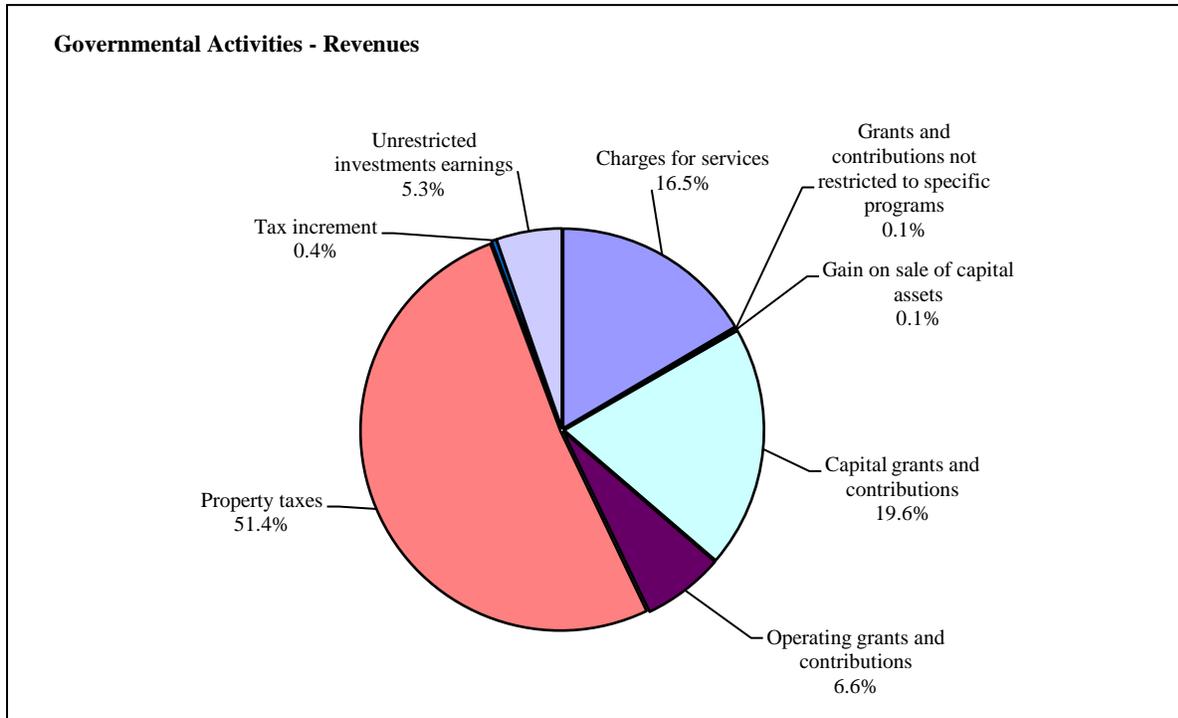
Governmental activities increased the City's net position by \$5,562,601 and business-type activities increased net position by \$1,635,784. Key elements of the activities are as follows:

City of Andover's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenues:						
Program revenues:						
Charges for services	\$ 3,342,141	\$ 4,175,896	\$ 5,924,798	\$ 5,650,560	\$ 9,266,939	\$ 9,826,456
Operating grants and contributions	1,407,217	1,662,842	-	-	1,407,217	1,662,842
Capital grants and contributions	1,608,129	4,950,131	504,267	712,976	2,112,396	5,663,107
General revenues:						
Property taxes	12,423,060	13,011,406	-	-	12,423,060	13,011,406
Tax increment	82,874	89,414	-	-	82,874	89,414
Grants and contributions not restricted to specific programs	12,917	14,053	-	-	12,917	14,053
Unrestricted investments earnings	560,133	1,346,685	117,637	236,356	677,770	1,583,041
Gain on sale of capital assets	36,431	24,550	-	15,818	36,431	40,368
Total revenues	19,472,902	25,274,977	6,546,702	6,615,710	26,019,604	31,890,687
Expenses:						
General government	3,209,512	3,159,045	-	-	3,209,512	3,159,045
Public safety	5,263,071	5,426,472	-	-	5,263,071	5,426,472
Public works	4,257,014	5,939,704	-	-	4,257,014	5,939,704
Parks and recreation	3,321,793	3,507,705	-	-	3,321,793	3,507,705
Recycling	206,335	231,625	-	-	206,335	231,625
Economic development	249,669	202,182	-	-	249,669	202,182
Interest on long-term debt	377,314	917,913	-	-	377,314	917,913
Water	-	-	2,306,013	2,280,247	2,306,013	2,280,247
Sewer	-	-	2,175,331	2,289,555	2,175,331	2,289,555
Storm sewer	-	-	614,816	737,854	614,816	737,854
Total expenses	16,884,708	19,384,646	5,096,160	5,307,656	21,980,868	24,692,302
Increase (decrease) in net position before transfers	2,588,194	5,890,331	1,450,542	1,308,054	4,038,736	7,198,385
Transfers	177,921	(327,730)	(177,921)	327,730	-	-
Change in net position	2,766,115	5,562,601	1,272,621	1,635,784	4,038,736	7,198,385
Net position - beginning	134,211,942	136,978,057	45,621,759	46,894,380	179,833,701	183,872,437
Net position - ending	<u>\$ 136,978,057</u>	<u>\$ 142,540,658</u>	<u>\$ 46,894,380</u>	<u>\$ 48,530,164</u>	<u>\$ 183,872,437</u>	<u>\$ 191,070,822</u>

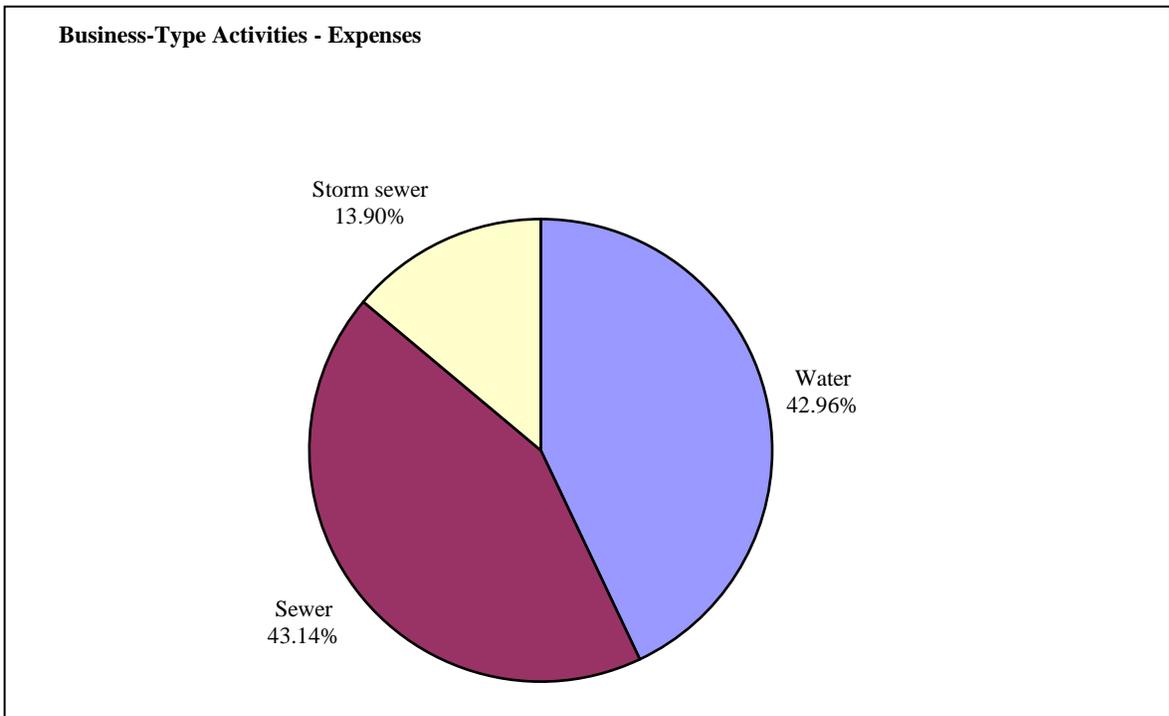
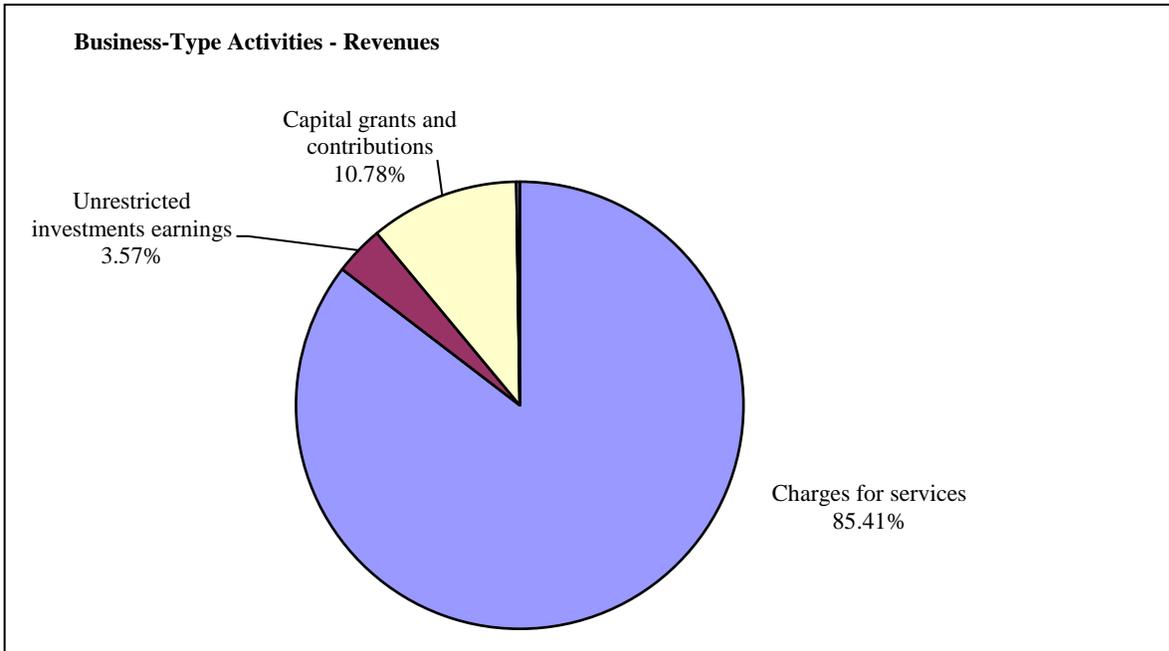
Governmental Activities

Following are specific graphs that provide comparisons of the governmental activities revenues and expenses:



Business-Type Activities

Following are graphs showing the business-type activities revenue and expense comparisons:



Financial Analysis of the Government's Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$52,150,535. Approximately 17.7 percent of this total amount (\$9,240,458) constitutes unassigned fund balance. The remainder of the fund balance (\$42,910,077) is not available for new spending because it is either 1) nonspendable (\$124,950), 2) restricted (\$19,696,883), 3) committed (\$518,312) or 4) assigned (\$22,569,932).

Major Funds

The general fund increased by \$1,227,115 in 2019, which was a \$1,430,062 change from the final budget. The final budget showed a decrease in fund balance of \$202,947. The change in fund balance is due to various departments under-spending and revenues exceeding budgets related to residential and commercial construction activity.

The water and sewer trunk capital projects funds fluctuate based on development activity and whether there is any cost sharing for pipe over-sizing, extra depth, etc. The addition of the following developments has increase connection fees and special assessments: Catchers Creek 2nd Addition, Country Oaks North 3rd addition, Catcher's Creek 2nd Addition, Winslow Cove 1st and 2nd Additions, and White Pine Wilderness 4th Addition. The water trunk fund (\$300,000) and sewer trunk fund (\$400,000) continue to receive funds from the water and sewer enterprise funds to be set aside for future infrastructure replacements.

The road and bridge capital projects fund decreased by \$943,677 primarily due to the increase in roadway reconstruction activity in 2019.

The 2018A G.O. capital improvement plan bonds capital projects fund decreased due to the construction of the public works maintenance facility and cold storage building.

The 2019A G.O. abatement bonds capital projects fund increased due to the sale of bonds in August with construction planned to be completed in Fall of 2020.

The tax increment capital projects fund increased by \$156,310 primarily due to minimal activity in the fund.

Nonmajor Funds

The eda general special revenue fund decreased \$48,643 due to the tax increment administration fee revenue diminishing.

The community center special revenue fund increased \$159,069 due to departments under-spending and revenues exceeding the budget.

The 2018A G.O. capital improvement plan bonds debt service fund increased by \$309,484 due to the timing of when tax revenue is collected and when debt service payments are made.

The park dedication capital projects fund increased by \$580,549 due to an increase in development activity and the collection of a donation.

The building capital projects fund increased by \$284,774 primarily due to the tax revenues exceeding expenditures as funds build up for future repairs and maintenance.

The trail and transportation capital projects fund decreased by \$417,256 as the boardwalk was completed along Crosstown Boulevard.

The capital equipment reserve capital projects fund increased by \$372,386 primarily due to the reimbursement for prior years expenditures related to the city campus expansion plan.

The permanent improvement revolving capital projects fund increased by \$171,278 as special assessments continue to be collected with no projects planned for the near future.

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 unrestricted net position in the respective proprietary funds are enterprise funds of \$9,859,828 (water \$5,212,329, sewer \$4,004,969 and storm sewer \$642,530) and internal service funds of \$1,062,139. The enterprise funds had a net increase in net position from current year activity of \$1,659,491 (water \$457,395, sewer \$814,023 and storm sewer \$388,073). Internal service funds had a net decrease in net position of \$44,276.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT’S DISCUSSION AND ANALYSIS
 December 31, 2019

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$174,196,819 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment.

The City has elected to use the modified approach as defined in GASB Statement No. 34 for infrastructure reporting for its Pavement Management Program, which includes streets and trails. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- 1) The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (a) an up-to-date inventory; (b) perform condition assessments and summarize the results using a measurement scale; and (c) estimate annual amount to maintain and preserve at the established condition assessment level.
- 2) The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

Prior to 2013, the continuous scale was from 0 to 100 where 0 is assigned to the least acceptable physical condition and 100 is assigned to a new street or trail. Starting in 2013, the continuous scale was from 0 to 10, where 0 is assigned to the least acceptable physical condition and 10 is assigned the physical characteristics of a new street or trail. The City’s policy is to achieve an average rating of good which is 6 – 6.9 (56 – 70 old scale) for all streets and trails. In the fall of 2019, the City conducted a physical condition assessment of the streets and trails constructed since 1974. This assessment will be completed every three years. As of December 31, 2019, the City’s street and trail system was rated at an Overall Condition Index (OCI) of 5.3.

The City’s streets and trails are constantly deteriorating resulting from the following factors: (1) traffic using the system; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development trenching operations; (4) water damage from natural precipitation; and (5) frost heave. The City is continuously taking actions to prolong the life of the system through short-term maintenance activities such as pothole patching, crack sealing, seal coating and overlaying. The City expended \$3,701,063 on street and trail maintenance for the year ending December 31, 2019. These expenditures delayed deterioration and the overall condition of the system remains at an appropriate OCI level through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City’s street and trail system at the average OCI rating of good is approximately \$1,150,000.

<u>Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>OCI Rating</u>
2010	\$1,150,000	\$ 1,457,082	83
2011	1,150,000	1,770,980	83
2012	1,150,000	3,894,784	83
2013	1,150,000	2,471,123	6.9
2014	1,150,000	2,029,026	6.7
2015	1,150,000	1,114,900	6.7
2016	1,150,000	1,585,756	6.3
2017	1,150,000	3,548,327	6.4
2018	1,150,000	2,274,146	6.4
2019	1,150,000	3,701,063	5.3

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land and improvements	\$ 11,090,005	\$ 115,793	\$ -	\$ 11,205,798
Streets and trails	85,723,810	1,992,213	-	87,716,023
Construction in progress	897,924	13,395,940	(206,098)	14,087,766
Buildings and improvements	27,552,688	-	-	27,552,688
Furniture and equipment	907,687	138,559	(76,377)	969,869
Machinery and equipment	8,946,544	118,331	(159,068)	8,905,807
Other park improvements	8,119,793	80,701	-	8,200,494
	<u>143,238,451</u>	<u>15,841,537</u>	<u>(441,543)</u>	<u>158,638,445</u>
Total capital assets				
Less accumulated depreciation for:				
Buildings and improvements	13,447,409	926,220	-	14,373,629
Furniture and equipment	591,047	67,255	(76,377)	581,925
Machinery and equipment	6,345,459	380,631	(150,609)	6,575,481
Other park improvements	4,239,300	329,964	-	4,569,264
	<u>24,623,215</u>	<u>1,704,070</u>	<u>(226,986)</u>	<u>26,100,299</u>
Total accumulated depreciation				
Governmental activities capital assets - net	<u>118,615,236</u>	<u>14,137,467</u>	<u>(214,557)</u>	<u>132,538,146</u>
Business-type activities:				
Land and improvements	730,243	-	-	730,243
Construction in progress	-	161,927	-	161,927
Buildings and improvements	15,877,590	-	-	15,877,590
Furniture and equipment	42,110	-	(18,674)	23,436
Machinery and equipment	1,437,493	224,202	(84,780)	1,576,915
Collection and distribution	58,390,635	2,106,535	-	60,497,170
	<u>76,478,071</u>	<u>2,492,664</u>	<u>(103,454)</u>	<u>78,867,281</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	9,905,364	454,423	-	10,359,787
Furniture and equipment	42,111	-	(18,674)	23,437
Machinery and equipment	872,825	81,273	(84,780)	869,318
Collection and distribution	24,759,698	1,196,368	-	25,956,066
	<u>35,579,998</u>	<u>1,732,064</u>	<u>(103,454)</u>	<u>37,208,608</u>
Total accumulated depreciation				
Business-type activities capital assets - net	<u>40,898,073</u>	<u>760,600</u>	<u>-</u>	<u>41,658,673</u>
Total capital assets - net	<u>\$ 159,513,309</u>	<u>\$ 14,898,067</u>	<u>\$ (214,557)</u>	<u>\$ 174,196,819</u>

Additional information on the City's capital assets can be found in Note 5.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$44,664,007, an increase of \$15,079,327 from 2018. General obligation abatement bonds (\$28,155,000) were used to refund the 2006 and 2007 EDA lease revenue refunding bonds and expand the existing community center. General obligation revenue bonds (\$3,070,000) were used for an addition to the water treatment plant and the refunding of portions of the water treatment plant bonds. Certificates of indebtedness (\$540,000) financed capital equipment purchases. Capital improvement bonds (\$10,000,000) were used to construct a new vehicle maintenance facility with a washbay and a cold storage building. Referendum bonds (\$495,000) were used to finance land acquisitions for the preservation of open space.

Additional long-term debt in the amount of \$993,902 is for compensated absences.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

City of Andover's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonds payable:			
Abatement bonds	\$ 28,155,000	\$ -	\$ 28,155,000
G.O. revenue bonds	-	3,070,000	3,070,000
Certificates of indebtedness	540,000	-	540,000
Capital improvement bonds	10,000,000	-	10,000,000
Referendum bonds	<u>495,000</u>	<u>-</u>	<u>495,000</u>
Total bonds payable	39,190,000	3,070,000	42,260,000
Issuance premiums	1,429,047	41,058	1,470,105
Compensated absences	<u>721,654</u>	<u>212,248</u>	<u>933,902</u>
Total	<u>\$ 41,340,701</u>	<u>\$ 3,323,306</u>	<u>\$ 44,664,007</u>

The City maintains an AA+ rating with a stable outlook from Standard and Poor's.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Taxable Market Value. The current debt limitation for the City is \$93,653,933. Only \$37,771,624 of the City's outstanding debt is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Notes 6 and 7.

Requests for information. This financial report is designed to provide a general overview of the City of Andover's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Andover, Attn: Finance Manager, 1685 Crosstown Boulevard NW, Andover, Minnesota 55304 or by calling 763-755-5100.

BASIC FINANCIAL STATEMENTS

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CITY OF ANDOVER, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2019
With Comparative Totals For December 31, 2018

Statement 1

	Primary Government		Totals	
	Government Activities	Business-Type Activities	2019	2018
Assets:				
Cash and investments	\$ 56,192,241	\$ 9,040,561	\$ 65,232,802	\$ 53,641,858
Cash and investments with escrow agent	152,233	-	152,233	176,788
Accrued interest	249,506	44,954	294,460	221,406
Due from other governmental units	296,081	15,345	311,426	361,532
Accounts receivable - net	166,473	1,366,213	1,532,686	1,728,635
Property taxes receivable:				
Unremitted	93,750	-	93,750	85,807
Delinquent	118,520	-	118,520	92,985
Special assessments receivable:				
Unremitted	1,936	1,222	3,158	6,871
Delinquent	22,038	273,742	295,780	283,528
Deferred	1,675,590	1,750	1,677,340	1,819,491
Inventories - at cost	209,503	29,815	239,318	250,932
Land held for resale	825,000	-	825,000	825,000
Capital assets - net:				
Nondepreciable	113,009,587	892,170	113,901,757	98,441,982
Depreciable	19,528,559	40,766,503	60,295,062	61,071,327
Total assets	<u>192,541,017</u>	<u>52,432,275</u>	<u>244,973,292</u>	<u>219,008,142</u>
Deferred outflows of resources:				
Related to other post employment benefits	11,076	1,846	12,922	12,311
Related to pensions	543,794	32,902	576,696	1,009,895
Total deferred outflows of resources	<u>554,870</u>	<u>34,748</u>	<u>589,618</u>	<u>1,022,206</u>
Liabilities:				
Interfund payable	122,721	(122,721)	-	-
Accounts payable	289,556	44,840	334,396	276,706
Contracts payable	3,284,044	78,261	3,362,305	155,359
Deposits payable	325,204	3,534	328,738	262,439
Due to other governmental units	41,576	32,403	73,979	76,646
Salaries payable	150,527	22,224	172,751	139,855
Unearned revenue	58,142	-	58,142	183,463
Accrued interest payable	537,188	28,919	566,107	193,722
Other post employment benefits:				
Due in more than one year	290,934	47,362	338,296	292,379
Compensated absences:				
Due within one year	108,248	31,837	140,085	133,696
Due in more than one year	613,406	180,411	793,817	757,610
Bonds/notes payable (net of unamortized premiums):				
Due within one year	1,561,000	725,000	2,286,000	2,149,000
Due in more than one year	39,058,047	2,386,058	41,444,105	26,544,374
Net pension liability:				
Due in more than one year	3,077,985	396,161	3,474,146	3,541,030
Total liabilities	<u>49,518,578</u>	<u>3,854,289</u>	<u>53,372,867</u>	<u>34,706,279</u>
Deferred inflows of resources:				
Related to pensions	1,036,651	82,570	1,119,221	1,451,632
Net position:				
Net investment in capital assets	106,637,436	38,547,614	145,185,050	140,646,223
Restricted for:				
Debt service	917,364	-	917,364	899,986
Tax increment purposes	4,262,535	-	4,262,535	4,107,000
Public services	114,711	-	114,711	74,244
Unrestricted	30,608,612	9,982,550	40,591,162	38,144,984
Total net position	<u>\$ 142,540,658</u>	<u>\$ 48,530,164</u>	<u>\$ 191,070,822</u>	<u>\$ 183,872,437</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDOVER, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Government activities:				
General government	\$ 3,159,045	\$ 909,139	\$ 7,414	\$ -
Public safety	5,426,472	1,091,260	450,491	-
Public works	5,939,704	357,231	1,092,044	3,886,378
Parks and recreation	3,507,705	1,677,991	-	1,063,753
Recycling	231,625	44,099	112,893	-
Economic development	202,182	96,176	-	-
Interest on long-term debt	917,913	-	-	-
Total government activities	<u>19,384,646</u>	<u>4,175,896</u>	<u>1,662,842</u>	<u>4,950,131</u>
Business-type activities:				
Water	2,280,247	2,756,944	-	211,638
Sewer	2,289,555	2,329,462	-	191,275
Storm sewer	737,854	564,154	-	310,063
Total business-type activities	<u>5,307,656</u>	<u>5,650,560</u>	<u>-</u>	<u>712,976</u>
Total primary government	<u>\$ 24,692,302</u>	<u>\$ 9,826,456</u>	<u>\$ 1,662,842</u>	<u>\$ 5,663,107</u>

The accompanying notes are an integral part of these financial statements.

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
		2019	2018	
	\$ (2,242,492)	\$ -	\$ (2,242,492)	\$ (2,457,865)
	(3,884,721)	-	(3,884,721)	(4,110,425)
	(604,051)	-	(604,051)	(1,668,396)
	(765,961)	-	(765,961)	(1,716,327)
	(74,633)	-	(74,633)	(35,116)
	(106,006)	-	(106,006)	(161,778)
	(917,913)	-	(917,913)	(377,314)
	<u>(8,595,777)</u>	<u>-</u>	<u>(8,595,777)</u>	<u>(10,527,221)</u>
	-	688,335	688,335	971,282
	-	231,182	231,182	320,806
	-	136,363	136,363	40,817
	-	1,055,880	1,055,880	1,332,905
	<u>(8,595,777)</u>	<u>1,055,880</u>	<u>(7,539,897)</u>	<u>(9,194,316)</u>
General revenues:				
General property taxes	13,011,406	-	13,011,406	12,423,060
Tax increment collections	89,414	-	89,414	82,874
Grants and contributions not restricted to specific programs	14,053	-	14,053	12,917
Unrestricted investment earnings	1,346,685	236,356	1,583,041	677,770
Gain on sale of capital assets	24,550	15,818	40,368	36,431
Transfers	(327,730)	327,730	-	-
Total general revenues, gain on sale of capital assets and transfers	<u>14,158,378</u>	<u>579,904</u>	<u>14,738,282</u>	<u>13,233,052</u>
Change in net position	5,562,601	1,635,784	7,198,385	4,038,736
Net position - beginning	<u>136,978,057</u>	<u>46,894,380</u>	<u>183,872,437</u>	<u>179,833,701</u>
Net position - ending	<u>\$ 142,540,658</u>	<u>\$ 48,530,164</u>	<u>\$ 191,070,822</u>	<u>\$ 183,872,437</u>

CITY OF ANDOVER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

	General	Water Trunk CPF	Sewer Trunk CPF	Road & Bridge CPF	2018A G.O. Capital Improvement Plan Bonds CPF
Assets:					
Cash and investments	\$ 9,623,856	\$ 4,951,457	\$ 7,243,110	\$ 5,430,516	\$ 4,345,692
Cash and investments with escrow agent	-	-	-	-	-
Accrued interest	38,864	27,512	42,417	26,387	-
Due from other governmental units	27,401	-	-	268,680	-
Accounts receivable - net	76,753	-	-	-	-
Property taxes receivable:					
Unremitted	63,628	-	-	9,647	-
Delinquent	80,382	-	-	12,187	-
Special assessments receivable:					
Unremitted	64	-	-	1,872	-
Delinquent	13,891	-	-	8,147	-
Deferred	-	344,120	108,392	1,124,818	-
Inventories - at cost	122,993	-	-	-	-
Land held for resale	-	-	-	-	-
Total assets	\$ 10,047,832	\$ 5,323,089	\$ 7,393,919	\$ 6,882,254	\$ 4,345,692
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 125,907	\$ 867	\$ 1,798	\$ 9,361	\$ 10,760
Contracts payable	26,751	149,645	41,114	64,152	1,079,517
Deposits payable	286,918	5,741	5,741	1,139	-
Due to other governmental units	21,035	-	-	2,551	-
Salaries payable	129,497	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	590,108	156,253	48,653	77,203	1,090,277
Deferred inflows of resources:					
Unavailable revenues	94,273	344,120	108,392	1,145,152	-
Fund balances (deficit):					
Nonspendable	122,993	-	-	-	-
Restricted	-	-	-	-	3,255,415
Committed	-	-	-	-	-
Assigned	-	4,822,716	7,236,874	5,659,899	-
Unassigned	9,240,458	-	-	-	-
Total fund balances	9,363,451	4,822,716	7,236,874	5,659,899	3,255,415
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 10,047,832	\$ 5,323,089	\$ 7,393,919	\$ 6,882,254	\$ 4,345,692

Fund balance reported above

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Deferred outflows of resources - related other post employment benefits and pensions are not current financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds.

The assets and liabilities are included in the governmental activities statement of net position along with a deduction of net revenue attributable to business-type activities.

Long-term liabilities, including bonds payable, other post employment benefits and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.

Deferred inflows of resources - pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.

Net position of governmental activities

The accompanying notes are an integral part of these financial statements.

2019A G.O. Abatement Bonds CPF	Tax Increment Projects CPF	Other Governmental Funds	Totals	
			Governmental Funds	
			2019	2018
\$ 13,350,387	\$ 3,427,901	\$ 6,809,768	\$ 55,182,687	\$ 43,990,915
-	-	152,233	152,233	176,788
58,176	20,106	30,261	243,723	174,987
-	-	-	296,081	329,212
-	-	85,092	161,845	205,902
-	-	20,475	93,750	85,807
-	1,257	24,694	118,520	92,985
-	-	-	1,936	3,078
-	-	-	22,038	20,508
-	-	98,260	1,675,590	1,817,349
-	-	1,957	124,950	115,357
-	825,000	-	825,000	825,000
<u>\$ 13,408,563</u>	<u>\$ 4,274,264</u>	<u>\$ 7,222,740</u>	<u>\$ 58,898,353</u>	<u>\$ 47,837,888</u>
\$ 22,776	\$ 5,687	\$ 77,438	\$ 254,594	\$ 213,527
1,922,865	-	-	3,284,044	117,200
-	6,042	19,623	325,204	260,205
-	-	17,990	41,576	48,182
-	-	13,613	143,110	115,518
-	-	58,142	58,142	183,463
<u>1,945,641</u>	<u>11,729</u>	<u>186,806</u>	<u>4,106,670</u>	<u>938,095</u>
-	826,257	122,954	2,641,148	2,755,842
-	-	1,957	124,950	115,357
11,462,922	3,436,278	1,542,268	19,696,883	14,225,839
-	-	518,312	518,312	518,617
-	-	4,850,443	22,569,932	21,327,036
-	-	-	9,240,458	7,957,102
<u>11,462,922</u>	<u>3,436,278</u>	<u>6,912,980</u>	<u>52,150,535</u>	<u>44,143,951</u>
<u>\$ 13,408,563</u>	<u>\$ 4,274,264</u>	<u>\$ 7,222,740</u>	<u>\$ 58,898,353</u>	<u>\$ 47,837,888</u>
			\$ 52,150,535	\$ 44,143,951
			132,538,146	118,615,236
			554,870	949,991
			2,641,148	2,755,842
			939,418	959,987
			(45,246,808)	(29,102,245)
			<u>(1,036,651)</u>	<u>(1,344,705)</u>
			<u>\$ 142,540,658</u>	<u>\$ 136,978,057</u>

CITY OF ANDOVER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

	General	Water Trunk CPF	Sewer Trunk CPF	Road & Bridge CPF	2018A G.O. Capital Improvement Plan Bonds CPF
Revenues:					
General property taxes	\$ 8,864,720	\$ -	\$ -	\$ 1,344,027	\$ -
Tax increment collections	-	-	-	-	-
Licenses and permits	855,831	-	-	-	-
Intergovernmental	822,128	-	-	1,961,412	-
Special assessments	-	152,087	30,215	403,198	-
Charges for services	1,133,161	-	-	-	-
Fines	62,349	-	-	-	-
Investment income	208,958	145,501	236,298	163,917	186,453
Miscellaneous:					
Park dedication fees	-	-	-	-	-
Connection charges	-	852,743	300,016	-	-
Rent	-	-	-	-	-
Other	184,558	-	-	73,635	23,955
Total revenues	12,131,705	1,150,331	566,529	3,946,189	210,408
Expenditures:					
Current:					
General government	2,840,484	-	-	-	-
Public safety	5,091,792	-	-	-	-
Public works	1,720,953	209,387	2,291	3,681,995	-
Parks and recreation	1,182,928	-	-	-	-
Recycling	224,574	-	-	-	-
Economic development	-	-	-	-	-
Unallocated	15,001	-	-	-	-
Capital outlay:					
General government	4,082	-	-	-	-
Public safety	-	-	-	-	-
Public works	5,880	-	-	763,850	7,096,649
Parks and recreation	14,404	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Paying agent fees	-	-	-	-	-
Construction/acquisition costs	-	26,904	1,087,860	449,821	-
Total expenditures	11,100,098	236,291	1,090,151	4,895,666	7,096,649
Revenues over (under) expenditures	1,031,607	914,040	(523,622)	(949,477)	(6,886,241)
Other financing sources (uses):					
Transfers in	188,008	300,000	400,000	5,800	315,368
Transfers out	-	(58,110)	-	-	-
Bonds issued	-	-	-	-	-
Bond premium	-	-	-	-	-
Proceeds from sale of capital assets	7,500	-	-	-	-
Total other financing sources (uses)	195,508	241,890	400,000	5,800	315,368
Net increase (decrease) in fund balance	1,227,115	1,155,930	(123,622)	(943,677)	(6,570,873)
Fund balance - January 1	8,136,336	3,666,786	7,360,496	6,603,576	9,826,288
Fund balance - December 31	\$ 9,363,451	\$ 4,822,716	\$ 7,236,874	\$ 5,659,899	\$ 3,255,415

The accompanying notes are an integral part of these financial statements.

2019A G.O. Abatement Bonds CPF	Tax Increment Projects CPF	Other Governmental Funds	Intra Activity Eliminations	Totals	
				Governmental Funds	
				2019	2018
\$ -	\$ -	\$ 2,776,349	\$ -	\$ 12,985,096	\$ 12,433,651
-	90,189	-	-	90,189	86,794
-	-	-	-	855,831	562,525
-	-	2,905	-	2,786,445	1,641,806
-	-	136,450	-	721,950	554,471
-	-	808,476	-	1,941,637	1,656,254
-	-	-	-	62,349	73,719
113,572	106,539	155,638	-	1,316,876	543,672
-	-	472,753	-	472,753	75,798
-	-	-	-	1,152,759	444,989
-	-	636,803	-	636,803	637,150
645,478	88,903	476,502	(30,600)	1,462,431	525,667
<u>759,050</u>	<u>285,631</u>	<u>5,465,876</u>	<u>(30,600)</u>	<u>24,485,119</u>	<u>19,236,496</u>
-	-	170,707	-	3,011,191	3,115,956
-	-	4,237	-	5,096,029	4,956,350
-	-	77,028	-	5,691,654	4,298,845
128,436	-	1,060,073	-	2,371,437	2,214,415
-	-	-	-	224,574	199,182
-	129,321	62,147	-	191,468	538,955
-	-	-	-	15,001	11,940
-	-	-	-	4,082	-
-	-	72,801	-	72,801	126,053
-	-	538,461	-	8,404,840	1,257,501
6,238,548	-	90,431	-	6,343,383	718,476
-	-	1,444,000	-	1,444,000	1,612,717
-	-	568,864	-	568,864	385,555
-	-	1,000	-	1,000	3,095
-	-	-	-	1,564,585	164,399
<u>6,366,984</u>	<u>129,321</u>	<u>4,089,749</u>	<u>-</u>	<u>35,004,909</u>	<u>19,603,439</u>
<u>(5,607,934)</u>	<u>156,310</u>	<u>1,376,127</u>	<u>(30,600)</u>	<u>(10,519,790)</u>	<u>(366,943)</u>
-	-	547,602	(433,039)	1,323,739	643,729
(157,839)	-	(305,800)	463,639	(58,110)	(114,850)
15,770,000	-	-	-	15,770,000	10,000,000
1,458,695	-	-	-	1,458,695	254,260
-	-	24,550	-	32,050	65,037
<u>17,070,856</u>	<u>-</u>	<u>266,352</u>	<u>30,600</u>	<u>18,526,374</u>	<u>10,848,176</u>
11,462,922	156,310	1,642,479	-	8,006,584	10,481,233
-	3,279,968	5,270,501	-	44,143,951	33,662,718
<u>\$ 11,462,922</u>	<u>\$ 3,436,278</u>	<u>\$ 6,912,980</u>	<u>\$ -</u>	<u>\$ 52,150,535</u>	<u>\$ 44,143,951</u>

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CITY OF ANDOVER, MINNESOTA

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

Statement 5

For The Year Ended December 31, 2019

With Comparative Actual Amounts For The Year Ended December 31, 2018

	<u>2019</u>	<u>2018</u>
Amounts reported for governmental activities in the statement of activities (page 30) are different because:		
Net changes in fund balances - total governmental funds (page 35)	\$ 8,006,584	\$ 10,481,233
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	14,685,621	533,991
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position (i.e., sales, trade-ins, and donations).	830,648	341,768
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(114,694)	81,904
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(15,755,047)	(8,387,283)
Vested post employment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the benefits earned during the years. This amount is the net effect of employee benefits earned and paid during the year.	(38,964)	(10,641)
Transfer out of governmental capital assets contributed to Enterprise Funds.	(1,593,359)	(339,887)
Some expenses reported in the statement of activities do not require use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(407,972)	(19,928)
Governmental funds report pension contributions for defined benefit plans as expenditures however, pension expense is reported in the Statement of Activities. This is the amount by which pension expense differs from pension contributions:		
Pension contributions	\$ 327,158	
Pension expense	<u>(356,805)</u>	56,887
Internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to governmental activities.	<u>(20,569)</u>	<u>28,071</u>
Change in net position of governmental activities (page 31)	<u>\$ 5,562,601</u>	<u>\$ 2,766,115</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDOVER, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

	Water	Sewer	Storm Sewer
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,017,053	\$ 3,479,606	\$ 543,902
Accrued interest	24,834	17,240	2,880
Due from other governmental units	-	15,345	-
Accounts receivable - net	531,545	656,742	177,926
Special assessments receivable:			
Unremitted	527	566	129
Delinquent	131,618	112,892	29,232
Deferred	-	-	1,750
Inventories - at cost	29,815	-	-
Total current assets	<u>5,735,392</u>	<u>4,282,391</u>	<u>755,819</u>
Noncurrent assets:			
Capital assets:			
Land	730,243	-	-
Buildings and structures	15,877,590	-	-
Machinery and equipment	308,316	737,033	555,001
Distribution and collection system	20,335,097	27,513,939	12,648,135
Construction in progress	26,904	135,023	-
Total capital assets	<u>37,278,150</u>	<u>28,385,995</u>	<u>13,203,136</u>
Less: Allowance for depreciation	<u>(18,475,422)</u>	<u>(13,195,488)</u>	<u>(5,537,698)</u>
Total noncurrent assets	<u>18,802,728</u>	<u>15,190,507</u>	<u>7,665,438</u>
Total assets	<u>24,538,120</u>	<u>19,472,898</u>	<u>8,421,257</u>
Deferred outflows of resources:			
Related to other post employment benefits	1,055	791	-
Related to pensions	20,180	12,722	-
Total deferred outflows of resources	<u>21,235</u>	<u>13,513</u>	<u>-</u>
Liabilities:			
Current liabilities:			
Accounts payable	41,873	2,576	391
Contracts payable	6,804	4,107	67,350
Deposits payable	3,534	-	-
Interest payable	28,919	-	-
Due to other governmental units	20,731	10,433	1,239
Salaries payable	10,740	7,917	3,567
Bonds payable - due within one year	725,000	-	-
Compensated absences payable - due within one year	16,651	9,075	6,111
Total current liabilities	<u>854,252</u>	<u>34,108</u>	<u>78,658</u>
Noncurrent liabilities:			
Other post employment benefits - due in more than one year	27,064	20,298	-
Bonds payable - due in more than one year	2,386,058	-	-
Compensated absences payable - due in more than one year	94,355	51,425	34,631
Net pension liability - due in more than one year	242,983	153,178	-
Total noncurrent liabilities	<u>2,750,460</u>	<u>224,901</u>	<u>34,631</u>
Total liabilities	<u>3,604,712</u>	<u>259,009</u>	<u>113,289</u>
Deferred inflows of resources:			
Related to pensions	50,644	31,926	-
Net position:			
Net investment in capital assets	15,691,670	15,190,507	7,665,438
Unrestricted	5,212,329	4,004,969	642,530
Total net position	<u>\$ 20,903,999</u>	<u>\$ 19,195,476</u>	<u>\$ 8,307,968</u>

Net position reported above

Amounts reported for business-type activities in the statement of net position are different because:

Internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to business-type activities.

Net position of business-type activities

The accompanying notes are an integral part of these financial statements.

Totals		Totals	
		Governmental Activities - Internal Service Funds	
2019	2018	2019	2018
\$ 9,040,561	\$ 8,644,996	\$ 1,009,554	\$ 1,005,947
44,954	40,853	5,783	5,566
15,345	32,320	-	-
1,366,213	1,517,081	4,628	5,652
1,222	3,793	-	-
273,742	263,020	-	-
1,750	2,142	-	-
29,815	22,995	84,553	112,580
<u>10,773,602</u>	<u>10,527,200</u>	<u>1,104,518</u>	<u>1,129,745</u>
730,243	730,243	-	-
15,877,590	15,877,590	-	-
1,600,350	1,479,603	-	-
60,497,171	58,390,635	-	-
161,927	-	-	-
78,867,281	76,478,071	-	-
(37,208,608)	(35,579,998)	-	-
<u>41,658,673</u>	<u>40,898,073</u>	<u>-</u>	<u>-</u>
<u>52,432,275</u>	<u>51,425,273</u>	<u>1,104,518</u>	<u>1,129,745</u>
1,846	1,759	-	-
32,902	70,456	-	-
<u>34,748</u>	<u>72,215</u>	<u>-</u>	<u>-</u>
44,840	45,897	34,962	17,282
78,261	38,159	-	-
3,534	2,234	-	-
28,919	35,231	-	-
32,403	28,464	-	-
22,224	18,289	7,417	6,048
725,000	705,000	-	-
31,837	29,839	-	-
<u>967,018</u>	<u>903,113</u>	<u>42,379</u>	<u>23,330</u>
47,362	40,933	-	-
2,386,058	3,124,374	-	-
180,411	169,088	-	-
396,161	405,101	-	-
<u>3,009,992</u>	<u>3,739,496</u>	<u>-</u>	<u>-</u>
<u>3,977,010</u>	<u>4,642,609</u>	<u>42,379</u>	<u>23,330</u>
82,570	106,927	-	-
38,547,615	37,068,699	-	-
9,859,828	9,679,253	1,062,139	1,106,415
<u>\$ 48,407,443</u>	<u>\$ 46,747,952</u>	<u>\$ 1,062,139</u>	<u>\$ 1,106,415</u>
\$ 48,407,443	\$ 46,747,952		
122,721	146,428		
<u>\$ 48,530,164</u>	<u>\$ 46,894,380</u>		

CITY OF ANDOVER, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>
Operating revenues:			
User charges	\$ 2,667,720	\$ 2,329,462	\$ 564,074
Meters	28,526	-	-
Penalties	-	-	-
Other	60,698	-	80
Total operating revenues	<u>2,756,944</u>	<u>2,329,462</u>	<u>564,154</u>
Operating expenses:			
Personal services	538,162	344,646	214,394
Supplies	200,268	19,451	4,475
Other service charges	621,370	146,770	236,360
Disposal charges	-	1,199,237	-
Depreciation	868,447	584,512	279,105
Total operating expenses	<u>2,228,247</u>	<u>2,294,616</u>	<u>734,334</u>
Operating income (loss)	<u>528,697</u>	<u>34,846</u>	<u>(170,180)</u>
Nonoperating revenues (expenses):			
Investment income	130,229	91,625	14,502
Gain on sale of capital assets	4,534	11,284	-
Interest expense	(57,352)	-	-
Total nonoperating revenues (expenses)	<u>77,411</u>	<u>102,909</u>	<u>14,502</u>
Income (loss) before contributions and transfers	<u>606,108</u>	<u>137,755</u>	<u>(155,678)</u>
Capital contributions	<u>346,087</u>	<u>1,307,909</u>	<u>652,339</u>
Transfers:			
Transfers in	58,110	-	-
Transfers out	(552,910)	(631,641)	(108,588)
Total transfers	<u>(494,800)</u>	<u>(631,641)</u>	<u>(108,588)</u>
Change in net position	457,395	814,023	388,073
Net position - January 1	<u>20,446,604</u>	<u>18,381,453</u>	<u>7,919,895</u>
Net position - December 31	<u>\$ 20,903,999</u>	<u>\$ 19,195,476</u>	<u>\$ 8,307,968</u>

Net changes in net position reported above

Amounts reported for business-type activities in the statement of activities are different because: Internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to business-type activities.

Change in net position of business-type activities

The accompanying notes are an integral part of these financial statements.

Intra Activity Eliminations	Totals		Totals Governmental Activities - Internal Service Funds	
	2019	2018	2019	2018
	\$ -	\$ 5,561,256	\$ 5,850,163	\$ 1,174,617
-	28,526	14,412	-	-
-	-	80	-	-
-	60,778	60,143	22,606	21,523
-	5,650,560	5,924,798	1,197,223	1,189,221
-	1,097,202	1,058,277	494,324	460,131
-	224,194	249,697	391,124	347,824
(30,600)	973,900	890,212	385,860	362,146
-	1,199,237	1,099,379	-	-
-	1,732,064	1,722,580	-	-
(30,600)	5,226,597	5,020,145	1,271,308	1,170,101
30,600	423,963	904,653	(74,085)	19,120
-	236,356	117,637	29,809	16,461
-	15,818	-	-	-
-	(57,352)	(72,454)	-	-
-	194,822	45,183	29,809	16,461
30,600	618,785	949,836	(44,276)	35,581
-	2,306,335	844,154	-	-
-	58,110	114,850	-	-
(30,600)	(1,323,739)	(632,658)	-	(11,071)
(30,600)	(1,265,629)	(517,808)	-	(11,071)
-	1,659,491	1,276,182	(44,276)	24,510
-	46,747,952	45,471,770	1,106,415	1,081,905
\$ -	\$ 48,407,443	\$ 46,747,952	\$ 1,062,139	\$ 1,106,415
	\$ 1,659,491	\$ 1,276,182		
	(23,707)	(3,561)		
	\$ 1,635,784	\$ 1,272,621		

CITY OF ANDOVER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,829,052	\$ 2,416,616	\$ 564,976
Payment to suppliers	(839,369)	(1,369,258)	(181,840)
Payment to employees	(523,572)	(334,123)	(211,652)
Net cash flows from operating activities	<u>1,466,111</u>	<u>713,235</u>	<u>171,484</u>
Cash flows from noncapital financing activities:			
Transfers in	58,110	-	-
Transfers out	(552,910)	(631,641)	(108,588)
Net cash flows from noncapital financing activities	<u>(494,800)</u>	<u>(631,641)</u>	<u>(108,588)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(64,526)	(119,673)	(2,130)
Interest paid on debt	(63,664)	-	-
Payment of bonds	(718,316)	-	-
Proceeds from the sale of capital assets	4,534	11,284	-
Net cash flows from capital and related financing activities	<u>(841,972)</u>	<u>(108,389)</u>	<u>(2,130)</u>
Cash flows from investing activities:			
Investment income	127,377	91,013	13,865
Net increase in cash and cash equivalents	256,716	64,218	74,631
Cash and cash equivalents - January 1	<u>4,760,337</u>	<u>3,415,388</u>	<u>469,271</u>
Cash and cash equivalents - December 31	<u>\$ 5,017,053</u>	<u>\$ 3,479,606</u>	<u>\$ 543,902</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ 528,697</u>	<u>\$ 34,846</u>	<u>\$ (170,180)</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	868,447	584,512	279,105
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Decrease (increase) in due from other governmental units	920	16,055	-
Decrease (increase) in accounts receivable	87,917	63,590	(639)
Decrease (increase) in special assessments	(16,729)	7,509	1,461
Decrease (increase) in inventory	(6,820)	-	-
Decrease (increase) in deferred outflows of resources	22,984	14,483	-
Increase (decrease) in accounts payable	2,562	(3,606)	(13)
Increase (decrease) in contracts payable	(14,953)	(2,714)	57,769
Increase (decrease) in due to other governmental units	180	2,520	1,239
Increase (decrease) in salaries payable	2,148	1,301	486
Increase (decrease) in other post employment benefits	3,674	2,755	-
Increase (decrease) in compensated absences	6,206	4,859	2,256
Increase (decrease) in net pension liability	(5,483)	(3,457)	-
Increase (decrease) in deferred inflows of resources	(14,939)	(9,418)	-
Total adjustments	<u>937,414</u>	<u>678,389</u>	<u>341,664</u>
Net cash provided (used) by operating activities	<u>\$ 1,466,111</u>	<u>\$ 713,235</u>	<u>\$ 171,484</u>
Noncash investing, capital and financing activities:			
Assets contributed to the Enterprise Funds	<u>\$ 346,087</u>	<u>\$ 1,307,909</u>	<u>\$ 652,339</u>

The accompanying notes are an integral part of these financial statements.

Totals		Totals	
		Governmental Activities - Internal Service Funds	
2019	2018	2019	2018
\$ 5,810,644	\$ 6,150,783	\$ 1,198,247	\$ 1,183,569
(2,390,467)	(2,219,512)	(731,277)	(711,469)
<u>(1,069,347)</u>	<u>(1,043,773)</u>	<u>(492,955)</u>	<u>(458,962)</u>
2,350,830	2,887,498	(25,985)	13,138
58,110	114,850	-	-
<u>(1,293,139)</u>	<u>(602,058)</u>	<u>-</u>	<u>(11,071)</u>
(1,235,029)	(487,208)	-	(11,071)
(186,329)	(73,992)	-	-
(63,664)	(78,527)	-	-
(718,316)	(698,316)	-	-
15,818	-	-	-
<u>(952,491)</u>	<u>(850,835)</u>	<u>-</u>	<u>-</u>
232,255	106,946	29,592	15,788
395,565	1,656,401	3,607	17,855
<u>8,644,996</u>	<u>6,988,595</u>	<u>1,005,947</u>	<u>988,092</u>
<u>\$ 9,040,561</u>	<u>\$ 8,644,996</u>	<u>\$ 1,009,554</u>	<u>\$ 1,005,947</u>
\$ 393,363	\$ 874,053	\$ (74,085)	\$ 19,120
1,732,064	1,722,580	-	-
16,975	(15,467)	-	-
150,868	253,591	1,024	(5,652)
(7,759)	(12,139)	-	-
(6,820)	627	28,027	80
37,467	44,700	-	-
(1,057)	30,459	17,680	(1,220)
40,102	15,420	-	-
3,939	3,870	-	(359)
3,935	3,973	1,369	1,169
6,429	9,535	-	-
13,321	10,236	-	-
(8,940)	(66,631)	-	-
<u>(24,357)</u>	<u>12,691</u>	<u>-</u>	<u>-</u>
1,957,467	2,013,445	48,100	(5,982)
<u>\$ 2,350,830</u>	<u>\$ 2,887,498</u>	<u>\$ (25,985)</u>	<u>\$ 13,138</u>
<u>\$ 2,306,335</u>	<u>\$ 844,154</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Andover was incorporated in 1974 and operates under the State of Minnesota Statutory Plan A form of government. The governing body consists of a five-member City council elected by voters of the City.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. FINANCIAL REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

COMPONENT UNITS

In conformity with generally accepted accounting principles, the financial statements of the component units have been included in the financial reporting entity as blended component units.

The Andover Economic Development Authority (EDA) is an entity legally separate from the City. However, for financial reporting purposes, the EDA is reported as if it were part of the City's operations because the members of the City Council serve as EDA Board Members and its purpose is to promote development within the City. The activity of the EDA is reported in the EDA General Special Revenue Fund. Separate financial statements are not prepared for the EDA.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *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 business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General 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.

The *Water Trunk Capital Projects Fund (CPF)* is used to account for water access fees and trunk improvements as part of development. It is also used to reserve monies that will be needed for capital infrastructure replacements in the future.

The *Sewer Trunk CPF* is used to account for sewer access fees and sanitary sewer improvements.

The *Road and Bridge CPF* accounts for all road projects and the pavement management program, which includes annual seal coating, crack sealing and overlays for roads.

The *2018A General Obligation (G.O.) Capital Improvement Plan Bonds CPF* accounts for the construction of a new vehicle maintenance facility with a wash bay and a cold storage building.

The *2019A G.O. Abatement Bonds CPF* accounts for the addition to the Andover YMCA Community Center. The project consists of a multi-sports complex, additional court added to the existing field house, and teen/senior meeting rooms.

The *Tax Increment Projects CPF* is used to account for activities in TIF districts 1-2, 1-5, 1-6 and all TIF land sales and expenditures to reach the goals of the TIF district plans.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the water service charges, which are used to finance the water system operating expenses.

The *Sewer Fund* accounts for the sewer service charges, which are used to finance the sanitary sewer system operating expenses.

The *Storm Sewer Fund* accounts for the storm sewer utility charges, which are used to finance the storm sewer operating expenses.

Additionally, the City reports the following fund type:

Internal Service Funds (ISF) are used to provide equipment maintenance and insurance to other departments of the City on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 water and sewer enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for an allowable use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. BUDGETS

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the General and Special Revenue Funds. Budgeted expenditure appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

E. LEGAL COMPLIANCE - BUDGETS

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

1. The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through City Council action.
4. Expenditures may legally exceed budgeted appropriations at the fund level through City Council action. Also, the City Council may authorize transfers of budgeted amounts between departments within any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. The legal level of budgetary control is at the department level for the General Fund and at the fund level for the Special Revenue Funds. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Administrator or between departments by the City Council.
7. The City Council made supplemental budget appropriations throughout the year. Individual amendments were not material in relation to the original appropriations which were adjusted.

The following is a listing of Special Revenue Funds whose expenditures exceed budget appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Special Revenue Funds:			
Charitable Gambling	\$ 27,300	\$ 63,187	\$ 35,887
Construction Seal Coating	12,000	19,068	7,068

The expenditures over budget were funded by greater than anticipated revenues and/or available fund balance.

F. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the individual funds on the basis of applicable cash balance participation of each fund.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

Investments are stated at fair value, except for investments in external investment pools that meet GASB 79 requirements, are stated at amortized cost. Short-term investments, such as commercial paper and banker's acceptances, are reported at amortized cost.

For purposes of the Statement of Cash Flows of Proprietary Fund Types, cash equivalents are defined as short-term, highly liquid investments that are both:

- a. readily convertible to known amounts of cash, or
- b. so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

The City's policy considers cash equivalents to be those that meet the above criteria and have original maturities of three months or less.

G. RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "interfund receivables/payables." Long-term interfund loans are classified as "interfund loan receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund loan receivables, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

Property taxes and special assessments receivable have been reported net of estimated uncollectible accounts. (See Note 1 H and I). Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

H. PROPERTY TAX REVENUE RECOGNITION

The City levies its property tax for the subsequent year during the month of December and it is certified to Anoka County. December 30th is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on the following January 1. Anoka County is the collecting agency for the levy and remits the collections to the City three times a year. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

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

The County Auditor submits a list of taxes to be collected on each parcel of property to the County Treasurer in January of each year. The County Treasurer collects all taxes and is required to mail copies of all personal property tax statements by April 15, and copies of all real estate tax statements by April 15, of each year. Property owners are required to pay one-half of their real estate taxes due by May 15 and the balance by October 15.

If taxes due May 15 are not paid on time, a penalty of 3% is assessed on homesteaded property and 7% on non-homesteaded property. An additional 1% penalty is added each month the taxes remain unpaid, until October 15. If the taxes due May 15 are not paid by October 15, a 2% penalty per month is added to homesteaded property and 4% per month to non-homesteaded property until January 1.

If the taxes are not paid by January 1, further penalties are added. Penalties and interest apply to both taxes and special assessments. There are some exceptions to the above penalties, but they are not material.

Within 30 days after the tax settlement date, the County Treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the City Treasurer. The County Treasurer must pay the balance to the City Treasurer within 60 days after settlement, provided that after 45 days interest accrues at the rate of 8% per annum.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at the year-end are classified as delinquent and due from County taxes receivable.

The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflow of resources because they are not available to finance current expenditures.

I. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are allocated first to the County's costs of administering all tax forfeit properties. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes revenue from special assessments when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the City the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funding are completely offset by deferred inflow of resources.

J. INVENTORIES

Inventories of the Governmental Funds and the Proprietary Funds are stated at cost, which approximates market, using the first-in, first-out (FIFO) method.

Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

K. PREPAID ITEMS

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

L. LAND HELD FOR RESALE

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

M. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangible assets such as easements and computer software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (except for easements which is \$10,000) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The City has chosen the modified approach for reporting street and trail system capital assets.

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

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

The City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010 which required the City to capitalize and amortize intangible assets. Intangible assets include easements and computer software. Pursuant to GASB Statement 51, in the case of initial capitalization of intangible assets, the City chose to capitalize intangible assets retroactively to 1980, except for permanent easements and internally generated software. The City has already accounted for computer software at historical cost and therefore retroactive reporting was not necessary. The City does not have any temporary easements to record that meet the threshold of \$10,000.

Property, plant and equipment of the primary government, as well as the component units, are depreciated/amortized using the straight line method over the following estimated useful lives:

Assets	Life
Buildings and improvements	10 - 30 years
Furniture and equipment (including software)	5 - 10 years
Machinery and equipment	5 - 10 years
Other park improvements	10 - 30 years
Storm sewer	50 years
Distribution and collection systems	50 years
Temporary easements	5 - 15 years

The City elected to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting of its streets and trails. The City conducted a physical assessment in the fall of 2019 of the condition of the streets and trails constructed since 1974. This condition assessment will be performed every 3 years. Each segment of City owned street or trail was assigned a physical condition based on potential defects. An Overall Condition Index (OCI) was assigned to each segment. The index is expressed in a continuous scale from 0 to 10, where 0 is assigned to the least acceptable physical condition and 10 is assigned to those segments that have the characteristic of a new street or trail. The following conditions were defined:

Range	Description
8 - 10	Excellent
7 - 7.9	Very good
6 - 6.9	Good
4 - 5.9	Fair
2 - 3.9	Poor
1 - 1.9	Very poor
0 - .9	Substandard

The City’s policy relative to maintaining the street and trail assets is to achieve an average rating of “Good” for all segments. This acceptable rating allows minor cracking and patching of the pavement along with minor roughness that could be noticeable to the users of the system.

N. COMPENSATED ABSENCES

City employees earn vacation and sick pay accruing each payroll period. Unused vacation can be accrued by the employees up to a maximum of 200 hours (240 hours if on the annual leave plan) as of the anniversary date of the individual’s employment with the City, unless a specific authorization is granted to an employee. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Employees can also accrue an unlimited amount of unused sick leave. Employees with two or more years of service are entitled to receive severance pay equal to a percentage of unused sick pay ranging from 20-50 percent based on years of service, up to a maximum of 400 hours. The liability for severance pay is accounted for the same as accrued vacation pay.

O. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

P. FUND BALANCE CLASSIFICATIONS

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.

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. These constraints are established by Resolution of the City Council.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City's Administrator and Finance Director are authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the general fund and 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, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

Q. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

R. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

S. RECLASSIFICATIONS

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

T. COMPARATIVE TOTALS

The basic financial statements and combining and individual fund financial statements and schedules include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

U. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in the category. It is other post employment benefits and the pension related deferred outflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. The government also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes, special assessments, certified bills, due from other governmental units, and loans receivable.

V. DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, other post employment benefits and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$45,246,808) difference are as follows:

Bonds payable	\$ (40,619,047)
Accrued interest payable	(537,188)
Other post employment benefits	(290,934)
Compensated absences	(721,654)
Net pension liability	<u>(3,077,985)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (45,246,808)</u></u>

Another element of that reconciliation states that “internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. The assets and liabilities are included in the governmental activities statement of net position along with a deduction of net revenue attributable to business-type activities.” The details of this \$939,418 difference are as follows:

Internal Service Funds net position	\$ 1,062,139
Net revenue attributable to business-type activities	<u>(122,721)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 939,418</u></u>

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$14,685,621 difference are as follows:

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Capital outlay	\$ 14,825,106
Construction/acquisition costs	1,564,585
Depreciation expense	<u>(1,704,070)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 14,685,621</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.” The details of this \$830,648 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	\$ (8,459)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>839,107</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u>\$ 830,648</u>

Another element of that reconciliation states “Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this (\$114,694) difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2018	\$ (90,953)
At December 31, 2019	117,263
Unavailable revenue - tax increment taxes:	
At December 31, 2018	(2,032)
At December 31, 2019	1,257
Unavailable revenue - special assessments:	
At December 31, 2018	(1,837,857)
At December 31, 2019	1,697,628
Unavailable revenue - land held for resale:	
At December 31, 2018	(825,000)
At December 31, 2019	<u>825,000</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (114,694)</u>

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net position. The details of this (\$15,755,047) difference are as follows:

CITY OF ANDOVER, MINNESOTA
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Debt issued or incurred:	
Issuance of abatement bonds, including bond premium	\$(17,228,695)
Principal repayments:	
Abatement bonds	885,000
Referendum bonds	160,000
Certificates of indebtedness	399,000
Amortization of bond premium	<u>29,648</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$(15,755,047)</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$407,972) difference are as follows:

Compensated absences	\$ (29,275)
Accrued interest	<u>(378,697)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (407,972)</u></u>

Another element of that reconciliation states that “internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to governmental activities.” The details of this (\$20,569) difference are as follows:

Internal Service Funds change in net position	\$ (44,276)
Net revenue attributable to business-type activities	<u>23,707</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (20,569)</u></u>

Note 2 DEPOSITS AND INVESTMENTS

DEPOSITS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Clerk/Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes, treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service;
- d) Unrated general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

CITY OF ANDOVER, MINNESOTA
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- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by the Federal Deposits Insurance Corporation.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all City deposits. The market value of collateral pledged must equal 110% of deposits not covered by insurance or bonds. As of December 31, 2019, the bank balance of the City's deposits was covered by federal depository insurance or covered by perfected collateral pledged and held in the City's name. The City has no additional deposit policies addressing custodial credit risk.

INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

As of December 31, 2019, the City had the following investments and maturities:

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Investment Type	Credit Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	N/A	\$ 6,896,114	\$ 6,896,114	\$ -	\$ -	\$ -
Minnesota Municipal Money Market Fund (4M)	N/A	10,960,563	10,960,563	-	-	-
Certificates of deposit	N/A	22,497,968	19,256,238	2,995,199	246,531	-
Local/State governments	A/A1/A2	265,936	-	265,936	-	-
	AA1/AA2/AA3	5,133,000	2,184,295	1,632,067	1,316,638	-
	AAA	6,467,068	1,933,371	2,535,246	1,650,716	347,735
U.S. agencies	AAA	11,525,043	2,806,367	7,355,245	1,363,431	-
Total investments		63,745,692	<u>\$44,036,948</u>	<u>\$14,783,693</u>	<u>\$ 4,577,316</u>	<u>\$ 347,735</u>
Deposits		<u>1,639,343</u>				
Total cash and investments		<u>\$65,385,035</u>				

The following is a reconciliation of the City's total cash and investment balances at December 31, 2019:

Government-wide statement of net position:	
Cash and investments	\$ 65,232,802
Cash and investments with escrow agent	<u>152,233</u>
Total	<u>\$ 65,385,035</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurements as of December 31, 2019:

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Investment Type	12/31/2019	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Federal Home Loan Bank	\$ 3,912,939	\$ -	\$ 3,912,939	\$ -
Federal Farm Credit Bank	4,199,213	-	4,199,213	-
Federal Home Loan Mortgage Corporation	2,355,316	-	2,355,316	-
Federal National Mortgage Association	1,057,575	-	1,057,575	-
Municipal Bonds	11,866,004	-	11,866,004	-
Brokered Certificates of Deposit	22,497,968	-	22,497,968	-
Total investments at fair value	45,889,015	\$ -	\$45,889,015	\$ -
Investments not categorized:				
External investment pool:				
4M	10,960,563			
Wells Fargo Bank Money Market	6,896,114			
Total investments not categorized	17,856,677			
Total	\$ 63,745,692			

The 4M Fund is an external investment pool investment which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. It is an unrated pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is managed to maintain a portfolio weighted average maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1. The pool measures their investments in accordance with Government Accounting Standards Board Statement No. 79, at amortized cost. The 4M Plus Fund requires funds to be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period are subject to a penalty equal to 7 days interest on the amount withdrawn.

Custodial Credit Risk - Investments – For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. As of December 31, 2019, \$250,000 of the City’s \$63,745,692 investments was uninsured and unregistered, with securities held in the City’s name.

Interest Rate Risk - The City has a formal investment policy that states the City will minimize the risk that the market value of securities in the portfolio will fall due to the changes in general interest rates, by:

- 1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- 2) Investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools.

Credit Risk - The City has a formal investment policy that states the City will minimize the credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- 1) Limiting investments to the safest types of securities.
- 2) Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business.

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply: audited financial statements, proof of National Association of Securities Dealers (NASD) certification, proof of state registration, completed broker/dealer questionnaire, and certification of having read and understood and agreeing to comply with the City’s investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the City Administrator.

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Concentration of Credit Risk - More than 18% of the City’s investments are in various holdings with U.S. agencies; Federal Home Loan Bank (6.4%), Federal Farm Credit Bank (6.6%), Federal National Mortgage Association (1.7%) and Federal Home Loan Mortgage Corporation (3.7%). The City’s policy on concentration of investments is as follows:

- 1) Diversification - The investments shall be diversified by:
 - a) investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
 - b) limiting investment in securities that have higher credit risks,
 - c) investing in securities with varying maturities, and
 - d) continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

- 2) Maximum Maturities - To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing, or having average lives, of more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Note 3 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2019 are as follows:

	Delinquent Property Taxes	Delinquent Tax Increment	Special Assessment Receivable	Total
Major Funds:				
General Fund	\$ 24,918	\$ -	\$ 13,891	\$ 38,809
Water Trunk CPF	-	-	316,252	316,252
Sewer Trunk CPF	-	-	83,204	83,204
Road and Bridge CPF	3,778	-	945,080	948,858
Tax Increment Projects CPF	-	799	-	799
Nonmajor Funds	<u>7,654</u>	<u>-</u>	<u>95,792</u>	<u>103,446</u>
Total	<u>\$ 36,350</u>	<u>\$ 799</u>	<u>\$ 1,454,219</u>	<u>\$ 1,491,368</u>

Note 4 UNAVAILABLE REVENUES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

CITY OF ANDOVER, MINNESOTA
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	Property Taxes	Tax Increment	Special Assessments	Land Held for Resale	Total
Major Funds:					
General Fund	\$ 80,382	\$ -	\$ 13,891	\$ -	\$ 94,273
Water Trunk CPF	-	-	344,120	-	344,120
Sewer Trunk CPF	-	-	108,392	-	108,392
Road and Bridge CPF	12,187	-	1,132,965	-	1,145,152
Tax Increment Projects CPF	-	1,257	-	825,000	826,257
Nonmajor Funds	24,694	-	98,260	-	122,954
Total	<u>\$ 117,263</u>	<u>\$ 1,257</u>	<u>\$ 1,697,628</u>	<u>\$ 825,000</u>	<u>\$ 2,641,148</u>

Note 5 CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the government-wide statement of net position. The City elected to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting for its streets and trails. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. Capital asset activity for the year ended December 31, 2019 was as follows:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 11,090,005	\$ 115,793	\$ -	\$ 11,205,798
Streets and trails	85,723,810	1,992,213	-	87,716,023
Construction in progress	897,924	13,395,940	(206,098)	14,087,766
Total capital assets not being depreciated	<u>97,711,739</u>	<u>15,503,946</u>	<u>(206,098)</u>	<u>113,009,587</u>
Capital assets being depreciated:				
Buildings and improvements	27,552,688	-	-	27,552,688
Furniture and equipment (including software)	907,687	138,559	(76,377)	969,869
Machinery and equipment	8,946,544	118,331	(159,068)	8,905,807
Other park improvements	8,119,793	80,701	-	8,200,494
Total capital assets being depreciated	<u>45,526,712</u>	<u>337,591</u>	<u>(235,445)</u>	<u>45,628,858</u>
Less accumulated depreciation for:				
Buildings and improvements	13,447,409	926,220	-	14,373,629
Furniture and equipment	591,047	67,255	(76,377)	581,925
Machinery and equipment	6,345,459	380,631	(150,609)	6,575,481
Other park improvements	4,239,300	329,964	-	4,569,264
Total accumulated depreciation	<u>24,623,215</u>	<u>1,704,070</u>	<u>(226,986)</u>	<u>26,100,299</u>
Total capital assets being depreciated - net	<u>20,903,497</u>	<u>(1,366,479)</u>	<u>(8,459)</u>	<u>19,528,559</u>
Governmental activities capital assets - net	<u>\$ 118,615,236</u>	<u>\$ 14,137,467</u>	<u>\$ (214,557)</u>	<u>\$ 132,538,146</u>

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Primary Government	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 730,243	\$ -	\$ -	\$ 730,243
Construction in progress	-	161,927	-	161,927
Total capital assets not being depreciated	730,243	161,927	-	892,170
Capital assets being depreciated:				
Buildings and improvements	15,877,590	-	-	15,877,590
Furniture and equipment (including software)	42,110	-	(18,674)	23,436
Machinery and equipment	1,437,493	224,202	(84,780)	1,576,915
Collection and distribution	58,390,635	2,106,535	-	60,497,170
Total capital assets being depreciated	75,747,828	2,330,737	(103,454)	77,975,111
Less accumulated depreciation for:				
Buildings and improvements	9,905,364	454,423	-	10,359,787
Furniture and equipment	42,111	-	(18,674)	23,437
Machinery and equipment	872,825	81,273	(84,780)	869,318
Collection and distribution	24,759,698	1,196,368	-	25,956,066
Total accumulated depreciation	35,579,998	1,732,064	(103,454)	37,208,608
Total capital assets being depreciated - net	40,167,830	598,673	-	40,766,503
Business-type activities capital assets - net	\$ 40,898,073	\$ 760,600	\$ -	\$ 41,658,673

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 83,519
Public safety	294,057
Public works	210,564
Parks and recreation	1,098,354
Recycling	6,862
Economic development	10,714
Total depreciation/amortization expense - governmental activities	<u>\$ 1,704,070</u>
Business-type activities:	
Water	\$ 868,447
Sewer	584,512
Storm sewer	279,105
Total depreciation/amortization expense - business-type activities	<u>\$ 1,732,064</u>

CONSTRUCTION COMMITMENTS

At December 31, 2019, the City had the following construction project contracts in progress:

<u>Project #</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
17-26	Community Center Expansion	\$ 14,496,044	\$ 8,054,630
17-27	Public Works - VM/Cold Storage/Site Work	9,322,112	2,553,576
		<u>\$ 23,818,156</u>	<u>\$ 10,608,206</u>

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 6 LONG-TERM DEBT

The City issues general obligation bonds, equipment certificates and promissory notes to provide funds for the acquisition and construction of major capital facilities. The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

	Issue Date	Maturity Date	Interest Rate	Original Issue	Payable 12/31/19
GOVERNMENTAL ACTIVITIES:					
Abatement Bonds:					
2012C G.O. Abatement Bonds	12/27/2012	2/1/2031	1.00-3.00%	\$ 17,315,000	\$ 12,385,000
2019A G.O. Abatement Bonds	8/1/2019	2/1/2040	3.00-5.00%	15,770,000	15,770,000
Total abatement bonds				<u>33,085,000</u>	<u>28,155,000</u>
Certificates of Indebtedness:					
2014A G.O. Equipment Certificates	5/29/2014	2/1/2020	1.50-2.00%	1,555,000	275,000
2016A G.O. Equipment Certificates	2/19/2016	2/1/2021	1.90%	520,000	265,000
Total certificates of indebtedness				<u>2,075,000</u>	<u>540,000</u>
Capital Improvement Bonds:					
2018A G.O. Capital Improvement Plan Bonds	12/27/2018	2/1/2044	3.00-5.00%	10,000,000	10,000,000
Referendum Bonds:					
2010A G.O. Open Space Referendum Bonds	2/18/2010	2/1/2022	2.00-3.12%	1,660,000	495,000
Total - bonded indebtedness				46,820,000	39,190,000
Issuance premiums				-	1,429,047
Compensated absences payable				-	721,654
Total governmental activities indebtedness				<u>46,820,000</u>	<u>41,340,701</u>
BUSINESS-TYPE ACTIVITIES:					
General Obligation Revenue Bonds:					
2009A G.O. Water Revenue Bonds	3/26/2009	2/1/2024	2.00-4.25%	1,025,000	395,000
2016B G.O. Water Revenue Refunding Bonds	12/7/2016	2/1/2023	2.00%	3,925,000	2,675,000
Total general obligation revenue bonds				4,950,000	3,070,000
Issuance premiums				-	41,058
Compensated absences payable				-	212,248
Total business-type activities indebtedness				<u>4,950,000</u>	<u>3,323,306</u>
Total City indebtedness				<u>\$ 51,770,000</u>	<u>\$ 44,664,007</u>

For the governmental activities, compensated absences are generally liquidated by the General and Special Revenue Funds.

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Governmental Activities					
	Abatement Bonds		Certificates of Indebtedness		Capital Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 910,000	\$ 896,131	\$ 406,000	\$ 6,541	\$ 85,000	\$ 356,131
2021	1,160,000	871,906	134,000	1,273	125,000	350,881
2022	1,490,000	833,706	-	-	130,000	344,506
2023	1,530,000	786,181	-	-	290,000	334,006
2024	1,585,000	735,650	-	-	300,000	319,256
2025-2029	8,775,000	2,790,153	-	-	1,750,000	1,363,181
2030-2034	6,635,000	1,327,575	-	-	2,070,000	1,044,782
2035-2039	4,980,000	545,700	-	-	2,405,000	697,785
2040-2044	1,090,000	16,350	-	-	2,845,000	255,431
Total	\$ 28,155,000	\$ 8,803,352	\$ 540,000	\$ 7,814	\$ 10,000,000	\$ 5,065,959

	Governmental Activities		Business-Type Activities	
	Referendum Bonds		G.O. Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 160,000	\$ 12,828	\$ 725,000	\$ 61,499
2021	165,000	7,870	735,000	45,492
2022	170,000	2,656	755,000	29,042
2023	-	-	770,000	12,153
2024	-	-	85,000	1,806
	\$ 495,000	\$ 23,354	\$ 3,070,000	\$ 149,992

It is not practical to determine the specific year for payment of long-term accrued compensated absences.

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Abatement bonds	\$ 13,270,000	\$ 15,770,000	\$ (885,000)	\$ 28,155,000	\$ 910,000
Certificates of indebtedness	939,000	-	(399,000)	540,000	406,000
Capital improvement bonds	10,000,000	-	-	10,000,000	85,000
Referendum bonds	655,000	-	(160,000)	495,000	160,000
Total bonds payable	24,864,000	15,770,000	(1,444,000)	39,190,000	1,561,000
Issuance premiums	-	1,458,695	(29,648)	1,429,047	-
Compensated absences	692,379	441,978	(412,703)	721,654	108,248
Total governmental activities long-term liabilities	<u>\$ 25,556,379</u>	<u>\$ 17,670,673</u>	<u>\$ (1,886,351)</u>	<u>\$ 41,340,701</u>	<u>\$ 1,669,248</u>
Business-type activities:					
Bonds payable:					
G.O. revenue bonds	\$ 3,775,000	\$ -	\$ (705,000)	\$ 3,070,000	\$ 725,000
Issuance premiums	54,374	-	(13,316)	41,058	-
Compensated absences	198,927	72,988	(59,667)	212,248	31,837
Total business-type activities long-term liabilities	<u>\$ 4,028,301</u>	<u>\$ 72,988</u>	<u>\$ (777,983)</u>	<u>\$ 3,323,306</u>	<u>\$ 756,837</u>

For the governmental activities, bonds and the promissory note payable can be summarized in the following categories:

The *abatement bonds* were used to purchase the 132,000 square foot building from the EDA and expand the building. The bonds are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the bonds.

The *certificates of indebtedness* are used to finance the purchase of capital equipment. The certificates are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the certificates.

The *capital improvement bonds* are used to finance the construction of the public works maintenance facility with a wash bay and a cold storage building. The bonds are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the bonds.

The *referendum bonds* were used to finance various land acquisitions for open space preservation within the City. The bonds are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the certificates.

For the governmental activities, *compensated absences* are generally liquidated through the General Fund.

For the business-type activities, the *G.O. revenue bonds* were used to finance the construction of a water treatment plant. The bonds are payable from net revenues of the water system and are general obligations of the City for which its full faith, credit and taxing powers are pledged.

REVENUES PLEDGED

2012C G.O. Abatement Bonds. The City has pledged future lease revenue, operating revenues (net of operating expenses) and, if necessary, a debt service tax levy to repay the \$17,315,000 bonds issued in December 2012. Proceeds from this bond refunded the 2004 EDA Public Facility Lease Revenue Bonds. Lease revenues were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$14,536,928, payable through February 2031. For the current year, principal and interest paid and total property tax revenues were \$1,208,931 and \$960,618, respectively.

2019A G.O. Abatement Bonds. The City has pledged future lease revenue, operating revenues (net of operating expenses) and, if necessary, a debt service tax levy to repay the \$15,770,000 bonds issued in August 2019. Proceeds from this bond were used to finance the expansion of the community center. Total principal and interest remaining on the bonds is \$22,421,424, payable through February 2040.

2014A G.O. Equipment Certificates. The City has pledged future property tax revenue to repay the \$1,555,000 bonds issued in May 2014. Proceeds from the bonds were used to finance the purchase of capital equipment. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$277,750, payable through February 2020. For the current year, principal and interest paid and total property tax revenues were \$278,200 and \$289,702, respectively.

2016A G.O. Equipment Certificates. The City has pledged future property tax revenue to repay the \$520,000 bonds issued in February 2016. Proceeds from the bonds were used to finance the purchase of capital equipment. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$270,064, payable through February 2021. For the current year, principal and interest paid and total property tax revenues were \$135,261 and \$143,707, respectively.

2018A G.O. Capital Improvement Plan Bonds. The City has pledged future property tax revenue to repay the \$10,000,000 bonds issued in December 2018. Proceeds from the bonds were used to finance the construction of a public works maintenance facility with a wash bay and a cold storage building. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$15,065,959, payable through February 2044. For the current year, principal and interest paid and total property tax revenues were \$212,964 and \$520,256, respectively.

2010A G.O. Open Space Referendum Bonds. The City has pledged future property tax revenue to repay the \$1,660,000 bonds issued in February 2010. Proceeds from the bonds were used to finance various land acquisitions for open space preservation within the City. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$518,354, payable through February 2022. For the current year, principal and interest paid and total property tax revenues were \$177,508 and \$183,280 respectively.

2009A G.O. Water Revenue Bonds. The City has pledged future water customer revenues, net of operating expenses, to repay the \$1,025,000 bonds issued in March 2009. Proceeds of the bonds provided financing for the addition to the water treatment plant. The bonds are payable from water customer net revenues and are payable through 2024. The total principal and interest remaining on the bonds is \$436,642. The principal and interest paid for the current year and total customer net revenues were \$87,130 and \$902,344, respectively.

2016B G.O. Water Revenue Refunding Bonds. The City has pledged future water customer revenues, net of operating expenses, to repay the \$3,925,000 bonds issued in December 2016. Proceeds of the bonds refunded the Series 2007B Bonds. The bonds are payable from water customer net revenues and are payable through 2023. The total principal and interest remaining on the bonds is \$2,783,350. The principal and interest paid for the current year and total customer net revenues were \$694,850 and \$902,344, respectively.

Note 7 **LEGAL DEBT MARGIN**

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. The City's legal debt margin for 2019 and 2018 is computed as follows:

CITY OF ANDOVER, MINNESOTA
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	December 31,	
	2019	2018
Estimated taxable market value	<u>\$ 3,121,797,779</u>	<u>\$ 2,959,411,470</u>
Debt limit (3% of market value)	<u>93,653,933</u>	<u>88,782,344</u>
Amount of debt applicable to debt limit:		
Total bonded debt	\$ 42,260,000	\$ 28,639,000
Less: Nonapplicable debt		
G.O. water revenue bonds	(3,070,000)	(3,775,000)
Less: Cash and investments in related debt service funds	<u>(1,418,376)</u>	<u>(1,032,604)</u>
Total debt applicable to debt limit	<u>37,771,624</u>	<u>23,831,396</u>
Legal debt margin	<u>\$ 55,882,309</u>	<u>\$ 64,950,948</u>

Note 8 **DEFINED BENEFIT PENSION PLANS - STATEWIDE**

A. PLAN DESCRIPTION

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

1. General Employees Retirement Plan (General Employees Plan; accounted for in the General Employees Fund)

All full-time (with exception of employees covered by the Public Employees Police and Fire Plan) and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan (Police and Fire Plan; accounted for in the Police and Fire Fund)

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

B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute 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.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum increase of 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. For 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 reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Benefits

Benefits for Police and Fire members first hired after June 30, 2010 but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire members first hired after June 30, 2014 vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefits 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.

C. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019; the City was required to contribute 7.5 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019 were \$310,033. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$46,269. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

1. General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$3,184,575 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer 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 \$98,996. The net pension liability was measured as of June 30, 2019 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 PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0576 percent which was a decrease of 0.0011 percent from its proportionate share measured as of June 30, 2018.

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City's proportionate share of the net pension liability	\$ 3,184,575
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>98,996</u>
Total	<u><u>\$ 3,283,571</u></u>

For the year ended December 31, 2019 the City recognized pension expense of \$344,254 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$7,414 of pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 87,870	\$ -
Changes in actuarial assumptions	-	249,135
Net collective difference between projected and actual investment earnings	-	324,716
Changes in proportion	23,684	89,898
Contributions paid to PERA subsequent to the measurement date	<u>152,934</u>	<u>-</u>
Total	<u><u>\$ 264,488</u></u>	<u><u>\$ 663,749</u></u>

\$152,934 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 ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (184,752)
2021	(291,768)
2022	(80,806)
2023	5,131
Thereafter	-

2. Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$289,571 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019 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 PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0272% which was an increase of 0.0005% from its proportion measured as of June 30, 2018. The City also recognized \$3,672 for the year ended December 31, 2019 as revenue and an offsetting reduction of new pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

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For the year ended December 31, 2018 the City recognized pension expense of \$49,624 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fires Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,319	\$ 44,041
Changes in actuarial assumptions	240,372	326,537
Net collective difference between projected and actual investment earnings	-	60,593
Changes in proportion	37,369	24,301
Contributions paid to PERA subsequent to the measurement date	<u>22,148</u>	<u>-</u>
 Total	 <u>\$ 312,208</u>	 <u>\$ 455,472</u>

\$22,148 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 ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2020	\$ (11,588)
2021	(31,431)
2022	(118,389)
2023	(4,815)
2024	811
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disability for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plans was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

CITY OF ANDOVER, MINNESOTA
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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.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

The State Board of Investment, which manages the investments of 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	<u>100%</u>	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2019 was 7.50%. 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 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.

G. PENSION LIABILITY SENSITIVITY

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

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
City's proportionate share of the General Employees Fund net pension liability	\$ 5,235,270	\$ 3,184,575	\$ 1,491,319
City's proportionate share of the Police and Fire Fund net pension liability	632,949	289,571	6

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report

that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

I. PENSION EXPENSE

Pension expense recognized by the City for the fiscal year ended December 31, 2019 is as follows:

General Employees Fund	\$	351,668
Police and Fire Fund		<u>49,624</u>
Total	\$	<u>401,292</u>

For the governmental activities, pension liabilities are generally liquidated by the General and Special Revenue Funds.

Note 9. DEFINED CONTRIBUTION LUMP SUM SERVICE PENSION PLAN – VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION

PLAN DESCRIPTION

Members of the City’s volunteer fire department are members of the Andover Firefighters’ Relief Association. The Association is the administrator of a single-employer defined contribution plan available to firefighters that was established October 9, 1979 and operates under the provisions of *Minnesota Statutes* Section 424A. It is governed by a board of six members elected by the members of the Association for three-year terms. The City’s Mayor, Finance Manager and Fire Chief are ex-officio members of the Board of Trustees.

The Association provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members.

1. Twenty-Year Service Pension – In order to be entitled to a pension benefit, a firefighter must have completed a minimum of five years of service with the Department and five years membership in the Association and attain the age of 50 years. The firefighter will then be 40% vested. This percentage increases 4% per year until the twentieth year when 100% vesting will occur. Because this is a defined contribution plan, the amount of the retirement benefit is not predetermined, but rather is based on the individual member’s allocable portion of contributions made during the participation period.
2. Deferred Pension – If the retired or terminated member has not attained age 50 and is otherwise eligible for the pension benefit, the balance of the member’s account will be credited with earned interest at the rate permitted by *Minnesota Statutes* Section 424.A02, Subd.7.
3. Disability Benefit – If a member of the Association becomes totally and permanently disabled due to injury, disability, sickness or dismemberment as a result of performance of duty, a disability payment will be made after one hundred days of disability.
4. Death Benefit – In the event of death of an active member or deferred pensioner, the member’s individual account balance will be paid to the surviving spouse, surviving children or the estate of the member after approval by the Board.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Andover Firefighters’ Relief Association, 13875 Crosstown Boulevard NW, Andover, Minnesota 55304.

FUNDING POLICY

The State of Minnesota contributes amortization aid, or two percent fire aid, in accordance with state statute requirements. Plan members are not required to contribute to the plan. The state legislature may amend contribution requirements of the City and State. The City is allowed to make voluntary contributions of other public funds pursuant to *Minnesota Statutes* Chapter 69. The City receives the State aid contribution and is required by state statutes to pass this through as payment to the Association. This transaction is recorded as revenue and expenditure in the City’s financial statements. Contributions for the last three years are as follows:

CITY OF ANDOVER, MINNESOTA
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Year Ending	City	State	Total
12/31/2017	\$ 55,000	\$ 167,893	\$ 222,893
12/31/2018	55,000	176,391	231,391
12/31/2019	-	181,102	181,102

Note 10 OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 8, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees through a single employer defined benefit plan. The term *plan* refers to the City's requirement by State Statute to provide retirees with access to health insurance. The OPEB plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

Retirees

The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Employees who satisfy the rule of 90 or attain age 55 and have completed 10 years of service at termination can immediately commence medical benefits. Retirees may obtain dependent coverage while the participating retiree is under age 65. Covered spouses may continue coverage after the retiree's death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee's death.

All health care coverage is provided through the City's group health insurance plan. The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan. The premium is a blended rate determined by the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

C. PARTICIPANTS

As of the actuarial valuation dated December 2018, participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	2
Active employees	<u>48</u>
Total	<u><u>50</u></u>
Participating employers	<u><u>1</u></u>

D. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

The City's total OPEB liability of \$338,296 was measured as of December 31, 2018 and was determined by an actuarial valuation using the alternative measurement method as of December 31, 2018. Changes in the total OPEB liability during 2019 were:

CITY OF ANDOVER, MINNESOTA
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Balance - beginning of year	<u>\$ 292,379</u>
Changes for the year:	
Service Cost	16,135
Interest	10,008
Changes of benefit terms	-
Differences between expected and actual experience	28,866
Changes in assumptions	3,219
Benefit payments	<u>(12,311)</u>
Net Changes	<u>45,917</u>
Balance - end of year	<u><u>\$ 338,296</u></u>

For governmental activities, OPEB liabilities are generally liquidated by the General and Special Revenue Funds.

E. ACTUAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.71%
Investment rate of return	3.71%
Healthcare cost trend rates	6.40% for FY2019, gradually decreasing over several decades to an ultimate rate of 4.00% in FY2075 and later years.
Retirees' share of benefit-related costs	100%

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return was based an index rate for 20-year tax-exempt municipal bonds (Fidelity 20-Year Municipal G.O. AA Index).

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.

Based on past experience of the plan, 75% of future retirees are assumed to continue medical coverage until age 65. 50% of police/fire employees are assumed to retire at age 55, the balance at 65. 50% of other City employees are assumed to retire at age 62, the balance at age 65.

F. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

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% lower (2.71%) or 1% higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB liability	\$ 364,238	\$ 338,296	\$ 313,768

G. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

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% lower or 1% higher than the current rate:

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	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
Total OPEB liability	\$ 304,206	\$ 338,296	\$ 377,922

H. OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2019, the City recognized \$45,306 of OPEB expense. At December 31, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions between measurement date and reporting date	\$ 12,922	\$ -

\$12,922 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020.

Note 11 INTERFUND RECEIVABLES/PAYABLES, LOANS AND TRANSFERS

The City made the following interfund transfers during the year:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Water Fund	\$ 95,226	Admin allocation
General Fund	Sewer Fund	73,957	Admin allocation
General Fund	Storm Sewer Fund	18,825	Admin allocation
Water Trunk CPF	Water Fund	300,000	Replacement reserve
Sewer Trunk CPF	Sewer Fund	400,000	Replacement reserve
Road & Bridge CPF	Nonmajor Fund	5,800	Roadway degradation
2018A G.O. CIP Bonds CPF	Water Fund	157,684	Public Works Expansion allocation
2018A G.O. CIP Bonds CPF	Sewer Fund	157,684	Public Works Expansion allocation
Water Fund	Water Trunk Fund CPF	58,110	Debt service allocation
Nonmajor Fund	2019A G.O. Abatement Bonds CPF	157,839	Prior year expenditure reimbursement
Nonmajor Fund	Storm Sewer Fund	66,263	Close Fund
Nonmajor Fund	Storm Sewer Fund	23,500	Equipment purchase
Nonmajor Fund	Nonmajor Fund	300,000	Debt service allocation
		<u>\$ 1,814,888</u>	

Additionally, computer service fees paid by the Water, Sewer and Storm Sewer Enterprise Funds to the General Fund have been reclassified as transfers on the Government-Wide Statement of Activities as follows:

	Transfer In	Transfer Out
Governmental Activities	\$ 30,600	\$ -
Business-Type Activities	-	30,600
Total	<u>\$ 30,600</u>	<u>\$ 30,600</u>

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Note 12 TAX INCREMENT DISTRICTS

The City is the administering authority for the following tax increment finance districts:

1 .	Name of District:	Tax Increment Financing District 1-5	
	Type of District:	Redevelopment	
	Authorizing Law:	M.S. Section 469	
	Established:	2012	
	Duration of District:	Through 2039	
	Original net tax capacity:		\$ 6,139
	Current net tax capacity:		<u>85,624</u>
	Captured net tax capacity - retained by the City		<u>\$ 79,485</u>
2 .	Name of District:	Tax Increment Financing District 1-6	
	Type of District:	Redevelopment	
	Authorizing Law:	M.S. Section 469	
	Established:	2014	
	Duration of District:	Through 2024	
	Original net tax capacity:		\$ 21,998
	Current net tax capacity:		<u>70,132</u>
	Captured net tax capacity - retained by the City		<u>\$ 48,134</u>

Note 13 CONTINGENCIES

A. 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; injuries to employees; 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 coverages.

Workers compensation coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The City also has a \$2,500 deductible per occurrence to further decrease the cost of coverage. Final premiums are determined after an audit of payroll subsequent to the close of the agreement year and are subject to revisions in rates, payrolls and experience modification. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property, casualty, and automobile insurance coverage are provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portions. These deductibles are considered immaterial to the financial statements.

The City continues to carry commercial insurance for all other risks of loss, including employee health and disability insurance.

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

B. LITIGATION

The City is not aware of any existing or pending lawsuits, claims or other actions in which the City is a defendant.

C. FEDERAL AND STATE FUNDS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2019.

D. TAX INCREMENT DISTRICTS

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). 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 that would have a material effect on the financial statements.

E. TAX ABATEMENTS - PAY-AS-YOU-GO TAX INCREMENT

The City provides tax abatements pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the City. TIF captures the increase in tax capacity and property taxes from development or redevelopment to provide funding for the related project.

The City has one tax increment pay-as-you-go agreement. The agreement is not a general obligation of the City and is payable solely from available tax increment. Accordingly, this agreement is not reflected in the financial statements of the City. Details of the pay-as-you-go are as follows:

TIF District #1-5, Arbor Oaks Project:

Issued in 2012 in the principal sum of \$540,000 with an interest rate of 5.00% per annum. Principal and interest shall be paid on August 1, 2014 and each February and August thereafter to and including February 1, 2029. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. Principal and interest payments will be completed February 1, 2029. The City shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2029. The current year abatement (TIF note payments) amounted to \$63,860. At December 31, 2019, the principal amount outstanding on the note was \$359,929.

Note 14 DEFERRED AD VALOREM TAX LEVIES - BONDED DEBT

General Obligation bond issues sold by the City are financed by ad valorem tax levies and special assessment bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the County Auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest.

These future scheduled tax levies are not shown as assets in the accompanying financial statements at December 31, 2019. Future scheduled tax levies for all bonds outstanding at December 31, 2019 totaled \$54,696,048.

Note 15 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2019, a summary of the governmental fund balance classifications are as follows:

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

	General	Water Trunk CPF	Sewer Trunk CPF	Road & Bridge CPF	2018 A.G.O. Capital Improvement Plan Bonds CPF	2019 A.G.O. Abatement Bonds CPF	Tax Increment Projects CPF	Other Governmental Funds	Total
Nonspendable:									
Inventory	\$ 122,993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,957	\$ 124,950
Restricted for:									
Debt service	-	-	-	-	-	-	-	1,436,104	1,436,104
Capital improvements	-	-	-	-	3,255,415	11,462,922	-	-	14,718,337
Tax increment	-	-	-	-	-	-	3,436,278	-	3,436,278
Public services	-	-	-	-	-	-	-	106,164	106,164
Total restricted	-	-	-	-	3,255,415	11,462,922	3,436,278	1,542,268	19,696,883
Committed to:									
Economic development	-	-	-	-	-	-	-	198,788	198,788
City's mapping system	-	-	-	-	-	-	-	183,729	183,729
Surface water mgmt.	-	-	-	-	-	-	-	62,300	62,300
Public right of ways mgmt.	-	-	-	-	-	-	-	70,421	70,421
Seal coating new dev.	-	-	-	-	-	-	-	3,074	3,074
Total committed	-	-	-	-	-	-	-	518,312	518,312
Assigned to:									
Water system	-	4,822,716	-	-	-	-	-	-	4,822,716
Sanitary sewer system	-	-	7,236,874	-	-	-	-	-	7,236,874
Street rehabilitation	-	-	-	5,659,899	-	-	-	-	5,659,899
Development purposes	-	-	-	-	-	-	-	1,174,193	1,174,193
Community center	-	-	-	-	-	-	-	542,657	542,657
Forest resources programs	-	-	-	-	-	-	-	5,237	5,237
Public services	-	-	-	-	-	-	-	8,547	8,547
Park improvements	-	-	-	-	-	-	-	739,256	739,256
Facilities management	-	-	-	-	-	-	-	529,633	529,633
Pedestrian trails	-	-	-	-	-	-	-	91,870	91,870
Capital improvements	-	-	-	-	-	-	-	1,759,050	1,759,050
Total assigned	-	4,822,716	7,236,874	5,659,899	-	-	-	4,850,443	22,569,932
Unassigned	9,240,458	-	-	-	-	-	-	-	9,240,458
Total	\$ 9,363,451	\$ 4,822,716	\$ 7,236,874	\$ 5,659,899	\$ 3,255,415	\$ 11,462,922	\$ 3,436,278	\$ 6,912,980	\$ 52,150,535

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – July and December. As such, it is the City’s goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy established a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 51-53% of the subsequent year’s budgeted expenditures. At December 31, 2019, the unassigned fund balance of the General Fund targeted for cash-flow needs was 76% of the subsequent year’s budgeted expenditures.

Note 16 CONDUIT DEBT OBLIGATION

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

As of December 31, 2019, the following revenue bonds were outstanding:

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

<u>Project</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Retired</u>	<u>Outstanding 12/31/2018</u>
Presbyterian Homes of Andover, Inc.	11/1/2003	\$ 13,145,000	\$ (4,671,931)	\$ 8,473,069
YMCA of the Greater Twin Cities	12/1/2019	6,650,000	-	6,650,000

Note 17 OPERATING LEASES

The City received revenue from agreements for the lease of space for antennas placed on the water tower and an emergency siren pole. The City also has leases with the Greater Minneapolis YMCA, Subway Real Estate, LLC for building space at the Andover YMCA Community Center and various tenants in three residential 4-plexes. Terms of each lease are as follows:

<u>Location</u>	<u>Lessee</u>	<u>2019 Lease Amount</u>	<u>Annual Lease Adjustment Factor</u>	<u>Expiration Date</u>	<u>Renewal Options</u>
City Hall water tower	Sprint Nextel	\$ 30,900	3% annually	12/31/2022	3 - 5 year terms
City Hall water tower	T-Mobile USA, Inc	26,735	3% annually	12/31/2026	3 - 5 year terms
City Hall water tower	Verizon	28,859	3% annually	5/31/2024	3 - 5 year terms
Emergency Siren Pole	T-Mobile USA, Inc	13,000	\$1,000 annual increase	9/22/2023	1 - 5 year terms
Andover YMCA Comm Ctr	Greater Minneapolis YMCA	635,000	None	8/1/2035	N/A
Rose Park water tower	Sprint Nextel	18,464	3% annually	7/31/2020	4 - 5 year terms
Rose Park water tower	Verizon	24,736	3% annually	5/31/2024	3 - 5 year terms
Andover YMCA Comm Ctr	Subway Real Estate, LLC	16,452	None	10/2/2021	N/A
10 Rental Housing Units	Various Tenants	86,923	None	Monthly	N/A

Future minimum lease payments are unavailable at this time due to changing variables: CPI and the completion of the capital campaign for the community center.

Note 18 DEPOSITS PAYABLE

For the year ended December 31, 2019, the City implemented GASB Statement No. 84, *Fiduciary Activities*. Based on the guidance provided by GASB 84, the City's performance deposits no longer meet the definition of a fiduciary activity. Therefore, the amounts and activity previously reported in fiduciary funds are now reported in the General Fund.

GASB 84 also requires that changes resulting from the statement be applied retroactively. As such, \$181,354 of Cash and Investments and Deposits Payable previously presented in fiduciary funds of the City's 2018 financial statements are now presented in the 2019 comparative column of the Statement of Net Position and the Balance Sheet – Governmental Funds of the City's 2019 financial statements. This reclassification had no effect on beginning net position or fund balance.

Note 19 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 87 Leases. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 91 Conduit Debt Obligations. The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92 Omnibus 2020. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 93 Replacement of Interbank Offered Rates. The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2020.

Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 87 may have a material impact.

Note 20 SUBSEQUENT EVENTS

The City of Andover sold \$1,310,000 of General Obligation Equipment Certificates, Series 2020A on March 19th, 2020 to finance the purchase of public safety and public works equipment. The rates of the bonds are 4.00% with a true interest cost of 1.05%. Principal payments are due in 2021 – 2024.

The COVID-19 pandemic continues to cause rapidly changing disruptions worldwide. Management has evaluated these conditions and believes that it is not possible to reasonably estimate the financial impact, if any, of COVID-19 on the City's financial statements at December 31, 2019.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 9

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Revenues:					
General property taxes	\$ 9,023,970	\$ 9,023,970	\$ 8,864,720	\$ (159,250)	\$ 8,634,130
Licenses and permits	384,900	384,900	855,831	470,931	562,525
Intergovernmental	787,918	787,918	822,128	34,210	829,861
Charges for services	708,700	708,700	1,133,161	424,461	888,947
Fines	75,250	75,250	62,349	(12,901)	73,719
Investment income	75,000	75,000	208,958	133,958	107,561
Miscellaneous	134,300	134,300	184,558	50,258	176,663
Total revenues	11,190,038	11,190,038	12,131,705	941,667	11,273,406
Expenditures:					
Current:					
General government:					
Mayor and City council	107,751	107,751	99,001	8,750	87,813
Administration	215,952	215,952	211,898	4,054	198,945
Newsletter	26,800	26,800	25,022	1,778	17,770
Human resources	28,771	28,771	15,843	12,928	13,666
Legal	197,041	197,041	191,782	5,259	188,031
City clerk	163,651	163,651	160,184	3,467	149,770
Elections	65,640	65,640	20,452	45,188	50,629
Financial administration	290,752	290,752	280,198	10,554	272,851
Assessing	154,000	154,000	149,033	4,967	149,040
Information systems	187,743	187,743	169,828	17,915	171,637
Planning and zoning	456,887	456,887	412,282	44,605	422,984
Engineering	575,968	575,968	561,643	14,325	527,688
Facility management	660,944	670,862	543,318	127,544	497,640
Total general government	3,131,900	3,141,818	2,840,484	301,334	2,748,464
Public safety:					
Police	3,183,610	3,183,610	3,183,610	-	3,053,526
Fire protection	1,471,101	1,471,101	1,391,251	79,850	1,445,167
Protective inspection	479,543	495,143	493,955	1,188	436,789
Civil defense	29,184	29,184	18,609	10,575	18,060
Animal control	5,950	5,950	4,367	1,583	2,808
Total public safety	5,169,388	5,184,988	5,091,792	93,196	4,956,350
Public works:					
Streets and highways	696,225	680,345	609,570	70,775	656,194
Snow and ice removal	586,375	586,375	703,647	(117,272)	599,028
Street signs	227,527	227,527	202,995	24,532	206,890
Traffic signals	39,500	39,500	26,421	13,079	33,857
Street lighting	220,900	220,900	178,320	42,580	175,766
Total public works	\$ 1,770,527	\$ 1,754,647	\$ 1,720,953	\$ 33,694	\$ 1,671,735

(Continued)

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 9
(Continued)

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Expenditures:					
Current: (continued)					
Parks and recreation	\$ 1,239,624	\$ 1,223,124	\$ 1,182,928	\$ 40,196	\$ 1,158,535
Recycling	168,626	168,626	224,574	(55,948)	199,182
Unallocated	95,428	79,828	15,001	64,827	11,940
Total current	11,575,493	11,553,031	11,075,732	477,299	10,746,206
Capital outlay:					
General government	-	4,082	4,082	-	-
Public works	-	5,880	5,880	-	-
Parks and recreation	120,000	18,000	14,404	3,596	129,038
Total capital outlay	120,000	27,962	24,366	3,596	129,038
Total expenditures	11,695,493	11,580,993	11,100,098	480,895	10,875,244
Revenues over (under) expenditures	(505,455)	(390,955)	1,031,607	1,422,562	398,162
Other financing sources (uses):					
Transfers in	188,008	188,008	188,008	-	178,558
Transfers out	-	-	-	-	(230,000)
Proceeds from the sale of capital assets	-	-	7,500	7,500	-
Total other financing sources (uses)	188,008	188,008	195,508	7,500	(51,442)
Net increase (decrease) in fund balance	\$ (317,447)	\$ (202,947)	1,227,115	\$ 1,430,062	346,720
Fund balance - January 1			8,136,336		7,789,616
Fund balance - December 31			\$ 9,363,451		\$ 8,136,336

See accompanying notes to the required supplementary information.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Last Ten Years

Statement 10

	<u>2018</u>	<u>2019</u>
Total OPEB liability:		
Service cost	\$ 14,090	\$ 16,135
Interest	10,482	10,008
Changes of benefit terms	-	-
Differences between expected and actual experience	-	28,866
Changes in assumptions	11,969	3,219
Benefit payments	<u>(5,813)</u>	<u>(12,311)</u>
Net change in total OPEB liability	30,728	45,917
Total OPEB liability - beginning	<u>261,651</u>	<u>292,379</u>
Total OPEB liability - ending	<u>\$ 292,379</u>	<u>\$ 338,296</u>
Covered-employee payroll	\$ 4,469,146	\$ 4,620,961
Total OPEB liability as a percentage of covered-employee payroll	6.5%	7.3%

See accompanying notes to the required supplementary information.

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2019 and is intended to show a ten year trend. Additional years will be added as they become available.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY*
GENERAL EMPLOYEES RETIREMENT FUND
For the Last Ten Years

Statement 11

<u>Measurement Date</u> June 30	<u>Fiscal Year Ending</u> December 31	<u>City's Proportionate Share (Percentage) of the Net Pension Liability</u>	<u>City's Proportionate Share (Amount) of the Net Pension Liability (a)</u>	<u>State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b)</u>	<u>City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (a + b)</u>	<u>Covered Payroll (c)</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b/c)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	2015	0.0609%	\$ 3,156,154	\$ -	\$ 3,156,154	\$ 3,578,755	88.2%	78.2%
2016	2016	0.0590%	4,790,507	62,597	4,853,104	3,623,880	133.9%	68.9%
2017	2017	0.0594%	3,792,057	47,673	3,839,730	3,825,146	100.4%	75.9%
2018	2018	0.0587%	3,256,435	106,772	3,363,207	3,944,067	85.3%	79.5%
2019	2019	0.0576%	3,184,575	98,996	3,283,571	4,076,586	80.5%	80.2%

See accompanying notes to the required supplementary information.

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS*
GENERAL EMPLOYEES RETIREMENT FUND
For the Last Ten Years

Statement 12

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$ 268,490	\$ 268,490	\$ -	\$ 3,579,867	7.5%
December 31, 2016	283,158	283,158	-	3,775,440	7.5%
December 31, 2017	284,139	284,139	-	3,788,520	7.5%
December 31, 2018	301,507	301,507	-	4,020,093	7.5%
December 31, 2019	310,033	310,033	-	4,133,993	7.5%

See accompanying notes to the required supplementary information.

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY*
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For the Last Ten Years

Statement 13

<u>Measurement Date</u>	<u>Fiscal Year Ending</u>	<u>Proportion (Percentage) of the Net Pension Liability</u>	<u>Proportionate Share (Amount) of the Net Pension Liability (a)</u>	<u>Covered Payroll (b)</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	December 31, 2015	0.0210%	\$ 238,609	\$ 194,274	122.8%	86.6%
June 30, 2016	December 31, 2016	0.0280%	1,123,689	283,389	396.5%	63.9%
June 30, 2017	December 31, 2017	0.0280%	378,033	287,895	131.3%	85.4%
June 30, 2018	December 31, 2018	0.0267%	284,595	281,901	101.0%	88.8%
June 30, 2019	December 31, 2019	0.0272%	289,571	287,498	100.7%	89.3%

See accompanying notes to the required supplementary information.

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS*
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For the Last Ten Years

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$ 38,121	\$ 38,121	\$ -	\$ 235,315	16.2%
December 31, 2016	45,909	45,909	-	283,389	16.2%
December 31, 2017	45,604	45,604	-	281,506	16.2%
December 31, 2018	46,365	46,365	-	286,204	16.2%
December 31, 2019	46,269	46,269	-	272,993	16.9%

See accompanying notes to the required supplementary information.

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019

Note A BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the departmental level for the General Fund. The following is a listing of General Fund departments whose expenditures exceed budget appropriations.

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
General Fund:			
Current:			
Public Works:			
Snow and ice removal	\$ 586,375	\$ 703,647	\$ 117,272
Recycling	168,626	224,574	55,948

Note B MODIFIED APPROACH FOR CITY STREETS AND TRAILS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street and trail system; water treatment and distribution system; wastewater collection system; park and recreation lands and improvement system; storm water conveyance system; and building combined with site amenities such as parking and landscape areas used by the City in the conduct of its business. Each major infrastructure can be divided into subsystems. For example, the street and trail system can be divided into pavement widths, curb type and sidewalk. City owned streets could further be classified as collector or local. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the modified approach as defined in GASB Statement No. 34 for infrastructure reporting for its Pavement Management Program. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- 1) The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- 2) The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City's policy relative to maintaining the street and trail assets is to achieve an average rating of "Good" for all segments. This acceptable rating allows minor cracking and patching of the pavement along with minor roughness that could be noticeable to the users of the system.

In the fall of 2019, the City conducted a physical condition assessment of the streets and trails constructed since 1974. This assessment will be performed every three years. Each street and trail segment was assigned a physical condition based on potential defects. An Overall Condition Index (OCI) was assigned to each street and trail and expressed in a continuous scale. Prior to 2013, the continuous scale was from 0 to 100 where 0 is assigned to the least acceptable physical condition and 100 is assigned to a new street or trail. Starting in 2013, the continuous scale was from 0 to 10, where 0 is assigned to the least acceptable physical condition and 10 is assigned the physical characteristics of a new street or trail. The following conditions were defined:

<u>Condition</u>	<u>Prior to 2013 Rating Scale</u>	<u>Current Rating Scale</u>
Excellent	86 - 100	8 - 10
Very Good	71 - 85	7 - 7.9
Good	56 - 70	6 - 6.9
Fair	41 - 55	4 - 5.9
Poor	26 - 40	2 - 3.9
Very Poor	11 - 25	1 - 1.9
Substandard	0 - 10	0 - .9

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019

As of December 31, 2019, the City’s street and trail system was rated at an OCI index of 5.3 on the average with detail condition as follows:

<u>Condition</u>	<u>% of Street and Trails</u>
Excellent to Good	42.8%
Fair	38.8%
Poor to Substandard	18.4%

The City’s streets and trails are constantly deteriorating resulting from the following factors: (1) traffic using the system; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development trenching operations; (4) water damage from natural precipitation; and (5) frost heave. The City is continuously taking actions to prolong the life of the system through short-term maintenance activities such as pothole patching, crack sealing, seal coating and overlaying. The City expended \$3,701,063 on street and trail maintenance for the year ending December 31, 2019. These expenditures delayed deterioration; however, the overall condition of the system was not improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City’s street and trail system at the average OCI rating of good is approximately \$1,150,000.

<u>Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>OCI Rating</u>
2010	\$1,150,000	\$ 1,457,082	83
2011	1,150,000	1,770,980	83
2012	1,150,000	3,894,784	83
2013	1,150,000	2,471,123	6.9
2014	1,150,000	2,029,026	6.7
2015	1,150,000	1,114,900	6.7
2016	1,150,000	1,585,756	6.3
2017	1,150,000	3,548,327	6.4
2018	1,150,000	2,274,146	6.4
2019	1,150,000	3,701,063	5.3

The City has an on-going street and trail rehabilitation program funded in the Capital Improvement Program that is intended to improve the condition rating of the City streets and trails. The rehabilitation program is formulated based on the deficiencies identified as a part of its Pavement Management Program.

Note C OPEB INFORMATION

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. There are no factors that affect trends in the amounts reported, such as changes in benefit terms or assumptions.

Note D PENSION INFORMATION

PERA – General Employees Retirement Fund

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.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.5 percent per year thereafter to 1.25 percent per year.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 percent per year thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

PERA – Public Employees Police and Fire

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

2017 Changes in Actuarial Assumptions:

- The single discount rate was changed from 5.6 percent to 7.5 percent.
- 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 Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested 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 3.0 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 percent to 60 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 2.5 percent thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Revenues for these funds can come from a variety of sources, such as taxes, fees, gifts and grants or contributions from other governmental entities. Expenditures from these funds are normally restricted by statute, local ordinance or grant agreements. The funds may be used for either operations or capital outlay as legal restrictions mandate.

DEBT SERVICE FUNDS

A Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term principal, interest and other related costs.

CAPITAL PROJECTS FUNDS

A Capital Projects Fund is used to account for acquisition or construction of major capital facilities financed mainly with governmental fund resources, general obligation debt, special assessments, special assessment debt, grants or other resources that are not part of Proprietary Funds or Trust Funds.

CITY OF ANDOVER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

Statement 15

	Special Revenue	Debt Service	Capital Projects	Totals	
				Nonmajor Governmental Funds	
				2019	2018
Assets:					
Cash and investments	\$ 1,106,717	\$ 1,418,376	\$ 4,284,675	\$ 6,809,768	\$ 4,296,575
Cash and investments with escrow agent	152,233	-	-	152,233	176,788
Accrued interest	6,061	2,246	21,954	30,261	21,957
Accounts receivable - net	85,092	-	-	85,092	112,113
Property taxes receivable:					
Unremitted	407	15,482	4,586	20,475	14,843
Delinquent	452	18,448	5,794	24,694	19,771
Special assessments receivable:					
Deferred	-	-	98,260	98,260	-
Inventories - at cost	1,957	-	-	1,957	2,386
Total assets	\$ 1,352,919	\$ 1,454,552	\$ 4,415,269	\$ 7,222,740	\$ 4,644,433
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ 70,000
Accounts payable	60,225	-	17,213	77,438	53,066
Deposits payable	19,623	-	-	19,623	35,083
Due to other governmental units	17,990	-	-	17,990	3,833
Salaries payable	13,613	-	-	13,613	11,431
Unearned revenue	58,142	-	-	58,142	183,463
Total liabilities	169,593	-	17,213	186,806	356,876
Deferred inflows of resources:					
Unavailable revenues	452	18,448	104,054	122,954	19,771
Fund balance (deficit):					
Nonspendable	1,957	-	-	1,957	2,386
Restricted	106,164	1,436,104	-	1,542,268	1,119,583
Committed	518,312	-	-	518,312	518,617
Assigned	556,441	-	4,294,002	4,850,443	2,693,463
Unassigned	-	-	-	-	(66,263)
Total fund balance (deficit)	1,182,874	1,436,104	4,294,002	6,912,980	4,267,786
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 1,352,919	\$ 1,454,552	\$ 4,415,269	\$ 7,222,740	\$ 4,644,433

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

Statement 16

	Special Revenue	Debt Service	Capital Projects	Totals	
				Nonmajor Governmental Funds	
				2019	2018
Revenues:					
General property taxes	\$ 39,857	\$ 2,097,563	\$ 638,929	\$ 2,776,349	\$ 2,498,992
Intergovernmental	-	-	2,905	2,905	2,839
Special assessments	-	-	136,450	136,450	-
Charges for services	808,476	-	-	808,476	767,307
Investment income	37,280	7,066	111,292	155,638	62,312
Miscellaneous:					
Park dedication fees	-	-	472,753	472,753	75,798
Rent	636,803	-	-	636,803	637,150
Other	226,670	-	249,832	476,502	286,620
Total revenues	<u>1,749,086</u>	<u>2,104,629</u>	<u>1,612,161</u>	<u>5,465,876</u>	<u>4,331,018</u>
Expenditures:					
Current:					
General government	63,187	-	107,520	170,707	367,492
Public safety	-	-	4,237	4,237	-
Public works	77,028	-	-	77,028	62,247
Parks and recreation	1,045,404	-	14,669	1,060,073	1,055,880
Economic development	62,147	-	-	62,147	58,833
Capital outlay:					
Public safety	-	-	72,801	72,801	126,053
Public works	-	-	538,461	538,461	643,308
Parks and recreation	2,000	-	88,431	90,431	589,438
Debt service:					
Principal retirement	-	1,444,000	-	1,444,000	1,612,717
Interest	-	568,864	-	568,864	385,555
Paying agent fees	-	1,000	-	1,000	3,095
Total expenditures	<u>1,249,766</u>	<u>2,013,864</u>	<u>826,119</u>	<u>4,089,749</u>	<u>4,904,618</u>
Revenues over (under) expenditures	<u>499,320</u>	<u>90,765</u>	<u>786,042</u>	<u>1,376,127</u>	<u>(573,600)</u>
Other financing sources (uses):					
Transfers in	-	300,000	247,602	547,602	596,137
Transfers out	(305,800)	-	-	(305,800)	(305,300)
Proceeds from sale of capital assets	-	-	24,550	24,550	65,037
Total other financing sources (uses)	<u>(305,800)</u>	<u>300,000</u>	<u>272,152</u>	<u>266,352</u>	<u>355,874</u>
Net increase (decrease) in fund balance	193,520	390,765	1,058,194	1,642,479	(217,726)
Fund balance - January 1	<u>989,354</u>	<u>1,045,339</u>	<u>3,235,808</u>	<u>5,270,501</u>	<u>4,485,512</u>
Fund balance - December 31	<u>\$ 1,182,874</u>	<u>\$ 1,436,104</u>	<u>\$ 4,294,002</u>	<u>\$ 6,912,980</u>	<u>\$ 4,267,786</u>
Reconciliation of beginning fund balance to prior year ending funding balance:					
Prior year ending fund balance reported above					\$ 4,267,786
Plus prior year ending fund balance for Permanent Improvement Revolving Capital Projects Fund					<u>1,002,715</u>
Current year beginning fund balance					<u>\$ 5,270,501</u>

NONMAJOR SPECIAL REVENUE FUNDS

The City of Andover had the following Special Revenue Funds during the year:

EDA General - This fund was established to account for activities designed to promote quality economic development within the community.

Community Center - This fund is used to account for the operations of the Andover YMCA/Community Center, particularly the ice arena, field house and concessions. The aquatic's portion of the Community Center is under the operations of the YMCA.

Drainage and Mapping - This fund accounts for resources necessary to maintain existing maps and developing new maps and mapping systems for the City.

LRRWMO - This fund is used to account for the City's involvement with the Lower Rum River Watershed Management Organization (LRRWMO).

Forestry - This fund was established to account for the protection of forest resources and the development of control plans to ensure preservation or restoration of these resources.

Right-of-Way Management/Utility - This fund is used to account for activity associated with the management of the public right-of-ways.

Charitable Gambling - This fund accounts for the 10% of net profits received from gambling activities by local non-profit organizations. According to state statute, all expenditures from this fund must be for public services and police, fire and other emergency or public safety-related services, equipment, and training, excluding pension obligations.

Construction Seal Coating - This fund accounts for the contributions associated with land development to be used for the respective developments first application of crack seal and seal coat.

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

	<u>EDA General</u>	<u>Community Center</u>	<u>Drainage and Mapping</u>	<u>LRRWMO</u>
Assets:				
Cash and investments	\$ 189,148	\$ 409,273	\$ 184,445	\$ 73,554
Cash and investments with escrow agent	-	152,233	-	-
Accrued interest	1,099	2,291	1,034	341
Accounts receivable - net	12,137	70,141	-	-
Property taxes receivable:				
Unremitted	-	-	-	407
Delinquent	-	-	-	452
Inventories - at cost	-	1,957	-	-
Total assets	<u>\$ 202,384</u>	<u>\$ 635,895</u>	<u>\$ 185,479</u>	<u>\$ 74,754</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 3,596	\$ 56,476	\$ -	\$ -
Deposits payable	-	19,623	-	-
Due to other governmental units	-	2,045	1,750	11,765
Salaries payable	-	13,137	-	237
Unearned revenue	-	-	-	-
Total liabilities	<u>3,596</u>	<u>91,281</u>	<u>1,750</u>	<u>12,002</u>
Deferred inflows of resources:				
Unavailable revenues	-	-	-	452
Fund balance (deficit):				
Nonspendable	-	1,957	-	-
Restricted	-	-	-	-
Committed	198,788	-	183,729	62,300
Assigned	-	542,657	-	-
Total fund balance (deficit)	<u>198,788</u>	<u>544,614</u>	<u>183,729</u>	<u>62,300</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 202,384</u>	<u>\$ 635,895</u>	<u>\$ 185,479</u>	<u>\$ 74,754</u>

Forestry	Right-of-Way Management/ Utility	Charitable Gambling	Construction Seal Coating	Totals	
				Nonmajor Special Revenue Funds 2019	2018
\$ 5,237	\$ 70,043	\$ 114,179	\$ 60,838	\$ 1,106,717	\$ 969,981
-	-	-	-	152,233	176,788
-	386	532	378	6,061	5,395
-	2,814	-	-	85,092	112,113
-	-	-	-	407	208
-	-	-	-	452	427
-	-	-	-	1,957	2,386
<u>\$ 5,237</u>	<u>\$ 73,243</u>	<u>\$ 114,711</u>	<u>\$ 61,216</u>	<u>\$ 1,352,919</u>	<u>\$ 1,267,298</u>
\$ -	\$ 153	\$ -	\$ -	\$ 60,225	\$ 43,824
-	-	-	-	19,623	35,083
-	2,430	-	-	17,990	3,716
-	239	-	-	13,613	11,431
-	-	-	58,142	58,142	183,463
-	2,822	-	58,142	169,593	277,517
-	-	-	-	452	427
-	-	-	-	1,957	2,386
-	-	106,164	-	106,164	74,244
-	70,421	-	3,074	518,312	518,617
5,237	-	8,547	-	556,441	394,107
<u>5,237</u>	<u>70,421</u>	<u>114,711</u>	<u>3,074</u>	<u>1,182,874</u>	<u>989,354</u>
<u>\$ 5,237</u>	<u>\$ 73,243</u>	<u>\$ 114,711</u>	<u>\$ 61,216</u>	<u>\$ 1,352,919</u>	<u>\$ 1,267,298</u>

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

	EDA General	Community Center	Drainage and Mapping	LRRWMO
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$ 39,857
Charges for services	7,096	722,177	31,951	-
Investment income	6,231	16,107	5,414	1,897
Miscellaneous:				
Rent	-	636,803	-	-
Other	177	131,386	-	-
Total revenues	13,504	1,506,473	37,365	41,754
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	-	12,198	23,765
Parks and recreation	-	1,045,404	-	-
Economic development	62,147	-	-	-
Capital outlay:				
Parks and recreation	-	2,000	-	-
Total expenditures	62,147	1,047,404	12,198	23,765
Revenues over (under) expenditures	(48,643)	459,069	25,167	17,989
Other financing sources (uses):				
Transfers out	-	(300,000)	-	-
Net increase (decrease) in fund balance	(48,643)	159,069	25,167	17,989
Fund balance (deficit) - January 1	247,431	385,545	158,562	44,311
Fund balance (deficit) - December 31	<u>\$ 198,788</u>	<u>\$ 544,614</u>	<u>\$ 183,729</u>	<u>\$ 62,300</u>

Forestry	Right-of-Way Management/ Utility	Charitable Gambling	Construction Seal Coating	Totals	
				Nonmajor Special Revenue Funds	
				2019	2018
\$ -	\$ -	\$ -	\$ -	\$ 39,857	\$ 39,871
-	37,807	-	9,445	808,476	767,307
105	1,889	2,731	2,906	37,280	18,169
-	-	-	-	636,803	637,150
-	-	95,107	-	226,670	222,241
105	39,696	97,838	12,351	1,749,086	1,684,738
-	-	63,187	-	63,187	68,142
-	21,997	-	19,068	77,028	62,199
-	-	-	-	1,045,404	1,045,141
-	-	-	-	62,147	58,833
-	-	-	-	2,000	-
-	21,997	63,187	19,068	1,249,766	1,234,315
105	17,699	34,651	(6,717)	499,320	450,423
-	(5,800)	-	-	(305,800)	(305,300)
105	11,899	34,651	(6,717)	193,520	145,123
5,132	58,522	80,060	9,791	989,354	844,231
\$ 5,237	\$ 70,421	\$ 114,711	\$ 3,074	\$ 1,182,874	\$ 989,354

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NONMAJOR DEBT SERVICE FUNDS

The City's Debt Service Funds account for four types of bonded indebtedness:

- Certificates of Indebtedness
- Capital Improvement Bonds
- Abatement Bonds
- Referendum Bonds

Certificates of Indebtedness - (G.O. Equipment Certificates - 2014A and 2016A) are repaid primarily from general property taxes.

Capital Improvement Plan Bonds – (G.O. Capital Improvement Plan Bonds of 2018A) are repaid primarily from general property taxes.

Abatement Bonds - (G.O. Abatement Bonds of 2012C) are repaid from annual lease payments from the YMCA, Community Center operations and general property tax.

Referendum Bonds – (Open Space Referendum Bonds of 2010A) are used to finance the purchase of land to remain as open space.

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

	G.O. Equipment Certificate 2014A	G.O. Equipment Certificate 2016A	G.O. Capital Improvement Plan Bonds 2018A	G.O. Abatement Bonds 2012C
Assets:				
Cash and investments	\$ 366,226	\$ 165,049	\$ 305,088	\$ 316,572
Accrued interest	-	614	544	-
Property taxes receivable:				
Unremitted	-	3,209	3,852	7,113
Delinquent	-	1,482	5,447	10,057
Total assets	\$ 366,226	\$ 170,354	\$ 314,931	\$ 333,742
Deferred Inflows of Resources and Fund Balances				
Deferred inflows of resources:				
Unavailable revenues	\$ -	\$ 1,482	5,447	\$ 10,057
Fund balance (deficit):				
Restricted	366,226	168,872	309,484	323,685
Total deferred inflows of resources, and and fund balances (deficit)	\$ 366,226	\$ 170,354	\$ 314,931	\$ 333,742

Statement 19

Open Space Referendum Bonds 2010A	Totals	
	Nonmajor Debt Service Funds	
	2019	2018
\$ 265,441	\$ 1,418,376	\$ 1,032,604
1,088	2,246	3,188
1,308	15,482	9,547
<u>1,462</u>	<u>18,448</u>	<u>13,138</u>
<u>\$ 269,299</u>	<u>\$ 1,454,552</u>	<u>\$ 1,058,477</u>
\$ 1,462	\$ 18,448	\$ 13,138
<u>267,837</u>	<u>1,436,104</u>	<u>1,045,339</u>
<u>\$ 269,299</u>	<u>\$ 1,454,552</u>	<u>\$ 1,058,477</u>

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

	G.O. Equipment Certificate 2014A	G.O. Equipment Certificate 2016A	G.O. Capital Improvement Plan Bonds 2018A	G.O. Abatement Bonds 2012C
Revenues:				
General property taxes	\$ 289,702	\$ 143,707	\$ 520,256	\$ 960,618
Investment income	2,485	2,596	2,192	(5,200)
Total revenues	<u>292,187</u>	<u>146,303</u>	<u>522,448</u>	<u>955,418</u>
Expenditures:				
Debt service:				
Principal retirement	270,000	129,000	-	885,000
Interest	8,200	6,261	212,964	323,931
Paying agent fees	-	-	-	500
Total expenditures	<u>278,200</u>	<u>135,261</u>	<u>212,964</u>	<u>1,209,431</u>
Revenues over (under) expenditures	13,987	11,042	309,484	(254,013)
Other financing sources (uses):				
Transfers in	-	-	-	300,000
Net increase (decrease) in fund balance	13,987	11,042	309,484	45,987
Fund balance - January 1	<u>352,239</u>	<u>157,830</u>	<u>-</u>	<u>277,698</u>
Fund balance - December 31	<u>\$ 366,226</u>	<u>\$ 168,872</u>	<u>\$ 309,484</u>	<u>\$ 323,685</u>

Statement 20

Open Space Referendum Bonds 2010A	Totals	
	Nonmajor Debt Service Funds	
	2019	2018
\$ 183,280	\$ 2,097,563	\$ 1,596,368
4,993	7,066	2,573
<u>188,273</u>	<u>2,104,629</u>	<u>1,598,941</u>
160,000	1,444,000	1,416,000
17,508	568,864	385,555
500	1,000	3,095
<u>178,008</u>	<u>2,013,864</u>	<u>1,804,650</u>
10,265	90,765	(205,709)
<u>-</u>	<u>300,000</u>	<u>300,000</u>
10,265	390,765	94,291
<u>257,572</u>	<u>1,045,339</u>	<u>951,048</u>
<u>\$ 267,837</u>	<u>\$ 1,436,104</u>	<u>\$ 1,045,339</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

The City of Andover had the following Capital Projects Funds during the year:

Storm Sewer Project - This fund was established to account for storm sewer fees and improvements as part of development and ongoing maintenance.

Park Dedication - This fund was established to account for contributions associated with land development to be used for constructing and upgrading the City's park system.

Building Fund - This fund was established to account for miscellaneous building improvements for all facilities.

Trail and Transportation - This fund is used to account for contributions associated with land development to be used for constructing and upgrading the City's trail system.

Capital Equipment Reserve - This fund is used to account for the capital equipment/projects levy and the various capital expenditures it will be used for.

Permanent Improvement Revolving – This fund serves as a long-term funding source for large capital improvement expenditures.

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2019
With Comparative Totals For December 31, 2018

	<u>Park Dedication</u>	<u>Building Fund</u>	<u>Trail & Transportation</u>	<u>Capital Equipment Reserve</u>
Assets:				
Cash and investments	\$ 744,973	\$ 524,873	\$ 91,450	\$ 1,755,776
Accrued interest	3,351	2,237	420	9,356
Property taxes receivable:				
Unremitted	109	2,523	-	1,954
Delinquent	138	3,187	-	2,469
Special assessments receivable:				
Deferred	-	-	-	-
Total assets	<u><u>\$ 748,571</u></u>	<u><u>\$ 532,820</u></u>	<u><u>\$ 91,870</u></u>	<u><u>\$ 1,769,555</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Interfund payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	9,177	-	-	8,036
Due to other government units	-	-	-	-
Total liabilities	<u>9,177</u>	<u>-</u>	<u>-</u>	<u>8,036</u>
Deferred inflows of resources:				
Unavailable revenues	<u>138</u>	<u>3,187</u>	<u>-</u>	<u>2,469</u>
Fund balance (deficit):				
Assigned	739,256	529,633	91,870	1,759,050
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>739,256</u>	<u>529,633</u>	<u>91,870</u>	<u>1,759,050</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u><u>\$ 748,571</u></u>	<u><u>\$ 532,820</u></u>	<u><u>\$ 91,870</u></u>	<u><u>\$ 1,769,555</u></u>

Statement 21

Permanent Improvement Revolving	Totals	
	Nonmajor Capital Projects Funds	
	2019	2018
\$ 1,167,603	\$ 4,284,675	\$ 2,293,990
6,590	21,954	13,374
-	4,586	5,088
-	5,794	6,206
98,260	98,260	-
<u>\$ 1,272,453</u>	<u>\$ 4,415,269</u>	<u>\$ 2,318,658</u>
\$ -	\$ -	\$ 70,000
-	17,213	9,242
-	-	117
-	17,213	79,359
98,260	104,054	6,206
1,174,193	4,294,002	2,299,356
-	-	(66,263)
1,174,193	4,294,002	2,233,093
<u>\$ 1,272,453</u>	<u>\$ 4,415,269</u>	<u>\$ 2,318,658</u>

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

	Storm Sewer Project	Park Dedication	Building Fund	Trail & Transportation
Revenues:				
General property taxes	\$ -	\$ 15,187	\$ 351,465	\$ -
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Investment income	-	15,728	10,571	3,229
Miscellaneous:				
Park dedication fees	-	472,753	-	-
Other	-	102,368	-	122,156
Total revenues	<u>-</u>	<u>606,036</u>	<u>362,036</u>	<u>125,385</u>
Expenditures:				
Current:				
General government	-	-	77,262	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	10,489	-	4,180
Capital outlay:				
Public safety	-	-	-	-
Public works	-	-	-	538,461
Parks and recreation	-	14,998	-	-
Debt service:				
Principal retirement	-	-	-	-
Total expenditures	<u>-</u>	<u>25,487</u>	<u>77,262</u>	<u>542,641</u>
Revenues over (under) expenditures	<u>-</u>	<u>580,549</u>	<u>284,774</u>	<u>(417,256)</u>
Other financing sources (uses):				
Transfers in	66,263	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>66,263</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in fund balance	66,263	580,549	284,774	(417,256)
Fund balance (deficit) - January 1	<u>(66,263)</u>	<u>158,707</u>	<u>244,859</u>	<u>509,126</u>
Fund balance (deficit) - December 31	<u>\$ -</u>	<u>\$ 739,256</u>	<u>\$ 529,633</u>	<u>\$ 91,870</u>

Reconciliation of beginning fund balance to prior year ending funding balance:
Prior year ending fund balance reported above
Plus prior year ending fund balance for Permanent Improvement Revolving Fund
Current year beginning fund balance

Capital Equipment Reserve	Permanent Improvement Revolving	Totals	
		Nonmajor Capital Projects Funds	
		2019	2018
\$ 272,277	\$ -	\$ 638,929	\$ 862,753
2,905	-	2,905	2,839
-	136,450	136,450	-
46,736	35,028	111,292	41,570
-	-	472,753	75,798
25,308	-	249,832	64,379
<u>347,226</u>	<u>171,478</u>	<u>1,612,161</u>	<u>1,047,339</u>
30,258	-	107,520	299,350
4,237	-	4,237	-
-	-	-	48
-	-	14,669	10,739
72,801	-	72,801	126,053
-	-	538,461	643,308
73,433	-	88,431	589,438
-	-	-	196,717
<u>180,729</u>	<u>-</u>	<u>826,119</u>	<u>1,865,653</u>
<u>166,497</u>	<u>171,478</u>	<u>786,042</u>	<u>(818,314)</u>
181,339	-	247,602	296,137
24,550	-	24,550	65,037
<u>205,889</u>	<u>-</u>	<u>272,152</u>	<u>361,174</u>
372,386	171,478	1,058,194	(457,140)
<u>1,386,664</u>	<u>1,002,715</u>	<u>3,235,808</u>	<u>2,690,233</u>
<u>\$ 1,759,050</u>	<u>\$ 1,174,193</u>	<u>\$ 4,294,002</u>	<u>\$ 2,233,093</u>
			\$ 2,233,093
			<u>1,002,715</u>
			<u>\$ 3,235,808</u>

CITY OF ANDOVER, MINNESOTA
SPECIAL REVENUE FUND - EDA GENERAL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 23

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Revenues:					
Charges for services	\$ 7,000	\$ 7,000	\$ 7,096	\$ 96	\$ 7,003
Investment income	2,000	2,000	6,231	4,231	4,324
Miscellaneous	-	-	177	177	177
Total revenues	9,000	9,000	13,504	4,504	11,504
Expenditures:					
Current:					
Economic development	102,078	102,078	62,147	39,931	58,833
Net increase (decrease) in fund balance	\$ (93,078)	\$ (93,078)	(48,643)	\$ 44,435	(47,329)
Fund balance (deficit) - January 1			247,431		294,760
Fund balance (deficit) - December 31			\$ 198,788		\$ 247,431

CITY OF ANDOVER, MINNESOTA

SPECIAL REVENUE FUND - COMMUNITY CENTER
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2019
 With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 24

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Revenues:					
Charges for services	\$ 691,500	\$ 691,500	\$ 722,177	\$ 30,677	\$ 704,459
Investment income	-	-	16,107	16,107	5,780
Miscellaneous:					
Rent	638,000	638,000	636,803	(1,197)	637,150
Other	138,000	138,000	131,386	(6,614)	142,768
Total revenues	<u>1,467,500</u>	<u>1,467,500</u>	<u>1,506,473</u>	<u>38,973</u>	<u>1,490,157</u>
Expenditures:					
Current:					
Parks and recreation	1,107,364	1,107,364	1,045,404	61,960	1,045,141
Capital outlay:					
Parks and recreation	<u>58,000</u>	<u>58,000</u>	<u>2,000</u>	<u>56,000</u>	<u>-</u>
Total expenditures	<u>1,165,364</u>	<u>1,165,364</u>	<u>1,047,404</u>	<u>117,960</u>	<u>1,045,141</u>
Revenue over (under) expenditures	302,136	302,136	459,069	156,933	445,016
Other financing sources (uses)					
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
Net increase (decrease) in fund balance	<u>\$ 2,136</u>	<u>\$ 2,136</u>	159,069	<u>\$ 156,933</u>	145,016
Fund balance (deficit) - January 1			<u>385,545</u>		<u>240,529</u>
Fund balance (deficit) - December 31			<u>\$ 544,614</u>		<u>\$ 385,545</u>

CITY OF ANDOVER, MINNESOTA

SPECIAL REVENUE FUND - DRAINAGE AND MAPPING
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2019
 With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 25

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Revenues:					
Charges for services	\$ 8,000	\$ 8,000	\$ 31,951	\$ 23,951	\$ 18,782
Investment income	<u>1,200</u>	<u>1,200</u>	<u>5,414</u>	<u>4,214</u>	<u>2,642</u>
Total Revenues	9,200	9,200	37,365	28,165	21,424
Expenditures:					
Current:					
Public works	<u>23,800</u>	<u>23,800</u>	<u>12,198</u>	<u>11,602</u>	<u>12,969</u>
Net increase (decrease) in fund balance	<u>\$ (14,600)</u>	<u>\$ (14,600)</u>	25,167	<u>\$ 39,767</u>	8,455
Fund balance (deficit) - January 1			<u>158,562</u>		<u>150,107</u>
Fund balance (deficit) - December 31			<u>\$ 183,729</u>		<u>\$ 158,562</u>

CITY OF ANDOVER, MINNESOTA
SPECIAL REVENUE FUND - LRRWMO
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 26

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Revenues:					
General property taxes	\$ 40,000	\$ 40,000	\$ 39,857	\$ (143)	\$ 39,871
Investment income	100	100	1,897	1,797	427
Total revenues	40,100	40,100	41,754	1,654	40,298
Expenditures:					
Current:					
Public works	25,273	25,273	23,765	1,508	23,030
Net increase (decrease) in fund balance	\$ 14,827	\$ 14,827	17,989	\$ 3,162	17,268
Fund balance (deficit) - January 1			44,311		27,043
Fund balance (deficit) - December 31			\$ 62,300		\$ 44,311

CITY OF ANDOVER, MINNESOTA
SPECIAL REVENUE FUND - FORESTRY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 27

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 12,500	\$ 12,500	\$ -	\$ (12,500)	\$ -
Investment income	100	100	105	5	85
Total revenues	12,600	12,600	105	(12,495)	85
Expenditures:					
Current:					
Public works	15,000	15,000	-	15,000	360
Net increase (decrease) in fund balance	<u>\$ (2,400)</u>	<u>\$ (2,400)</u>	105	<u>\$ 2,505</u>	(275)
Fund balance (deficit) - January 1			5,132		5,407
Fund balance (deficit) - December 31			<u>\$ 5,237</u>		<u>\$ 5,132</u>

CITY OF ANDOVER, MINNESOTA
SPECIAL REVENUE FUND - RIGHT-OF-WAY MANAGEMENT/UTILITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2019
With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 28

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Revenues:					
Charges for services	\$ 20,000	\$ 20,000	\$ 37,807	\$ 17,807	\$ 32,747
Investment income	500	500	1,889	1,389	853
Total revenues	20,500	20,500	39,696	19,196	33,600
Expenditures:					
Current:					
Public works	24,864	24,864	21,997	2,867	21,524
Revenue over (under) expenditures	(4,364)	(4,364)	17,699	22,063	12,076
Other financing sources (uses):					
Transfers out	(5,800)	(5,800)	(5,800)	-	(5,300)
Net increase (decrease) in fund balance	<u>\$ (10,164)</u>	<u>\$ (10,164)</u>	11,899	<u>\$ 22,063</u>	6,776
Fund balance (deficit) - January 1			58,522		51,746
Fund balance (deficit) - December 31			<u>\$ 70,421</u>		<u>\$ 58,522</u>

CITY OF ANDOVER, MINNESOTA

SPECIAL REVENUE FUND - CHARITABLE GAMBLING
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2019
 With Comparative Actual Amounts For The Year Ended December 31, 2018

Statement 29

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Revenues:					
Investment income	\$ 400	\$ 400	\$ 2,731	\$ 2,331	\$ 1,116
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>95,107</u>	<u>80,107</u>	<u>79,296</u>
Total revenues	15,400	15,400	97,838	82,438	80,412
Expenditures:					
Current:					
General government	<u>27,300</u>	<u>27,300</u>	<u>63,187</u>	<u>(35,887)</u>	<u>68,142</u>
Net increase (decrease) in fund balance	<u>\$ (11,900)</u>	<u>\$ (11,900)</u>	34,651	<u>\$ 46,551</u>	12,270
Fund balance (deficit) - January 1			<u>80,060</u>		<u>67,790</u>
Fund balance (deficit) - December 31			<u>\$ 114,711</u>		<u>\$ 80,060</u>

CITY OF ANDOVER, MINNESOTA

SPECIAL REVENUE FUND - CONSTRUCTION SEAL COATING

Statement 30

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2019

With Comparative Actual Amounts For The Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual	Variance with Final Budget - Positive (Negative)	2018 Actual
	Original	Final			
Revenues:					
Charges for services	\$ 12,000	\$ 12,000	\$ 9,445	\$ (2,555)	\$ 4,316
Investment income	<u>750</u>	<u>750</u>	<u>2,906</u>	<u>2,156</u>	<u>2,942</u>
Total revenues	12,750	12,750	12,351	(399)	7,258
Expenditures:					
Current:					
Public works	<u>12,000</u>	<u>12,000</u>	<u>19,068</u>	<u>(7,068)</u>	<u>4,316</u>
Net increase (decrease) in fund balance	<u>\$ 750</u>	<u>\$ 750</u>	(6,717)	<u>\$ (7,467)</u>	2,942
Fund balance (deficit) - January 1			<u>9,791</u>		<u>6,849</u>
Fund balance (deficit) - December 31			<u>\$ 3,074</u>		<u>\$ 9,791</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The City of Andover had the following Internal Service Funds during the year:

Central Equipment Maintenance – This fund accounts for the maintenance of the equipment for the City.

Risk Management – This fund accounts for the expenditures in payment of insurance deductibles, loss reduction, safety training and administrative expense.

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2019
With Comparative Totals for December 31, 2018

Statement 31

	Central	Risk	Totals	
	Equipment Maintenance	Management	2019	2018
Assets:				
Current assets:				
Cash and cash equivalents	\$ 364,185	\$ 645,369	\$ 1,009,554	\$ 1,005,947
Accrued interest	2,384	3,399	5,783	5,566
Accounts receivable	-	4,628	4,628	5,652
Inventories - at cost	84,553	-	84,553	112,580
Total assets	<u>451,122</u>	<u>653,396</u>	<u>1,104,518</u>	<u>1,129,745</u>
Liabilities:				
Current liabilities:				
Accounts payable	23,475	11,487	34,962	17,282
Salaries payable	7,040	377	7,417	6,048
Total liabilities	<u>30,515</u>	<u>11,864</u>	<u>42,379</u>	<u>23,330</u>
Net position:				
Unrestricted	<u>\$ 420,607</u>	<u>\$ 641,532</u>	<u>\$ 1,062,139</u>	<u>\$ 1,106,415</u>

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

Statement 32

	Central Equipment Maintenance	Risk Management	Totals	
			2019	2018
Operating revenues:				
User charges	\$ 698,994	\$ 475,623	\$ 1,174,617	\$ 1,167,698
Other	2,313	20,293	22,606	21,523
Total operating revenues	<u>701,307</u>	<u>495,916</u>	<u>1,197,223</u>	<u>1,189,221</u>
Operating expenses:				
Personal services	306,344	187,980	494,324	460,131
Supplies	364,430	26,694	391,124	347,824
Other service charges	128,664	257,196	385,860	362,146
Total operating expenses	<u>799,438</u>	<u>471,870</u>	<u>1,271,308</u>	<u>1,170,101</u>
Operating income (loss)	(98,131)	24,046	(74,085)	19,120
Nonoperating revenues (expenses):				
Investment income	13,108	16,701	29,809	16,461
Transfers:				
Transfers out	-	-	-	(11,071)
Change in net position	(85,023)	40,747	(44,276)	24,510
Net position - January 1	<u>505,630</u>	<u>600,785</u>	<u>1,106,415</u>	<u>1,081,905</u>
Net position - December 31	<u>\$ 420,607</u>	<u>\$ 641,532</u>	<u>\$ 1,062,139</u>	<u>\$ 1,106,415</u>

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For The Year Ended December 31, 2019
With Comparative Totals For The Year Ended December 31, 2018

Statement 33

	Central Equipment Maintenance	Risk Management	Totals	
			2019	2018
Cash flows from operating activities:				
Receipts from customers and users	\$ 701,307	\$ 496,940	\$ 1,198,247	\$ 1,183,569
Payment to suppliers	(452,502)	(278,775)	(731,277)	(711,469)
Payment to employees	(305,038)	(187,917)	(492,955)	(458,962)
Net cash flows from operating activities	(56,233)	30,248	(25,985)	13,138
Cash flows from noncapital financing activities:				
Transfers out	-	-	-	(11,071)
Cash flows from investing activities:				
Investment income	13,231	16,361	29,592	15,788
Net increase (decrease) in cash and cash equivalents	(43,002)	46,609	3,607	17,855
Cash and cash equivalents - January 1	407,187	598,760	1,005,947	988,092
Cash and cash equivalents - December 31	\$ 364,185	\$ 645,369	\$ 1,009,554	\$ 1,005,947
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (98,131)	\$ 24,046	\$ (74,085)	\$ 19,120
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	-	1,024	1,024	(5,652)
Decrease (increase) in inventory	28,027	-	28,027	80
Increase (decrease) in accounts payable	12,565	5,115	17,680	(1,220)
Increase (decrease) in due to other governmental units	-	-	-	(359)
Increase (decrease) in salaries payable	1,306	63	1,369	1,169
Total adjustments	41,898	6,202	48,100	(5,982)
Net cash provided (used) by operating activities	\$ (56,233)	\$ 30,248	\$ (25,985)	\$ 13,138

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III. STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<u>Financial Trends</u> These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	126
<u>Revenue Capacity</u> These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	136
<u>Debt Capacity</u> These tables present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	142
<u>Demographic and Economic Information</u> These tables offer demographic and economic indicators to help the reader understand the environment within which the City of Andover’s financial activities take place.	150
<u>Operating Information</u> These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	153

CITY OF ANDOVER, MINNESOTA
NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental Activities				
Net investment in capital assets	\$ 87,206,607	\$ 90,859,970	\$ 89,592,661	\$ 93,393,474
Restricted	6,364,714	3,107,253	4,461,020	3,792,323
Unrestricted	<u>21,071,212</u>	<u>23,353,009</u>	<u>25,589,728</u>	<u>22,936,032</u>
Total governmental activities net position	<u>114,642,533</u>	<u>117,320,232</u>	<u>119,643,409</u>	<u>120,121,829</u>
Business-Type Activities				
Net investment in capital assets	36,140,050	36,031,319	34,922,691	34,864,659
Unrestricted	<u>4,912,822</u>	<u>5,100,628</u>	<u>5,784,313</u>	<u>6,310,830</u>
Total business-type activities net position	<u>41,052,872</u>	<u>41,131,947</u>	<u>40,707,004</u>	<u>41,175,489</u>
Primary Government				
Net investment in capital assets	123,346,657	126,891,289	124,515,352	128,258,133
Restricted	6,364,714	3,107,253	4,461,020	3,792,323
Unrestricted	<u>25,984,034</u>	<u>28,453,637</u>	<u>31,374,041</u>	<u>29,246,862</u>
Total primary government net position	<u>\$ 155,695,405</u>	<u>\$ 158,452,179</u>	<u>\$ 160,350,413</u>	<u>\$ 161,297,318</u>

GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows and inflows of resources. Net position for years prior to 2014 were not restated.

Table 1

2014	2015	2016	2017	2018	2019
\$ 94,533,473	\$ 95,998,027	\$ 99,539,838	\$ 101,602,647	\$ 103,577,524	\$ 106,637,436
4,776,047	5,755,162	5,787,072	4,935,375	5,081,230	5,294,610
23,175,077	24,457,253	26,085,240	27,673,920	28,319,303	30,608,612
<u>122,484,597</u>	<u>126,210,442</u>	<u>131,412,150</u>	<u>134,211,942</u>	<u>136,978,057</u>	<u>142,540,658</u>
34,787,382	35,507,385	37,531,815	37,174,817	37,068,699	38,547,614
6,292,850	7,004,563	7,652,339	8,446,942	9,825,681	9,982,550
<u>41,080,232</u>	<u>42,511,948</u>	<u>45,184,154</u>	<u>45,621,759</u>	<u>46,894,380</u>	<u>48,530,164</u>
129,320,855	131,505,412	137,071,653	138,777,464	140,646,223	145,185,050
4,776,047	5,755,162	5,787,072	4,935,375	5,081,230	5,294,610
29,467,927	31,461,816	33,737,579	36,120,862	38,144,984	40,591,162
<u>\$ 163,564,829</u>	<u>\$ 168,722,390</u>	<u>\$ 176,596,304</u>	<u>\$ 179,833,701</u>	<u>\$ 183,872,437</u>	<u>\$ 191,070,822</u>

CITY OF ANDOVER, MINNESOTA
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses				
Governmental activities:				
General government	\$ 2,398,007	\$ 2,406,750	\$ 2,453,801	\$ 3,061,867
Public safety	4,157,050	4,214,316	4,325,531	4,495,447
Public works	3,445,403	4,029,164	5,623,942	4,465,153
Parks and recreation	3,447,730	2,945,742	3,102,534	3,029,917
Recycling	108,785	109,293	94,319	124,515
Economic development	654,961	777,298	1,396,466	318,646
Interest on long-term debt	1,936,731	1,796,782	2,497,344	1,399,172
Total governmental activities expenses	<u>16,148,667</u>	<u>16,279,345</u>	<u>19,493,937</u>	<u>16,894,717</u>
Business-type activities:				
Water	2,585,469	2,655,926	2,782,948	2,275,363
Sewer	1,915,072	1,914,113	1,842,473	1,964,911
Storm sewer	532,168	614,958	531,103	561,807
Total business-type activities expenses	<u>5,032,709</u>	<u>5,184,997</u>	<u>5,156,524</u>	<u>4,802,081</u>
Total primary government expenses	<u>\$ 21,181,376</u>	<u>\$ 21,464,342</u>	<u>\$ 24,650,461</u>	<u>\$ 21,696,798</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 454,419	\$ 532,764	\$ 690,875	\$ 843,304
Public safety	479,516	540,089	607,715	704,119
Public works	337,360	309,066	308,583	321,114
Parks and recreation	1,432,672	1,498,847	1,495,872	1,463,579
Recycling	40,504	48,339	39,530	42,544
Economic development	211,121	235,134	170,391	239,570
Operating grants and contributions	1,214,066	977,553	1,358,424	1,119,778
Capital grants and contributions	1,461,834	1,356,091	2,774,126	1,425,815
Total governmental activities program revenue	<u>5,631,492</u>	<u>5,497,883</u>	<u>7,445,516</u>	<u>6,159,823</u>
Business-type activities:				
Charges for services:				
Water	2,077,305	2,119,954	2,572,560	2,495,561
Sewer	1,964,117	1,990,218	2,063,177	2,065,467
Storm sewer	338,823	358,708	379,262	399,417
Operating grants and contributions	9,380	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenue	<u>4,389,625</u>	<u>4,468,880</u>	<u>5,014,999</u>	<u>4,960,445</u>
Total primary government program revenues	<u>10,021,117</u>	<u>9,966,763</u>	<u>12,460,515</u>	<u>11,120,268</u>
Net (Expense)/Revenue				
Governmental activities	(10,517,175)	(10,781,462)	(12,048,421)	(10,734,894)
Business-type activities	<u>(643,084)</u>	<u>(716,117)</u>	<u>(141,525)</u>	<u>158,364</u>
Total primary government net expense	<u>\$ (11,160,259)</u>	<u>\$ (11,497,579)</u>	<u>\$ (12,189,946)</u>	<u>\$ (10,576,530)</u>

Table 2

2014	2015	2016	2017	2018	2019
\$ 2,791,507	\$ 2,823,408	\$ 2,904,102	\$ 2,937,380	\$ 3,209,512	\$ 3,159,045
4,747,142	4,774,033	5,140,347	5,167,930	5,263,071	5,426,472
4,430,295	2,967,957	3,905,703	5,428,350	4,257,014	5,939,704
3,229,894	3,340,561	3,321,814	3,385,001	3,321,793	3,507,705
111,760	98,016	133,614	169,100	206,335	231,625
676,039	192,265	411,958	1,098,300	249,669	202,182
542,139	454,808	437,513	403,200	377,314	917,913
<u>16,528,776</u>	<u>14,651,048</u>	<u>16,255,051</u>	<u>18,589,261</u>	<u>16,884,708</u>	<u>19,384,646</u>
2,308,552	2,316,651	2,454,931	2,263,748	2,306,013	2,280,247
1,951,785	2,002,623	2,128,814	2,190,453	2,175,331	2,289,555
848,745	595,902	546,526	684,708	614,816	737,854
<u>5,109,082</u>	<u>4,915,176</u>	<u>5,130,271</u>	<u>5,138,909</u>	<u>5,096,160</u>	<u>5,307,656</u>
<u>\$ 21,637,858</u>	<u>\$ 19,566,224</u>	<u>\$ 21,385,322</u>	<u>\$ 23,728,170</u>	<u>\$ 21,980,868</u>	<u>\$ 24,692,302</u>
\$ 801,458	\$ 1,381,113	\$ 2,124,665	\$ 925,639	\$ 647,452	\$ 909,139
492,665	624,430	832,412	680,729	721,078	1,091,260
318,018	298,143	661,788	334,273	331,620	357,231
1,545,794	1,514,900	1,521,585	1,465,562	1,504,647	1,677,991
41,440	32,976	42,768	43,062	49,453	44,099
96,772	50,628	174,754	461,294	87,891	96,176
946,540	965,986	992,194	1,186,721	1,407,217	1,662,842
4,677,704	863,155	2,703,429	3,414,161	1,608,129	4,950,131
<u>8,920,391</u>	<u>5,731,331</u>	<u>9,053,595</u>	<u>8,511,441</u>	<u>6,357,487</u>	<u>10,788,869</u>
2,347,763	2,593,303	2,575,920	2,716,239	3,061,920	2,756,944
2,117,624	2,129,201	2,144,794	2,301,077	2,325,456	2,329,462
421,056	444,335	464,928	499,974	537,422	564,154
9,506	-	2,681	-	-	-
990,412	1,524,088	2,670,641	481,343	504,267	712,976
<u>5,886,361</u>	<u>6,690,927</u>	<u>7,858,964</u>	<u>5,998,633</u>	<u>6,429,065</u>	<u>6,363,536</u>
<u>14,806,752</u>	<u>12,422,258</u>	<u>16,912,559</u>	<u>14,510,074</u>	<u>12,786,552</u>	<u>17,152,405</u>
(7,608,385)	(8,919,717)	(7,201,456)	(10,077,820)	(10,527,221)	(8,595,777)
777,279	1,775,751	2,728,693	859,724	1,332,905	1,055,880
<u>\$ (6,831,106)</u>	<u>\$ (7,143,966)</u>	<u>\$ (4,472,763)</u>	<u>\$ (9,218,096)</u>	<u>\$ (9,194,316)</u>	<u>\$ (7,539,897)</u>

(Continued)

CITY OF ANDOVER, MINNESOTA
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General property taxes	\$ 10,336,536	\$ 10,292,674	\$ 10,594,940	\$ 10,608,678
Tax increment collections	2,074,589	2,005,056	2,033,932	320,822
Grants and contributions not restricted to specific programs	84,875	86,802	14,360	12,511
Unrestricted investment earnings	1,114,451	1,399,987	1,201,995	571,307
Gain on sale of capital assets	22,500	91,693	16,625	23,650
Transfers	437,186	(417,051)	509,746	(323,654)
Total governmental activities	<u>14,070,137</u>	<u>13,459,161</u>	<u>14,371,598</u>	<u>11,213,314</u>
Business-type activities:				
Unrestricted investment earnings	317,796	370,641	226,328	(21,533)
Gain on sale of capital assets	-	7,500	-	8,000
Transfers	(437,186)	417,051	(509,746)	323,654
Total business-type activities	<u>(119,390)</u>	<u>795,192</u>	<u>(283,418)</u>	<u>310,121</u>
Total primary government	<u>\$ 13,950,747</u>	<u>\$ 14,254,353</u>	<u>\$ 14,088,180</u>	<u>\$ 11,523,435</u>
Change in Net Position				
Governmental activities	\$ 3,552,962	\$ 2,677,699	\$ 2,323,177	\$ 478,420
Business-type activities	(762,474)	79,075	(424,943)	468,485
Total primary government	<u>\$ 2,790,488</u>	<u>\$ 2,756,774</u>	<u>\$ 1,898,234</u>	<u>\$ 946,905</u>

GASB 68 was implemented in 2015. Expenses for years prior to 2015 were not restated.

Table 2
(Continued)

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 10,863,912	\$ 11,120,449	\$ 11,770,304	\$ 11,874,354	\$ 12,423,060	\$ 13,011,406
353,773	210,625	69,772	74,771	82,874	89,414
87,179	15,327	16,260	13,638	12,917	14,053
747,621	348,885	399,021	373,585	560,133	1,346,685
228,639	548,950	20,360	20,489	36,431	24,550
<u>606,793</u>	<u>401,326</u>	<u>127,447</u>	<u>520,775</u>	<u>177,921</u>	<u>(327,730)</u>
<u>12,887,917</u>	<u>12,645,562</u>	<u>12,403,164</u>	<u>12,877,612</u>	<u>13,293,336</u>	<u>14,158,378</u>
115,425	57,291	68,768	65,801	117,637	236,356
-	-	2,192	32,855	-	15,818
<u>(606,793)</u>	<u>(401,326)</u>	<u>(127,447)</u>	<u>(520,775)</u>	<u>(177,921)</u>	<u>327,730</u>
<u>(491,368)</u>	<u>(344,035)</u>	<u>(56,487)</u>	<u>(422,119)</u>	<u>(60,284)</u>	<u>579,904</u>
<u>\$ 12,396,549</u>	<u>\$ 12,301,527</u>	<u>\$ 12,346,677</u>	<u>\$ 12,455,493</u>	<u>\$ 13,233,052</u>	<u>\$ 14,738,282</u>
\$ 5,279,532	\$ 3,725,845	\$ 5,201,708	\$ 2,799,792	\$ 2,766,115	\$ 5,562,601
<u>285,911</u>	<u>1,431,716</u>	<u>2,672,206</u>	<u>437,605</u>	<u>1,272,621</u>	<u>1,635,784</u>
<u>\$ 5,565,443</u>	<u>\$ 5,157,561</u>	<u>\$ 7,873,914</u>	<u>\$ 3,237,397</u>	<u>\$ 4,038,736</u>	<u>\$ 7,198,385</u>

CITY OF ANDOVER, MINNESOTA
FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund				
Reserved	\$ 206,666	\$ -	\$ -	\$ -
Unreserved	4,904,239	-	-	-
Nonspendable	-	222,641	160,177	106,445
Unassigned	-	<u>5,665,496</u>	<u>6,227,664</u>	<u>6,853,791</u>
Total general fund	<u>5,110,905</u>	<u>5,888,137</u>	<u>6,387,841</u>	<u>6,960,236</u>
All Other Governmental Funds				
Reserved	19,258,490	-	-	-
Unreserved reported in:				
Special revenue funds	1,135,919	-	-	-
Capital project funds	14,714,140	-	-	-
Nonspendable	-	16,074	1,471	1,316
Restricted	-	19,741,214	21,307,923	21,274,444
Committed	-	650,766	681,413	588,516
Assigned	-	14,451,306	16,420,228	13,481,786
Unassigned	-	<u>(517,251)</u>	<u>(314,734)</u>	<u>(276,829)</u>
Total all other governmental funds	<u>35,108,549</u>	<u>34,342,109</u>	<u>38,096,301</u>	<u>35,069,233</u>
Total governmental funds	<u>\$ 40,219,454</u>	<u>\$ 40,230,246</u>	<u>\$ 44,484,142</u>	<u>\$ 42,029,469</u>

In 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Table 3

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
137,001	131,813	146,417	117,253	112,971	122,993
7,065,133	7,136,091	7,650,328	7,672,363	8,023,365	9,240,458
7,202,134	7,267,904	7,796,745	7,789,616	8,136,336	9,363,451
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,562	1,800	2,027	2,041	2,386	1,957
5,022,967	5,674,417	5,852,444	4,550,557	14,225,839	19,696,883
591,289	531,729	513,916	530,505	518,617	518,312
16,095,395	17,907,929	19,109,145	20,855,184	21,327,036	22,569,932
(114,344)	(63,357)	(64,193)	(65,185)	(66,263)	-
21,596,869	24,052,518	25,413,339	25,873,102	36,007,615	42,787,084
<u>\$ 28,799,003</u>	<u>\$ 31,320,422</u>	<u>\$ 33,210,084</u>	<u>\$ 33,662,718</u>	<u>\$ 44,143,951</u>	<u>\$ 52,150,535</u>

CITY OF ANDOVER, MINNESOTA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2010	2011	2012	2013
Revenues				
General property taxes	\$ 10,267,085	\$ 10,279,967	\$ 10,638,117	\$ 10,682,975
Tax increment collections	2,015,123	1,976,800	2,035,663	375,040
Licenses and permits	329,901	387,206	449,826	536,706
Intergovernmental	1,989,420	1,876,685	3,493,528	1,115,047
Special assessments	1,725,695	891,942	792,460	1,045,000
Charges for services	1,604,681	1,732,791	1,874,321	1,806,919
Fines	104,780	99,777	97,571	96,130
Investment income	1,107,335	1,386,698	1,191,438	573,256
Miscellaneous:				
Park dedication fees	32,649	51,706	47,700	205,080
Connection charges	48,086	27,165	170,202	436,628
Rent	638,037	641,859	639,983	639,423
Other	396,186	332,992	645,897	1,698,964
Total revenues	20,258,978	19,685,588	22,076,706	19,211,168
Expenditures				
General government	2,255,793	2,298,571	2,280,373	2,647,278
Public safety	3,920,073	3,965,541	4,092,073	4,301,698
Public works	3,204,444	3,788,636	5,415,924	4,251,454
Parks and recreation	2,433,495	1,926,220	2,001,624	1,990,457
Recycling	109,034	109,911	94,328	123,595
Economic development	650,977	966,687	1,537,611	408,210
Unallocated	24,953	30,631	63,371	75,517
Capital outlay	1,324,881	985,399	723,017	2,763,351
Debt service:				
Principal retirement	5,779,000	4,100,000	1,842,000	1,689,000
Interest	2,030,267	1,855,538	1,768,748	1,262,302
Other	29,939	10,430	225,378	5,509
Construction/acquisition costs	101,153	1,044,581	110,650	946,942
Total expenditures	21,864,009	21,082,145	20,155,097	20,465,313
Revenues over (under) expenditures	<u>(1,605,031)</u>	<u>(1,396,557)</u>	<u>1,921,609</u>	<u>(1,254,145)</u>
Other Financing Sources (Uses)				
Transfers in	627,530	627,530	627,530	627,530
Transfers out	(89,191)	-	(7,134)	(4,242)
Bonds issued	1,660,000	265,000	585,000	-
Refunding bonds issued	1,480,000	-	18,885,000	-
Redemption of refunded bonds	(2,416,834)	-	(17,907,898)	(1,900,000)
Bond premium	31,688	-	133,164	-
Proceeds from the sale of capital assets	43,217	514,819	16,625	76,184
Total other financing sources (uses)	1,336,410	1,407,349	2,332,287	(1,200,528)
Net increase (decrease) in fund balance	<u>\$ (268,621)</u>	<u>\$ 10,792</u>	<u>\$ 4,253,896</u>	<u>\$ (2,454,673)</u>
Debt service as a percentage of noncapital expenditures	38.21%	31.26%	18.69%	17.61%

Table 4

2014	2015	2016	2017	2018	2019
\$ 10,894,301	\$ 11,148,149	\$ 11,809,352	\$ 11,923,097	\$ 12,433,651	\$ 12,985,096
377,733	213,020	91,808	82,448	86,794	90,189
364,430	452,422	625,907	546,378	562,525	855,831
3,464,985	959,790	1,564,848	3,150,578	1,641,806	2,786,445
733,425	690,161	818,065	832,528	554,471	721,950
1,720,972	1,499,909	1,613,941	1,574,242	1,656,254	1,941,637
94,375	99,304	88,600	75,287	73,719	62,349
735,325	341,392	389,114	362,974	543,672	1,316,876
156,384	170,144	431,784	95,198	75,798	472,753
676,826	405,967	445,698	412,691	444,989	1,152,759
639,000	638,220	656,604	641,691	637,150	636,803
564,057	542,473	1,189,179	428,186	525,667	1,462,431
20,421,813	17,160,951	19,724,900	20,125,298	19,236,496	24,485,119
2,588,950	2,639,821	2,686,308	2,754,189	3,115,956	3,011,191
4,537,264	4,521,129	4,709,083	4,822,435	4,956,350	5,096,029
4,145,404	2,747,550	3,694,911	5,208,862	4,298,845	5,691,654
2,139,552	2,277,576	2,226,454	2,253,370	2,214,415	2,371,437
106,587	91,940	124,860	169,956	199,182	224,574
665,325	181,551	401,244	1,087,586	538,955	191,468
81,183	56,720	33,077	14,875	11,940	15,001
2,816,375	941,213	2,220,253	1,484,422	2,102,030	14,825,106
2,336,719	1,961,719	1,966,719	1,996,719	1,612,717	1,444,000
900,504	470,687	444,144	418,419	385,555	568,864
7,895	5,009	1,325	3,095	3,095	1,000
-	167,955	414,987	52,527	164,399	1,564,585
20,325,758	16,062,870	18,923,365	20,266,455	19,603,439	35,004,909
96,055	1,098,081	801,535	(141,157)	(366,943)	(10,519,790)
627,530	627,530	627,530	627,530	643,729	1,323,739
(20,737)	(58,249)	(85,096)	(54,228)	(114,850)	(58,110)
1,555,000	-	520,000	-	10,000,000	15,770,000
-	-	-	-	-	-
(16,455,000)	-	-	-	-	-
44,278	-	-	-	254,260	1,458,695
922,408	854,057	25,693	20,489	65,037	32,050
(13,326,521)	1,423,338	1,088,127	593,791	10,848,176	18,526,374
\$ (13,230,466)	\$ 2,521,419	\$ 1,889,662	\$ 452,634	\$ 10,481,233	\$ 8,006,584
18.49%	16.27%	14.80%	12.89%	11.53%	10.81%

CITY OF ANDOVER, MINNESOTA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years

Table 5

Year	Real Property		Personal Property		Total		Total Direct Tax Rate	Net Tax Capacity as a Percentage of Market Value
	Taxable Market Value	Net Tax Capacity	Taxable Market Value	Net Tax Capacity	Taxable Market Value	Net Tax Capacity		
2010	\$ 2,685,802,600	\$ 28,233,178	\$ 24,712,000	\$ 493,441	\$ 2,710,514,600	\$ 28,726,619	36.814%	1.06%
2011	2,444,519,600	25,667,544	25,425,400	506,806	2,469,945,000	26,174,350	38.731%	1.06%
2012	2,176,836,156	22,945,277	25,299,200	504,304	2,202,135,356	23,449,581	42.539%	1.06%
2013	2,097,459,658	22,048,362	26,136,700	520,656	2,123,596,358	22,569,018	41.170%	1.06%
2014	2,045,873,681	21,462,221	25,938,600	516,101	2,071,812,281	21,978,322	43.657%	1.06%
2015	2,411,059,312	25,213,801	24,711,300	491,549	2,435,770,612	25,705,350	37.460%	1.06%
2016	2,513,051,767	26,316,855	26,635,100	530,418	2,539,686,867	26,847,273	38.667%	1.06%
2017	2,605,298,959	27,358,838	28,181,200	561,340	2,633,480,159	27,920,178	37.738%	1.06%
2018	3,085,827,000	30,682,357	30,348,500	604,686	3,116,175,500	31,287,043	34.952%	1.00%
2019	3,239,625,100	32,331,885	32,283,200	643,380	3,271,908,300	32,975,265	35.621%	1.01%

Source: Anoka County Property Tax Division

CITY OF ANDOVER, MINNESOTA

PROPERTY TAX RATES - PER \$1,000 OF ASSESSED TAX CAPACITY VALUE

DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Table 6

Taxes Payable	Direct City			Total	Overlapping Governments				Total
	General Oper Levy	Debt Service Levy	Lower Rum Watershed		School	County	Other	Total	
2011	31.914%	6.461%	0.356%	38.731%	24.023%	39.884%	4.872%	68.779%	107.510%
2012	35.138%	6.952%	0.449%	42.539%	21.447%	41.056%	3.626%	66.129%	108.668%
2013	33.676%	6.989%	0.449%	41.114%	26.751%	44.328%	3.912%	74.991%	116.105%
2014	35.486%	7.711%	0.460%	43.657%	28.265%	43.239%	4.354%	75.858%	119.515%
2015	30.441%	6.628%	0.391%	37.460%	22.482%	38.123%	4.104%	64.709%	102.169%
2016	31.898%	6.381%	0.388%	38.667%	20.885%	38.894%	4.949%	64.728%	103.395%
2017	33.128%	4.246%	0.364%	37.738%	18.590%	36.841%	3.952%	59.383%	97.121%
2018	30.607%	4.020%	0.325%	34.952%	18.392%	35.334%	3.906%	57.632%	92.584%
2019	29.830%	5.480%	0.311%	35.621%	16.330%	34.473%	3.478%	54.281%	89.902%
2020	27.866%	7.693%	0.281%	35.840%	16.893%	33.361%	3.157%	53.411%	89.251%

Source: Anoka County Property Tax Division

CITY OF ANDOVER, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Table 7

Year	Total Tax Levy	Collected Within the Fiscal Year of Levy				Collections In Subsequent Years	Total Collections to Date	
		Tax Levy	Market Value Homestead Credit	Total Collected	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 10,856,299	\$ 10,125,752	\$ 3,905 *	\$ 10,129,657	93.31%	\$ 183,818	\$ 10,313,474	95.00%
2011	10,856,299	10,119,681	853 *	10,120,534	93.22%	145,144	10,265,678	94.56%
2012	10,631,299	10,460,838	2,354	10,463,192	98.42%	128,881	10,592,073	99.63%
2013	10,631,299	10,535,521	1,246	10,536,767	99.11%	103,294	10,640,061	100.08%
2014	10,843,925	10,776,635	-	10,776,635	99.38%	76,778	10,853,413	100.09%
2015	11,143,925	11,054,157	-	11,054,157	99.19%	56,677	11,110,833	99.70%
2016	11,593,925	11,525,770	3,461	11,529,231	99.44%	22,347	11,551,578	99.63%
2017	11,938,555	11,858,376	3,545	11,861,921	99.36%	11,102	11,873,023	99.45%
2018	12,416,357	12,342,648	2,824	12,345,471	99.43%	26,061	12,371,532	99.64%
2019	13,103,487	12,974,413	3,960	12,978,373	99.05%	Not Available		

* Included in the total tax levy is approximately \$400,000 of market value homestead credit (MVHC) that the City will not be receiving. Due to State legislative actions to deal with the State budget deficit, the MVHC program was significantly reduced for the City.

CITY OF ANDOVER, MINNESOTA
PRINCIPAL TAXPAYERS
 Current Year and Ten Years Ago

Table 8

Taxpayers	2019			2009 ¹		
	Net Tax Capacity	Rank	Percentage of Total City Tax Capacity	Net Tax Capacity	Rank	Percentage of Total City Tax Capacity
Minnegasco, Inc.	\$ 317,604	1	0.96%	\$ 137,886	6	0.44%
Connexus Energy	222,898	2	0.68%	226,488	1	0.73%
Presbyterian Homes of Andover	209,904	3	0.64%	164,899	4	0.53%
Wal-Mart	173,938	4	0.53%			
Target Corporation	161,826	5	0.49%	221,656	2	0.71%
Great River Energy	161,208	6	0.49%	98,944	10	0.32%
Andover Limited Partnership	143,250	7	0.43%	169,706	3	0.54%
Andover Station 2016 LLC	123,650	8	0.38%			
DST Properties LLC	108,864	9	0.33%			
Estates of Arbor Oaks LLC	90,023	10	0.27%			
116 LLC				141,966	5	0.46%
Andover Station LLC				109,680	7	0.35%
BDT Holdings LLC				109,416	8	0.35%
Grey Oaks Inc.				100,798	9	0.32%
Total	\$ 1,713,165		5.20%	\$ 1,481,439		4.75%
Net Tax Capacity	\$ 32,975,265			\$ 31,165,076		

Note: (1) Data for 9 years ago (2010) was not available due to no bond issuance

Source: Anoka County Property Tax Division

CITY OF ANDOVER, MINNESOTA
ESTIMATED MARKET VALUES AND NEW CONSTRUCTION
 Last Ten Fiscal Years

Table 9

Year	Estimated Market Values			New Construction			
	Commercial / Industrial (1)	Residential	Total	Commercial / Industrial		Residential	
				Permits	Value	Permits	Value
2010	\$ 229,977,800	\$ 2,526,288,900	\$ 2,756,266,700	11	\$ 1,247,106	71	\$ 14,700,800
2011	199,728,200	2,305,897,900	2,505,626,100	24	11,461,453	58	11,803,000
2012	192,112,500	2,206,195,400	2,398,307,900	25	5,042,964	81	15,243,007
2013	174,971,400	2,141,898,900	2,316,870,300	15	9,249,466	98	20,351,892
2014	166,531,500	2,103,536,600	2,270,068,100	14	4,285,281	52	13,926,901
2015	173,717,700	2,435,950,500	2,609,668,200	16	2,513,609	74	19,631,775
2016	184,083,400	2,530,046,700	2,714,130,100	7	14,009,200	111	28,893,036
2017	196,837,900	2,610,055,500	2,806,893,400	-	-	94	27,847,717
2018	207,569,200	2,908,606,300	3,116,175,500	2	2,860,000	60	19,703,857
2019	214,417,500	3,057,490,800	3,271,908,300	2	3,901,376	116	37,258,817

Note: (1) Also includes agricultural, public utility, railroad operating property, and personal property.

CITY OF ANDOVER, MINNESOTA
SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Table 10

<u>Year</u>	<u>Current Assessments Due (1)</u>	<u>Current Assessments Collected</u>	<u>Percent of Assessments Collected</u>	<u>Delinquent Assessment Collections</u>	<u>Total Assessment Collections</u>	<u>Total Collections as a Percent of Current Assessments Due</u>	<u>Outstanding Delinquent Assessments</u>	<u>Delinquent Assessments as a Percent of Current Assessments Due</u>
2010	\$ 325,361	\$ 314,097	96.54%	\$ 61,247	\$ 375,344	115.36%	\$ 218,860	67.27%
2011	308,794	304,164	98.50%	5,112	309,276	100.16%	267,016	86.47%
2012	348,129	376,601	108.18%	25,087	401,688	115.38%	237,175	68.13%
2013	338,411	387,584	114.53%	168,941	556,525	164.45%	82,826	24.47%
2014	326,597	387,651	118.69%	3,788	391,439	119.85%	215,970	66.13%
2015	334,054	514,868	154.13%	4,003	518,871	155.33%	269,754	80.75%
2016	267,704	510,275	190.61%	2,153	512,429	191.42%	268,716	100.38%
2017	265,163	513,140	193.52%	212	513,352	193.60%	272,101	102.62%
2018	305,249	555,684	182.04%	412	556,096	182.18%	283,528	92.88%
2019	272,670	532,268	195.21%	1,579	533,847	195.79%	295,781	108.48%

Note: (1) Only includes assessments certified to Anoka County.

CITY OF ANDOVER, MINNESOTA
RATIO OF NET BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years

Table 11

Fiscal Year	Population (1)	Estimated Market Value	General Bonded Debt Outstanding (2)			Percentage of Estimated Market Value	Net Bonded Debt Per Capita
			Gross Bonded Debt	Amount Restricted For Debt Service	Net Bonded Debt		
2010	30,598	\$ 2,756,266,700	\$ 40,026,000	\$ (17,768,743)	\$ 22,257,257	0.81%	\$ 727.41
2011	30,847	2,505,626,100	39,096,000	(17,779,964)	21,316,036	0.85%	691.02
2012	31,125	2,398,307,900	40,444,000	(18,497,679)	21,946,321	0.92%	705.10
2013	31,392	2,316,870,300	37,460,000	(17,415,812)	20,044,188	0.87%	638.51
2014	31,574	2,270,068,100	21,035,000	(942,607)	20,092,393	0.89%	636.36
2015	31,704	2,611,399,200	19,330,000	(1,064,634)	18,265,366	0.70%	576.12
2016	32,335	2,714,130,100	18,080,000	(1,163,486)	16,916,514	0.62%	523.16
2017	32,470	2,806,893,400	16,280,000	(800,214)	15,479,786	0.55%	476.74
2018	32,728	3,116,175,500	24,864,000	(899,986)	23,964,014	0.77%	732.22
2019	32,975	3,271,908,300	39,190,000	(917,364)	38,272,636	1.17%	1,160.66

- Notes:** (1) Source: Metropolitan Council
(2) Only includes debt supported by tax levy.

CITY OF ANDOVER, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 December 31, 2019

Table 12

	Gross General Obligation Bonded Debt Outstanding		Percentage Applicable to City (2)	Net Amount Applicable to City
Direct:				
City of Andover	\$ 39,190,000		100.0000%	\$ 39,190,000
Overlapping:				
Anoka County	71,840,000	(1)	9.2465%	6,642,686
ISD No. 11 Anoka-Hennepin	175,390,000	(1)	12.9889%	22,781,232
ISD No. 15 St. Francis	91,770,000	(1)	6.3918%	5,865,755
Anoka County Regional Railroad Authority	20,955,000	(1)	9.2465%	1,937,604
Metropolitan Council	263,325,000	(1)	0.8568%	2,256,169
				<u>39,483,446</u>
Total overlapping debt				<u>39,483,446</u>
Total overlapping and direct debt				<u><u>\$ 78,673,446</u></u>

Notes: (1) Information obtained from Anoka County.

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

CITY OF ANDOVER, MINNESOTA
COMPUTATION OF LEGAL DEBT MARGIN
 Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Estimated Taxable Market Value	<u>\$ 2,710,514,800</u>	<u>\$ 2,469,945,000</u>	<u>\$ 2,202,135,356</u>	<u>\$ 2,123,596,358</u>
Debt limitation:				
Debt limit percent	3%	3%	3%	3%
Debt limit in dollars	<u>81,315,444</u>	<u>74,098,350</u>	<u>66,064,061</u>	<u>63,707,891</u>
Debt applicable to limit:				
Total bonded debt	59,671,000	55,361,000	49,144,000	45,010,000
Less: Nonapplicable debt				
G.O. water revenue bonds	(14,875,000)	(14,400,000)	(7,420,000)	(6,875,000)
Special assessment bonds	(600,000)	-	-	-
Tax increment bonds	(1,735,000)	-	-	-
Permanent improvement revolving bonds	(1,480,000)	(1,125,000)	(760,000)	(385,000)
State aid bonds	(955,000)	(740,000)	(520,000)	(290,000)
Less: Cash and investments in related debt service funds	<u>(17,768,743)</u>	<u>(17,779,964)</u>	<u>(18,497,679)</u>	<u>(17,415,812)</u>
Total debt applicable to limitation	<u>22,257,257</u>	<u>21,316,036</u>	<u>21,946,321</u>	<u>20,044,188</u>
Legal debt margin	<u>\$ 59,058,187</u>	<u>\$ 52,782,314</u>	<u>\$ 44,117,740</u>	<u>\$ 43,663,703</u>
Total debt applicable to the limit as a percentage of debt limit	27.37%	28.77%	33.22%	31.46%

Table 13

2014	2015	2016	2017	2018	2019
<u>\$ 2,071,812,281</u>	<u>\$ 2,435,770,612</u>	<u>\$ 2,539,686,867</u>	<u>\$ 2,633,480,159</u>	<u>\$ 2,959,411,470</u>	<u>\$ 3,121,797,779</u>
3%	3%	3%	3%	3%	3%
<u>62,154,368</u>	<u>73,073,118</u>	<u>76,190,606</u>	<u>79,004,405</u>	<u>88,782,344</u>	<u>93,653,933</u>
27,405,000	25,050,000	27,110,000	20,740,000	28,639,000	42,260,000
(6,310,000)	(5,720,000)	(9,030,000)	(4,460,000)	(3,775,000)	(3,070,000)
-	-	-	-	-	-
-	-	-	-	-	-
(60,000)	-	-	-	-	-
<u>(942,607)</u>	<u>(1,191,519)</u>	<u>(1,299,334)</u>	<u>(943,862)</u>	<u>(1,032,604)</u>	<u>(1,418,376)</u>
<u>20,092,393</u>	<u>18,138,481</u>	<u>16,780,666</u>	<u>15,336,138</u>	<u>23,831,396</u>	<u>37,771,624</u>
<u>\$ 42,061,975</u>	<u>\$ 54,934,637</u>	<u>\$ 59,409,940</u>	<u>\$ 63,668,267</u>	<u>\$ 64,950,948</u>	<u>\$ 55,882,309</u>
32.33%	24.82%	22.02%	19.41%	26.84%	40.33%

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Water Revenue Bonds

Fiscal Year	Water Enterprise Fund				Debt Service		Coverage
	Operating Revenues	Less: Operating Expenses (1)	Transfers In (2)	Net Available Revenue	Principal	Interest	
	2010	\$ 2,077,305	\$ 1,249,420	\$ 89,191	\$ 917,076	\$ 455,000	
2011	2,119,954	1,318,848	-	801,106	475,000	366,065	0.95
2012	2,572,560	1,592,417	7,134	987,277	490,000	214,933	1.40
2013	2,495,561	1,285,188	4,242	1,214,615	545,000	276,458	1.48
2014	2,347,763	1,320,552	20,737	1,047,948	565,000	254,715	1.28
2015	2,593,303	1,373,362	58,249	1,278,190	590,000	231,978	1.56
2016	2,575,920	1,535,224	85,096	1,125,792	615,000	208,122	1.37
2017	2,716,239	1,441,224	54,228	1,329,243	645,000	71,818	1.85
2018	3,061,920	1,448,248	114,850	1,728,522	685,000	85,770	2.24
2019	2,756,944	1,912,710	58,110	902,344	705,000	70,668	1.16

2004 EDA Public Facility Lease Revenue Bond (3) & 2012 Abatement Bonds

Fiscal Year	Community Center Special Revenue Fund			Debt Service General Property Tax Revenue	Debt Service		Coverage
	Operating Revenue	Less: Operating Expenses	Net Available Revenue		Principal	Interest	
	2010	\$ 1,351,069	\$ 882,364	\$ 468,705	\$ 885,349	\$ 405,000	
2011	1,414,617	991,098	423,519	908,894	415,000	914,891	1.00
2012	1,430,874	1,011,186	419,688	1,091,430	435,000	897,456	1.13
2013	1,381,573	971,108	410,465	1,029,949	425,000	878,534	1.11
2014	1,462,169	1,058,467	403,702	924,057	790,000	820,054	0.82
2015	1,449,851	1,045,347	404,504	974,822	835,000	379,906	1.14
2016	1,428,771	1,048,452	380,319	979,038	845,000	371,506	1.12
2017	1,445,784	1,041,714	404,070	973,161	855,000	358,731	1.13
2018	1,490,157	1,045,141	445,016	970,085	870,000	341,481	1.17
2019	1,506,473	1,047,404	459,069	960,618	885,000	323,931	1.17

Special Assessment and Permanent Improvement Revolving Bonds

Fiscal Year	Special Assessment Revenue	Debt Service		Coverage
		Principal	Interest	
2010	\$ 1,210,641	\$ 3,005,000	\$ 110,822	0.39
2011	552,356	955,000	36,250	0.56
2012	268,116	365,000	18,850	0.70
2013	598,889	375,000	11,450	1.55
2014	102,380	385,000	3,850	0.26
2015	126,628	No outstanding debt		
2016	78,189	No outstanding debt		
2017	228	No outstanding debt		
2018	28,848	No outstanding debt		
2019	136,450	No outstanding debt		

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

- (1) Operating expenses includes transfers out because the administrative allocation and replacement reserve transfer is built into the user fees. Operating expenses does not include interest and depreciation.
- (2) The transfer in is included because a portion of the trunk connection charge associated with adding additional users to the water system is designated to compensate prior years capital investment in water utility infrastructure and the treatment plant.
- (3) Half of the facility financed by these bonds is leased to the Greater Minneapolis YMCA, their lease payments started in 2008. Future YMCA lease payments will significantly reduce the City's obligation on debt service payments.

CITY OF ANDOVER, MINNESOTA

OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of Andover's Outstanding Debt				
Governmental activities				
Revenue bonds	\$ 35,090,000	\$ 34,675,000	\$ 17,375,000	\$ 16,925,000
Abatement bonds	-	-	17,315,000	16,995,000
Special assessment bonds	600,000	-	-	-
Tax increment bonds	1,735,000	-	-	-
Certificates of indebtedness	781,000	561,000	774,000	680,000
Capital improvement bonds	2,495,000	2,200,000	3,455,000	1,470,000
Permanent improvement revolving bonds	1,480,000	1,125,000	760,000	385,000
State aid bonds	955,000	740,000	520,000	290,000
Referendum bonds	1,660,000	1,660,000	1,525,000	1,390,000
Promissory note payable	-	-	-	983,593
Total governmental activities	<u>44,796,000</u>	<u>40,961,000</u>	<u>41,724,000</u>	<u>39,118,593</u>
Business-type activities				
G.O. revenue bonds	14,875,000	14,400,000	7,420,000	6,875,000
Issuance premiums	-	-	-	-
Total business-type activities	<u>14,875,000</u>	<u>14,400,000</u>	<u>7,420,000</u>	<u>6,875,000</u>
Total outstanding debt	<u><u>\$ 59,671,000</u></u>	<u><u>\$ 55,361,000</u></u>	<u><u>\$ 49,144,000</u></u>	<u><u>\$ 45,993,593</u></u>
Total outstanding debt as a percentage of personal income	6.65%	6.17%	5.28%	4.84%
Total outstanding debt per capita	\$ 1,950	\$ 1,795	\$ 1,579	\$ 1,465

Table 15

2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,675,000	15,840,000	14,995,000	14,140,000	13,270,000	28,155,000
-	-	-	-	-	-
-	-	-	-	-	-
2,140,000	1,915,000	2,125,000	1,330,000	939,000	540,000
970,000	470,000	-	-	10,000,000	10,000,000
-	-	-	-	-	-
60,000	-	-	-	-	-
1,250,000	1,105,000	960,000	810,000	655,000	495,000
786,874	590,155	393,436	196,717	-	-
<u>21,881,874</u>	<u>19,920,155</u>	<u>18,473,436</u>	<u>16,476,717</u>	<u>24,864,000</u>	<u>39,190,000</u>
6,310,000	5,720,000	9,030,000	4,460,000	3,775,000	3,070,000
-	-	81,006	67,690	54,374	41,058
<u>6,310,000</u>	<u>5,720,000</u>	<u>9,111,006</u>	<u>4,527,690</u>	<u>3,829,374</u>	<u>3,111,058</u>
<u>\$ 28,191,874</u>	<u>\$ 25,640,155</u>	<u>\$ 27,584,442</u>	<u>\$ 21,004,407</u>	<u>\$ 28,693,374</u>	<u>\$ 42,301,058</u>
2.91%	2.57%	2.68%	1.96%	2.55%	3.58%
\$ 893	\$ 809	\$ 853	\$ 647	\$ 877	\$ 1,283

Year	City of Andover		Anoka County			
	Population (1)	Personal Income (2)	Population (3)	Personal Income (2)	Per Capita Income (3)	Unemployment Percentage
2010	30,598	\$ 897,408,742	335,308	\$ 9,834,248,332	\$ 29,329	7.1%
2011	30,847	896,999,913	330,844	9,620,612,676	29,079	5.8%
2012	31,125	930,450,750	336,414	10,056,760,116	29,894	5.9%
2013	31,692	960,235,908	339,534	10,287,540,666	30,299	5.0%
2014	31,874	976,842,478	341,864	10,477,106,008	30,647	4.2%
2015	31,704	997,851,696	342,500	10,779,845,000	31,474	3.6%
2016	32,335	1,027,444,625	345,957	10,992,783,675	31,775	3.8%
2017	32,470	1,073,165,970	348,357	11,513,547,207	33,051	3.5%
2018	32,728	1,089,842,400	350,357	11,666,888,100	33,300	2.8%
2019	32,975	1,180,702,850	352,357	12,616,494,742	35,806	3.1%

- Notes:**
- (1) Estimates from Metropolitan Council
 - (2) The personal income is calculated by taking the per capita income of Anoka County and multiplying it by the population for both the City and County.
 - (3) Information from U.S. Census Bureau

CITY OF ANDOVER, MINNESOTA
PRINCIPAL EMPLOYERS
 Current Year and Ten Years Ago

Table 17

Taxpayer	2019			2009 ²		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Anoka Hennepin I.S.D. No. 11	928 ⁽¹⁾	1	32.5%	574	1	31.9%
Walmart	335	2	11.8%			-
Fairview Andover Clinic	300	3	10.5%			-
Kottkes' Bus Service, Inc.	225	4	7.8%	200	3	11.1%
YMCA	220	5	7.7%			-
TE Connectivity	201	6	7.1%			-
Target	200	7	7.0%	167	4	9.3%
Anoka County Sheriff's Office	171	8	6.1%			-
GAF Materials Corp	150	9	5.3%			0.0%
Anoka County Highway Department	120	10	4.2%	141	5	7.8%
Bunker Hills Regional Park/Activity Center			-	237	2	13.2%
Columbia Park Medical Group			-	107	6	5.9%
Meadow Creek Christian School			-	100	7	5.6%
Festival Foods			-	97	8	5.4%
Farmstead at Andover			-	94	9	5.2%
City of Andover			-	85	10	4.7%
Total	<u>2,850</u>		<u>100.0%</u>	<u>1,802</u>		<u>100.0%</u>

Source: Minnesota Department of Employment and Economic Development

(1) Number of district employees that work in school buildings located within the City.

(2) Data for 9 years ago (2010) was not available due to no bond issuance

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CITY OF ANDOVER, MINNESOTA
FULL TIME EQUIVALENT EMPLOYEES
CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

Table 18

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental:										
Administration	1.15	0.91	1.15	1.15	1.05	1.05	1.18	1.13	1.13	1.15
Human resources	0.02	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.03
City clerk	1.34	1.34	1.34	1.34	1.84	1.84	1.89	1.89	1.89	1.89
Elections	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.15	0.15	0.15
Financial administration	1.85	1.84	1.85	1.85	1.91	1.91	1.97	1.94	1.94	1.94
Information systems	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91
Planning and zoning	3.70	3.76	3.70	3.70	3.90	3.90	4.00	4.03	4.03	4.03
Engineering	4.33	4.16	4.33	4.33	4.20	4.20	4.40	4.48	4.48	4.48
Facility Management	0.20	0.21	0.07	0.22	0.22	0.22	0.16	1.05	1.05	0.96
EDA general	0.85	0.78	0.85	0.85	0.35	0.35	0.10	0.05	0.05	-
LRRWMO	0.20	0.24	0.20	0.20	0.15	0.15	0.07	0.07	0.07	0.07
Risk management	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Public Safety:										
Fire	3.10	3.10	3.10	3.10	3.10	3.10	3.21	3.21	3.21	3.21
Protective inspection	3.93	3.66	3.93	3.93	3.93	3.93	4.05	4.03	4.03	4.03
Emergency management	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Public Works:										
Streets and highways	5.10	5.59	5.46	4.97	4.88	5.34	5.68	5.37	5.19	5.15
Snow and ice	2.45	2.57	2.03	3.44	3.95	1.98	2.23	1.83	2.83	2.55
Street signs	1.41	1.46	1.43	1.34	1.30	1.70	1.42	1.57	1.52	1.51
Natural Resource Preservation	-	-	-	-	-	-	0.03	0.01	0.01	0.03
ROW management/utility	0.20	0.16	0.20	0.20	0.20	0.20	0.08	0.08	0.08	0.08
Water	4.63	4.70	4.74	4.56	4.52	4.39	4.87	4.55	4.52	4.57
Sewer	3.38	3.23	3.17	3.49	3.06	3.36	2.91	2.82	3.08	3.33
Storm sewer	2.55	2.87	2.54	2.23	2.25	2.50	2.39	2.94	2.38	2.40
Central equipment	2.90	2.91	2.91	2.91	2.81	3.10	3.07	3.31	3.25	3.25
Park & Recreation:										
Park and recreation	6.71	6.69	6.77	7.14	7.33	8.77	8.58	8.65	8.30	8.39
Community center	3.11	3.04	3.25	3.10	3.10	3.10	3.16	3.22	3.22	3.32
Recycling	1.23	0.96	1.30	0.77	0.76	0.72	0.79	1.03	1.00	0.92
	<u>55.50</u>	<u>55.36</u>	<u>55.50</u>	<u>56.00</u>	<u>56.00</u>	<u>57.00</u>	<u>57.43</u>	<u>58.50</u>	<u>58.50</u>	<u>58.50</u>

Source: City Finance Department

Note: Employees are allocated to various departments based on the functions that they perform.

CITY OF ANDOVER, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Years

Function/Program	2010	2011	2012	2013	2014
General government:					
Registered voters	18,713	n/a	18,366	n/a	19,772
Number of precincts	10	n/a	10	n/a	10
Public safety:					
Police:					
Number of calls for services	11,441	11,650	10,963	10,659	10,319
Number of traffic citations	1,926	2,000	2,202	2,480	2,536
Number of patrol hours	30,240	29,200	29,200	29,200	29,200
Fire:					
Fire responses	323	265	320	308	257
Emergency medical responses	722	764	816	863	838
Protective inspections:					
Inspections	2,860	3,074	3,872	3,766	2,840
Residential permits	71	58	81	98	52
Other permits	1,773	1,755	1,714	1,716	1,898
Public works:					
Streets and highways:					
Asphalt streets maintained (miles)	190	191	191	192	195
Gravel roads maintained (miles)	8	7	7	7	7
Cul-de-sacs and dead ends maintained	338	338	338	328	332
Parks and recreation:					
Number of City parks	47	50	49	50	51
Total acreage mowed	293	302	302	318	332
Ballfields maintained	28	28	28	28	28
Number of playgrounds	38	38	38	39	38
Soccer fields maintained	19	21	17	20	16
Trail maintained (miles)	35	35	33	35	33
Community center bookings (hrs):					
Fieldhouse	11,099	11,461	11,426	11,831	12,182
Ice arena	2,583	2,575	2,805	2,543	2,593
Water:					
New connections	56	78	38	108	43
Total customers	6,151	6,229	6,267	6,375	6,418
Annual consumption (thousands of gallons)	905,561	854,672	1,050,378	947,201	827,574
Sanitary Sewer:					
New connections	75	77	38	108	43
Total customers	7,058	7,135	7,173	7,281	7,324
Storm Sewer:					
Total customers	10,042	10,126	10,164	10,583	10,626
Storm sewer lines maintained (miles)	69	69	69	73	75

Source: Various City Departments

Table 19

2015	2016	2017	2018	2019
n/a	22,051	n/a	20,433	n/a
n/a	10	n/a	10	n/a
10,400	14,736	15,636	14,724	18,164
2,066	1,614	1,491	1,585	1,246
29,200	29,200	29,200	29,200	29,200
262	378	350	365	472
336	594	500	740	790
3,100	3,562	2,785	2,844	3,574
74	111	95	58	116
2,744	2,536	2,653	2,396	2,758
200	204	190	194	195
6	6	6	7	7
345	348	350	353	357
52	53	53	53	53
332	332	332	336	336
29	27	27	27	27
38	41	41	42	42
16	18	18	20	20
33	34	34	37	39
11,919	12,701	12,900	13,796	13,891
2,643	2,606	2,702	3,288	3,156
57	97	91	153	152
6,475	6,572	6,663	6,725	6,815
885,886	850,307	873,457	975,387	829,721
57	101	92	58	36
7,381	7,482	7,574	7,632	7,668
10,700	10,812	10,948	10,971	11,061
76	77	78	78	80

CITY OF ANDOVER, MINNESOTA
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Years

Table 20

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety:										
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Fire vehicles	22	21	21	20	21	19	20	18	19	17
Protective inspections:										
Vehicles	3	4	4	4	4	4	4	4	4	5
Public Works:										
Streets and Highways:										
Streets (miles)	190	191	191	192	195	200	204	190	194	195
Street lights	1,218	1,225	1,231	1,231	1,240	1,248	1,260	1,268	1,282	1,301
Traffic signals	24	24	24	24	24	25	25	26	26	27
Parks and Recreation:										
Parks	47	50	49	50	51	52	53	53	53	53
Ball fields	28	28	28	28	28	29	27	27	27	27
Soccer fields	19	21	17	20	16	16	18	18	20	20
Playgrounds	38	38	38	39	38	38	41	41	42	42
Trails (miles)	35	35	33	35	33	33	34	34	37	39
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water treatment plants	1	1	1	1	1	1	1	1	1	1
Storage facilities	2	2	2	2	2	2	2	2	2	2
Water main (miles)	108	109	111	112	115	116	118	119	120	121
Connections	6,151	6,229	6,267	6,375	6,418	6,475	6,635	6,663	6,725	6,815
Sanitary sewer:										
Sewer main (miles)	93	93	93	94	95	96	96	98	99	100
Connections	7,058	7,135	7,173	7,281	7,324	7,381	7,482	7,574	7,632	7,668
Number of lift stations	9	9	9	9	9	9	9	9	9	10
Storm sewer:										
Storm sewer lines (miles)	69	69	69	73	75	76	77	78	78	80

IV. OTHER FINANCIAL INFORMATION

CITY OF ANDOVER, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2019

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized and Issue</u>
GOVERNMENTAL ACTIVITIES:				
Abatement Bonds:				
2012C G.O. Abatement Bonds	12/27/2012	2/1/2031	1.00-3.00%	\$ 17,315,000
2019A G.O. Abatement Bonds	8/1/2019	2/1/2040	3.00-5.00%	<u>15,770,000</u>
				<u>33,085,000</u>
Certificates of Indebtedness:				
2014A G.O. Equipment Certificates	5/29/2014	2/1/2020	1.50-2.00%	1,555,000
2016A G.O. Equipment Certificates	2/19/2016	2/1/2021	1.90%	<u>520,000</u>
Total certificates of indebtedness				<u>2,075,000</u>
Capital Improvement Bonds:				
2018A G.O. Capital Improvement Plan Bonds	12/27/2018	2/1/2044	3.00-5.00%	<u>10,000,000</u>
Referendum Bonds:				
2010A G.O. Open Space Referendum Bonds	2/18/2010	2/1/2022	2.00 - 3.12%	<u>1,660,000</u>
Total bonded indebtedness				46,820,000
Compensated absences payable				
Total governmental activities indebtedness				<u>-</u>
				<u>46,820,000</u>
BUSINESS-TYPE ACTIVITIES:				
General Obligation Revenue Bonds:				
2009A G.O. Water Revenue Bonds	3/26/2009	2/1/2024	2.00-4.25%	1,025,000
2016B G.O. Water Revenue Refunding Bonds	12/7/2016	2/1/2023	2.00%	<u>3,925,000</u>
Total general obligation revenue bonds				<u>4,950,000</u>
Compensated absences payable				
Total business-type activities indebtedness				<u>-</u>
				<u>4,950,000</u>
Total City indebtedness				
				<u>\$ 51,770,000</u>

Principal Payments		Outstanding 12/31/19	2020 Payment		Total
Prior Years	Current Year		Principal	Interest	
\$ 4,045,000	\$ 885,000	\$ 12,385,000	\$ 910,000	\$ 305,981	\$ 1,215,981
-	-	15,770,000	-	590,150	590,150
<u>4,045,000</u>	<u>885,000</u>	<u>28,155,000</u>	<u>910,000</u>	<u>896,131</u>	<u>1,806,131</u>
1,010,000	270,000	275,000	275,000	2,750	277,750
126,000	129,000	265,000	131,000	3,791	134,791
<u>1,136,000</u>	<u>399,000</u>	<u>540,000</u>	<u>406,000</u>	<u>6,541</u>	<u>412,541</u>
-	-	10,000,000	85,000	356,131	441,131
1,005,000	160,000	495,000	160,000	12,828	172,828
6,186,000	1,444,000	39,190,000	1,561,000	1,271,631	2,832,631
-	-	721,654	-	-	-
<u>6,186,000</u>	<u>1,444,000</u>	<u>39,911,654</u>	<u>1,561,000</u>	<u>1,271,631</u>	<u>2,832,631</u>
560,000	70,000	395,000	75,000	14,499	89,499
615,000	635,000	2,675,000	650,000	47,000	697,000
<u>1,175,000</u>	<u>705,000</u>	<u>3,070,000</u>	<u>725,000</u>	<u>61,499</u>	<u>786,499</u>
-	-	212,248	-	-	-
<u>1,175,000</u>	<u>705,000</u>	<u>3,282,248</u>	<u>725,000</u>	<u>61,499</u>	<u>786,499</u>
<u>\$ 7,361,000</u>	<u>\$ 2,149,000</u>	<u>\$ 43,193,902</u>	<u>\$ 2,286,000</u>	<u>\$ 1,333,130</u>	<u>\$ 3,619,130</u>

CITY OF ANDOVER, MINNESOTA
SCHEDULE OF TAX CAPACITY RATES AND LEVIES

Exhibit 2

	Taxes Payable	
	2020	2019
Tax capacity values	\$ 36,188,656	\$ 32,975,265
Captured tax increment value	(106,861)	(101,030)
Fiscal disparities - contribution	<u>(1,310,143)</u>	<u>(1,269,524)</u>
Local taxable value	34,771,652	31,604,711
Fiscal disparities - distribution	<u>5,355,244</u>	<u>4,966,404</u>
Adjusted tax capacity	<u><u>\$ 40,126,896</u></u>	<u><u>\$ 36,571,115</u></u>

	2020		2019	
	Certified Levy	Tax Capacity Rate	Certified Levy	Tax Capacity Rate
General Revenue Levy:				
General Fund	\$ 9,314,032		\$ 8,945,970	
Capital Equipment/Projects	275,000		275,000	
Facility Maintenance Reserve	355,000		355,000	
Parks Projects	15,000		15,000	
Road and Bridge	1,287,469		1,254,788	
Pedestrian Trail Maintenance	<u>104,040</u>		<u>102,000</u>	
Total General Revenue Levy	<u>11,350,541</u>	27.866%	<u>10,947,758</u>	29.830%
Debt Service Levy:				
2012C G.O. Abatement Bonds	976,780		969,378	
2014A G.O. Equipment Certificate	-		294,525	
2016A G.O. Equipment Certificate	143,373		142,837	
2018A G.O. Capital Improvement Plan Bonds	433,603		525,000	
2019A G.O. Abatement Bonds	1,001,090		-	
2020A G.O. Equipment Certificate	<u>350,000</u>		<u>-</u>	
Total Debt Service Levy	<u>2,904,846</u>	7.693%	<u>1,931,740</u>	5.480%
Lower Rum River Watershed	<u>40,000</u>	0.281%	<u>40,000</u>	0.311%
Total	14,295,387	<u>35.840%</u>	12,919,498	<u>35.621%</u>
Voter-Approved Open Space Referendum - MV	<u>184,199</u>	<u>0.00526%</u>	<u>183,989</u>	<u>0.00572%</u>
	<u><u>\$ 14,479,586</u></u>		<u><u>\$ 13,103,487</u></u>	

CITY OF ANDOVER, MINNESOTA
 SCHEDULE OF DEFERRED TAX LEVIES
 GENERAL OBLIGATION BONDS
 December 31, 2019

Exhibit 3

Taxes Payable	Abatement Bonds 2012C	Abatement Bonds 2019A	Certificates of Indebtedness 2016A	Certificates of Indebtedness 2020A	Capital Improvement Plan Bonds 2018A	Open Space Referendum Bonds 2010A	Total Deferred Tax Levies
2020	\$ 976,780	\$ 1,001,090	\$ 143,373	\$ 350,000	\$ 433,603	\$ 184,199	\$ 3,089,045
2021	1,284,550	1,179,570	-	406,224	501,644	184,078	3,556,066
2022	1,280,455	1,177,208	-	374,850	662,819	-	3,495,332
2023	1,285,285	1,178,783	-	376,740	658,094	-	3,498,902
2024	1,283,015	1,178,783	-	-	658,094	-	3,119,892
2025	1,282,883	1,177,208	-	-	662,557	-	3,122,648
2026	1,280,744	1,179,308	-	-	660,719	-	3,120,771
2027	1,281,781	1,174,320	-	-	663,344	-	3,119,445
2028	1,291,027	1,178,258	-	-	662,189	-	3,131,474
2029	1,292,340	1,177,628	-	-	660,719	-	3,130,687
2030	1,297,800	1,175,738	-	-	658,934	-	3,132,472
2031	-	1,177,838	-	-	662,084	-	1,839,922
2032	-	1,176,998	-	-	659,512	-	1,836,510
2033	-	1,175,370	-	-	661,874	-	1,837,244
2034	-	1,178,205	-	-	658,514	-	1,836,719
2035	-	1,174,845	-	-	659,498	-	1,834,343
2036	-	1,175,948	-	-	659,380	-	1,835,328
2037	-	1,176,105	-	-	658,750	-	1,834,855
2038	-	1,175,318	-	-	662,858	-	1,838,176
2039	-	1,178,835	-	-	660,358	-	1,839,193
2040	-	-	-	-	662,576	-	662,576
2041	-	-	-	-	663,364	-	663,364
2042	-	-	-	-	658,166	-	658,166
2043	-	-	-	-	662,918	-	662,918
	<u>\$13,836,660</u>	<u>\$23,367,356</u>	<u>\$ 143,373</u>	<u>\$ 1,507,814</u>	<u>\$15,472,568</u>	<u>\$ 368,277</u>	<u>\$54,696,048</u>

	Transfer In	Transfer Out	
General Fund			
Water EF	\$ 95,226	\$ -	General Fund Admin Allocation
Sewer EF	73,957	-	General Fund Admin Allocation
Storm Sewer EF	18,825	-	General Fund Admin Allocation
Total General Fund	188,008	-	
Special Revenue Funds (SRF)			
Community Center SRF			
2012C GO Abatement Bonds DSF	-	300,000	Debt Service Allocation
Right of Way Management / Utility SRF			
Road and Bridge CPF	-	5,800	Roadway Degredation
Total Special Revenue Funds	-	305,800	
Debt Service Funds (DSF)			
2012C GO Abatement Bonds DSF			
Community Center SRF	300,000	-	Debt Service Allocation
Capital Projects Funds (CPF)			
Water Trunk CPF			
Water EF	300,000	-	Replacement Reserve
Water EF	-	58,110	Debt Service Allocation
	<u>300,000</u>	<u>58,110</u>	
Sewer Trunk CPF			
Sewer EF	400,000	-	Replacement Reserve
Storm Sewer CPF			
Storm Sewer EF	66,263	-	Close Fund
Road and Bridge CPF			
Right of Way Management / Utility SRF	5,800	-	Roadway Degredation
Capital Equipment Reserve CPF			
2019A GO Abatement Bonds CPF	157,839	-	Reimburse Prior Year Expenditures
Storm Sewer EF	23,500	-	Debt Service Allocation
	<u>181,339</u>	<u>-</u>	
2018A GO Capital Improvement Plan Bonds CPF			
Water EF	157,684	-	Allocation to Public Works Expansion
Sewer EF	157,684	-	Allocation to Public Works Expansion
	<u>315,368</u>	<u>-</u>	
2019A GO Abatement Bonds CPF			
Capital Equipment Reserve CPF	-	157,839	Reimburse Prior Year Expenditures
Total Capital Projects Funds	1,268,770	215,949	
Enterprise Funds (EF)			
Water EF			
Water Trunk CPF	58,110	-	Debt Service Allocation
General Fund	-	95,226	General Fund Admin Allocation
Water Trunk CPF	-	300,000	Replacement Reserve
2018A GO Capital Improvement Plan Bonds CPF	-	157,684	Allocation to Public Works Expansion
	<u>58,110</u>	<u>552,910</u>	
Sewer EF			
General Fund	-	73,957	General Fund Admin Allocation
Sewer Trunk CPF	-	400,000	Replacement Reserve
2018A GO Capital Improvement Plan Bonds CPF	-	157,684	Allocation to Public Works Expansion
	<u>-</u>	<u>631,641</u>	
Storm Sewer EF			
General Fund	-	18,825	General Fund Admin Allocation
Storm Sewer CPF	-	66,263	Close Fund
Capital Equipment Reserve CPF	-	23,500	Debt Service Allocation
	<u>-</u>	<u>108,588</u>	
Total Enterprise Funds	58,110	1,293,139	
Total All Funds	\$ 1,814,888	\$ 1,814,888	