

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015



MINNESOTA

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Comprehensive Annual Financial Report

of the

City of Andover, Minnesota

For the Year Ended

December 31, 2015

Prepared By: Finance Department
City of Andover

CITY OF ANDOVER, MINNESOTA
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I. INTRODUCTORY SECTION



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May 17, 2016

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, 2015, 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

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

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.

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 32,000. 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 2016 and 2017, with an estimated population of 32,050 by 2016. 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 2015. Continual commercial growth is anticipated over the next five years, beyond that growth will slow as the amount of undeveloped commercially zoned property also declines.

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

The City's General Fund has two major categories of revenue, which accounted for 85% of the total in 2015. They are general property taxes at 77% and charges for services at 8%. 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.

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.

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>
2006	\$ 598,094	n/a
2007	475,893	\$ (122,201)
2008	525,339	49,446
2009	291,903	(233,436)
2010	329,901	37,998
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

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. The decrease in 2006 and 2007 is largely due to a slowing economy and home building market. A slight increase in 2008 is primarily due to the commercial activity taking place but the decrease in 2009 is due to the continued downturn in the economy, especially the construction industry. 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.

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
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	<u>Revenues</u>	<u>Change</u>
2006	\$ 780,273	n/a
2007	1,121,642	\$ 341,369
2008	772,430	(349,212)
2009	701,289	(71,141)
2010	755,184	53,895
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)

The City analyzes user fees every year as part of the budget process and makes adjustments where appropriate. Revenue from charges for services totaled \$1,121,642 in 2007 and this increase can be linked to the number of public improvement projects being finalized and assessed in 2007. 2008 proved to be better than expected due to some residential plat activity taking place but the decrease in 2009 was expected due to the struggling economy. 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.

In 2015, the City issued 74 new single-family building permits with a total valuation of \$19,631,775 compared to 52 new single-family building permits with a total valuation of \$13,926,901 the prior year. The past ten years are shown below:

	<u>Residential</u>		<u>Commercial / Industrial</u>	
	<u>Permits</u>	<u>Valuation</u>	<u>Permits</u>	<u>Valuation</u>
2006	153	\$ 25,236,120	8	\$ 1,791,896
2007	91	18,347,873	9	2,403,831
2008	49	11,116,400	11	16,878,603
2009	47	9,246,347	13	767,430
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

Residential Development

New residential development included the development of a 99 lot subdivision known as Country Oaks North 2nd Addition, which consists of 85 urban lots with city water and sewer and 14 rural lots between one and two acres with septic and well; a 18 lot urban development known as Winslow Woods 2nd Addition; a 10 lot urban residential development known as Hickory Meadows 2nd Addition; and a 27 lot urban development known as Catcher’s Creek 2nd Addition.

The City currently has a supply of 197 single family urban lots and 12 single family rural lots. As of spring 2016, there are 4 new urban residential developments in various phases of the subdivision/platting approval process totaling 103 lots that have the potential to be coming on line in 2016/2017.

Commercial Industrial Development

New institutional/commercial/industrial construction did occur in 2015. The Foundation Hill Montessori School located at 1750 – 139th Lane NW completed the construction of a 5,700 square foot addition. Renovation of the vacant bank building at 1777 Bunker Lake Blvd NW was completed with new tenants: Premier Bank and Essentials of Life Chiropractic.

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.

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

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	760
Fairview - Andover Clinic	Healthcare	300
Anoka County Sheriff's Office	County government and services	250
Kottkes' Bus Service, Inc.	Bus transportation	225
Wal-Mart	Retail	210
YMCA	Youth organization - fitness center	186
Target	Retail	170
Anoka County Highway Department	County government and services	103
Bunker Hills Regional Park/Activity Center	County government and services	100
Andover County Market	Retail	85

MAJOR INITIATIVES

FOR THE YEAR. The City has many accomplishments to report for 2015. The following list is a summary of some of the major initiatives completed throughout the year.

- 1) 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 city staff. This program was authorized by the Andover City Council in 2009 and is reviewed annually, there were close to 310 single family rental licenses issued throughout the City in 2015.
- 2) In 2015, the City again saw a resurgence in new residential development including the development of 99 lots known as Country Oaks North Second Addition, an 18 lot subdivision know as Winslow Woods Second Addition, an 18 lot residential planned unit development known as Carson Ridge, 12 residential units known as B & D Estates, 6 residential unit subdivision known as Shadow Ponds, 16 units known as White Pine Wilderness Second Addition, 10 lot residential subdivision know as Hickory Meadows Second Addition and a 27 lot residential development known as Catchers Creek Second Addition.
- 3) In 2015, the City of Andover, in cooperation with the Anoka County Highway Department, worked through the planning of the Bunker Lake Boulevard expansion and reconstruction. Construction is set to start in 2016 and will be financed primarily by a federal grant. A trail underpass from the City trails system to Bunker Hills Regional Park is planned as part of the project.
- 4) In 2015, the City welcomed the construction of a new Acapulco restaurant on an Andover Station North commercial parcel. The construction of the restaurant on a site adjacent to the new Wal-Mart and other Andover Station North businesses will complete the Bunker Lake Boulevard frontage on the Andover Station North development. The restaurant is anticipating a July 2016 opening.
- 5) The City continues to work with Dynamic Sealing Technologies Inc. (DSTI), a global leader in the design and manufacturing of rotary unions and swivel joint products. In 2012, the City welcomed a 49,000 sq. ft. facility expansion expected to generate 50 new jobs for the community. DSTI also acquired an adjacent parcel that will allow for another facility expansion of 50,000 sq. ft. in the future, anticipated to start in 2016-2017. Additionally, the City EDA sold another parcel to DSTI, where it is envisioned that a separate 100,000 sq ft manufacturing facility will be built on the approximately 7.25 acre parcel; this facility would focus on large product manufacturing, allowing DSTI to expand into additional markets within the next five years.
- 6) In 2013, the City EDA negotiated the sale of an Andover Station North commercial/industrial parcel to Measurement Specialties Incorporated, as global designer and manufacturer of sensors and sensor based systems. A December 2013 sale closing was completed on the lot and the construction of a 52,000 sq. ft. manufacturing facility took place in 2014. A ribbon cutting was held in December 2014 by TE Connectivity Incorporated; during the construction of the facility, Measurement Specialties Incorporated was purchased by TE Connectivity and upon opening approximately 150 jobs located to the City of Andover. Through 2015, the employment has exceeded 200 employees. Talks of a future expansion of the facility with TE Connectivity have already started to accommodate the growth of the company.

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

- 7) The City Economic Development Authority (EDA) acquired the Parkside at Andover Station residential development in late 2011. This development was sold to a developer originally in 2003 and when residential building stalled in 2009, it became a casualty of the poor townhome market. The EDA in 2012, after a brief marketing period, sold the model home in less than 30 days and secured a purchased agreement with Capstone Homes to build 36 single family homes on a significant portion of the site. Capstone Homes completed the construction of the last home in this development in late 2013. The EDA sold other portions of this development to separate developers to construct an advanced/assisted living facility and an eight-unit townhome structure. A final fragment of the original development was sold to a developer in 2014 to be platted into four single family lots.
- 8) In 2015, the City EDA sold a two acre parcel in the Andover Station North development area to Foundation Hill Montessori. This parcel was immediately adjacent to Foundation Hill's current facility. The sale followed with a 6,000 sq ft expansion of the Foundation Hill Montessori School and the platting of an additional lot that Foundation Hill will market to a compatible business.
- 9) In 2013, the City EDA sold an eight-unit townhome lot in the Parkside at Andover Station development to Capstone Homes for the construction of an eight-unit townhome structure. Building plans were approved in 2015 and construction of the project is expected to occur in 2016.
- 10) In 2014, the City EDA sold the final fragment of the original Parkside at Andover Station development to Povlitski Properties LLC so the residual parcel could be added to a single family residential subdivision. In 2015, we saw the development of B & D Estates of which the residual EDA parcel helped add four single family residential lots to the B & D Estates development.
- 11) 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. The EDA was also successful in acquiring a very dated convenience store/gas station in December of 2012 to continue to add to the critical land mass necessary to start marketing for a redevelopment project. Demolition of the convenience store/gas station was started during in the summer of 2013, with the completion of environmental cleaning in 2014. In 2015, the old convenience store/gas station parcel was sold to Inventure Properties Inc, for the construction of a 12,000 sq. ft. office building along with a residual parcel that Inventure Properties can sell for a compatible use.
- 12) The City purchased a 40 acre parcel from Legacy Christian Academy in 2012. The purpose of the purchase was to develop a park facility that will provide needed ball fields and community park amenities. This new facility started Phase 1 of development in 2013 with the installation of three full size athletic (soccer/football) fields with irrigation, lighting and accompanying parking. The facility was open for limited activities in late summer of 2014 and was in full operation starting the spring of 2015.
- 13) The City started working with a development group in 2015 to transform the Bunker Lake Boulevard/ Hanson Boulevard intersection from a vacant convenience store/gas station to a new strip-mall project to include restaurants and service businesses. Construction of the new facility is anticipated to take place spring 2016.
- 14) In 2015, City Staff continues to 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 will be a restored wetland with passive nature trails. Construction is anticipated to take place in 2016 through 2018.
- 15) The City started the master planning of the City Campus site in 2015 to prepare for the facility needs for the ultimate build out of the City. The planning will assess Public Works, Public Safety, General Government and Recreational needs of the community.
- 16) Andover residents continue to have one of the highest recycling rates per person for all recyclable materials in Anoka County. In 2014, the City completed the construction of a new Recycling Center and that facility was put into full operation in 2015. This construction was financed by Anoka County grants in an effort to expand the current recycling opportunities for Anoka County residents.
- 17) 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

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

document is being integrated into various department work plans and budgets. This event was facilitated by the City Administration Department.

- 18) The City Open Space Commission, appointed to assist in managing the successful \$2,000,000 open space referendum ballot in 2006, reviewed and made recommendations to the City Council on land that should be purchased as permanent open space in the community. The first purchase took place in December 2009 (Martins Meadows), a second purchase in October 2010 (Northwoods Preserve), a third purchase in January 2014 (Aasness) and a fourth purchase in November 2014 (Selmer/Blanchette). The last parcel was purchased in 2015; Dalske Woodlands is a 40 acre parcel of pristine woodland. Throughout 2015, the City Parks Department focused on creating nature trails, appropriate signage and accessibility to all of the open space parcels.
- 19) The City's Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2014 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 thirteenth consecutive year receiving the award and it is anticipated that the City's CAFR for the year ended December 31, 2015 will also achieve this award.
- 20) For the fourteenth year in a row, the City of Andover was awarded the Government Finance Officers Association Distinguished Budget Presentation Award for the City's 2015 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.
- 21) The City continues to make significant progress on the process of digitally imaging documents retained by the City. 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.
- 22) 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 2015 the City saw increased growth in the number of online and counter credit card payments for various City permits and services.

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.

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

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.

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, 2015. This is the fourteenth 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, 2016 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 2014 Comprehensive Annual Financial Report. This is the thirteenth 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 2015 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, 2015

<u>Office</u>	<u>Name</u>	<u>Term</u>
Mayor	Julie Trude	January 3, 2017
Council Member	Sheri Bukkila	January 3, 2017
Council Member	Jim Goodrich	January 1, 2019
Council Member	Valerie Holthus	January 1, 2019
Council Member	Michael Knight	January 3, 2017
City Administrator / City Clerk	James Dickinson	Appointed
Community Development Director	David Carlberg	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, 2014

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, 2015, 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, 2015, 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.

Emphasis of Matter

As described in Notes 8 and 19 to the financial statements, the City of Andover, Minnesota adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* for the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City of Andover, Minnesota's 2014 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 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, OPEB Schedule of Funding Progress, the Schedules of Proportionate Share of Net Pension Liability, the Schedules of Pension Contributions, and Notes to Required Supplementary Information on pages 17 through 26 and 82 through 90 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 nonmajor fund financial statements and schedules, other information section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2016, on our consideration of the City of Andover, Minnesota's internal control over financial reporting and on our test 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 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

April 29, 2016

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2015

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, 2015. 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 of the City exceeded its liabilities at the close of the most recent fiscal year by \$168,722,390 (net position). Of this amount, \$31,461,816 (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 \$5,157,561 from current year activity, primarily due to the budget savings, an increase in commercial/residential construction fees, and land sales in the tax increment district. A prior period adjustment recognizing the long-term obligation for pension benefits as a liability reduced the increase from prior year to \$1,859,629.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$31,320,422.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Nonspendable	\$ 131,813	\$ 1,800	\$ -	\$ -	\$ 133,613
Restricted	-	71,794	1,217,300	4,385,323	5,674,417
Committed	-	531,729	-	-	531,729
Assigned	-	64,119	-	17,843,810	17,907,929
Unassigned	<u>7,136,091</u>	<u>-</u>	<u>-</u>	<u>(63,357)</u>	<u>7,072,734</u>
	<u>\$ 7,267,904</u>	<u>\$ 669,442</u>	<u>\$ 1,217,300</u>	<u>\$ 22,165,776</u>	<u>\$ 31,320,422</u>

The City's total long-term liabilities increased by \$885,015 during the current fiscal year, primarily due to the City recognizing the long-term obligation for pension benefits as a liability for the first time.

	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:					
Bonds payable	\$ 21,095,000	\$ -	\$ -	\$ (1,765,000)	\$ 19,330,000
Other post employment benefits	184,154	-	29,635	(11,662)	202,127
Promissory note payable	786,874	-	-	(196,719)	590,155
Compensated absences	628,946	-	404,856	(382,607)	651,195
Net pension liability	<u>-</u>	<u>2,916,764</u>	<u>500,882</u>	<u>(414,274)</u>	<u>3,003,372</u>
Total governmental activities	<u>22,694,974</u>	<u>2,916,764</u>	<u>935,373</u>	<u>(2,770,262)</u>	<u>23,776,849</u>
Business-type activities:					
Bonds payable	6,310,000	-	-	(590,000)	5,720,000
Other post employment benefits	22,761	-	6,392	(1,591)	27,562
Compensated absences	163,529	-	56,679	(59,731)	160,477
Net pension liability	<u>-</u>	<u>381,168</u>	<u>61,846</u>	<u>(51,623)</u>	<u>391,391</u>
Total business-type activities	<u>6,496,290</u>	<u>381,168</u>	<u>124,917</u>	<u>(702,945)</u>	<u>6,299,430</u>
Total City long-term liabilities	<u>\$ 29,191,264</u>	<u>\$ 3,297,932</u>	<u>\$ 1,060,290</u>	<u>\$ (3,473,207)</u>	<u>\$ 30,076,279</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.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

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

The statement of net position presents information on all of the City's assets 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 three categories: governmental funds, proprietary funds, and fiduciary 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 six 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, Tax Increment Projects and Permanent Improvement Revolving.

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, 2015

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own program. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 44 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45 through 79 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 93 through 126 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 \$168,722,390 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$131,505,412 or 78 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>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Current and other assets	\$ 33,051,443	\$ 34,997,488	\$ 7,025,499	\$ 7,687,414	\$ 40,076,942	\$ 42,684,902
Capital assets	<u>116,069,323</u>	<u>115,890,928</u>	<u>41,097,382</u>	<u>41,227,385</u>	<u>157,166,705</u>	<u>157,118,313</u>
Total assets	<u>149,120,766</u>	<u>150,888,416</u>	<u>48,122,881</u>	<u>48,914,799</u>	<u>197,243,647</u>	<u>199,803,215</u>
Deferred outflows of resources	<u>-</u>	<u>442,026</u>	<u>-</u>	<u>53,704</u>	<u>-</u>	<u>495,730</u>
Long-term liabilities						
outstanding	22,694,974	23,776,849	6,496,290	6,299,430	29,191,264	30,076,279
Other liabilities	<u>1,024,431</u>	<u>930,767</u>	<u>165,191</u>	<u>105,502</u>	<u>1,189,622</u>	<u>1,036,269</u>
Total liabilities	<u>23,719,405</u>	<u>24,707,616</u>	<u>6,661,481</u>	<u>6,404,932</u>	<u>30,380,886</u>	<u>31,112,548</u>
Deferred inflows of resources	<u>-</u>	<u>412,384</u>	<u>-</u>	<u>51,623</u>	<u>-</u>	<u>464,007</u>
Net position:						
Net investment in capital assets	94,533,473	95,998,027	34,787,382	35,507,385	129,320,855	131,505,412
Restricted	4,776,047	5,755,162	-	-	4,776,047	5,755,162
Unrestricted	<u>26,091,841</u>	<u>24,457,253</u>	<u>6,674,018</u>	<u>7,004,563</u>	<u>32,765,859</u>	<u>31,461,816</u>
Total net position	<u>\$ 125,401,361</u>	<u>\$ 126,210,442</u>	<u>\$ 41,461,400</u>	<u>\$ 42,511,948</u>	<u>\$ 166,862,761</u>	<u>\$ 168,722,390</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 (\$31,461,816) 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, 2015

Government-wide Activities

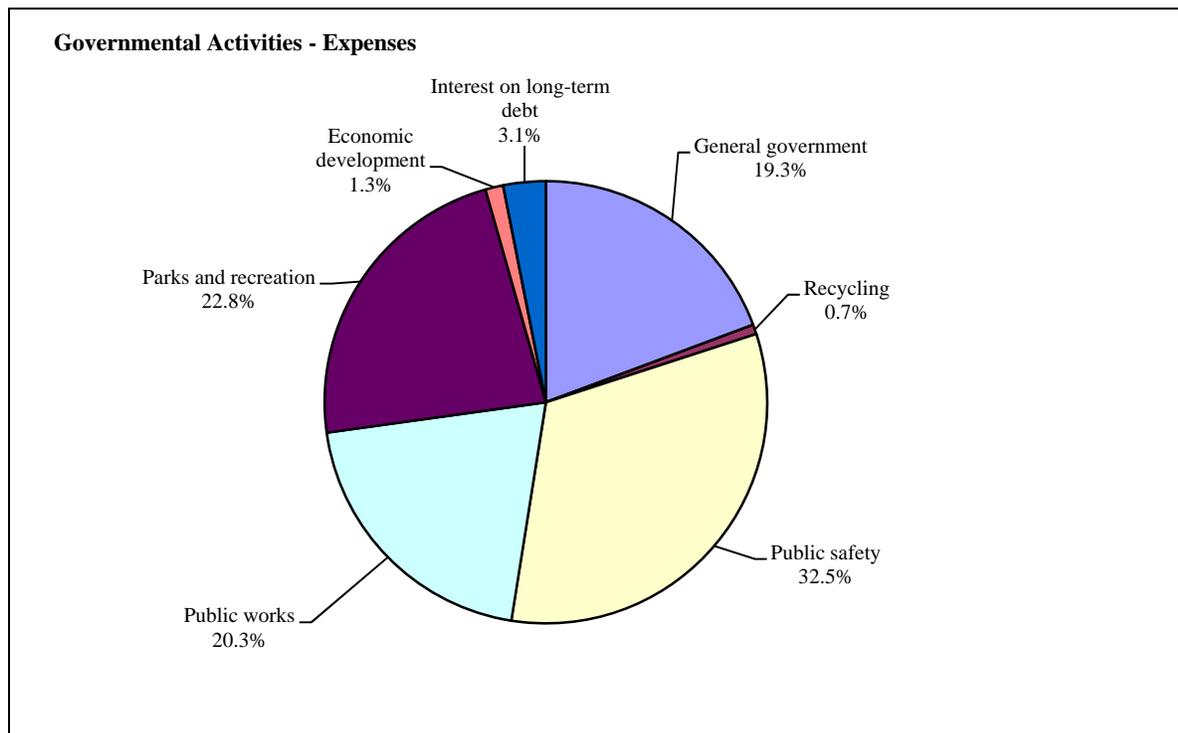
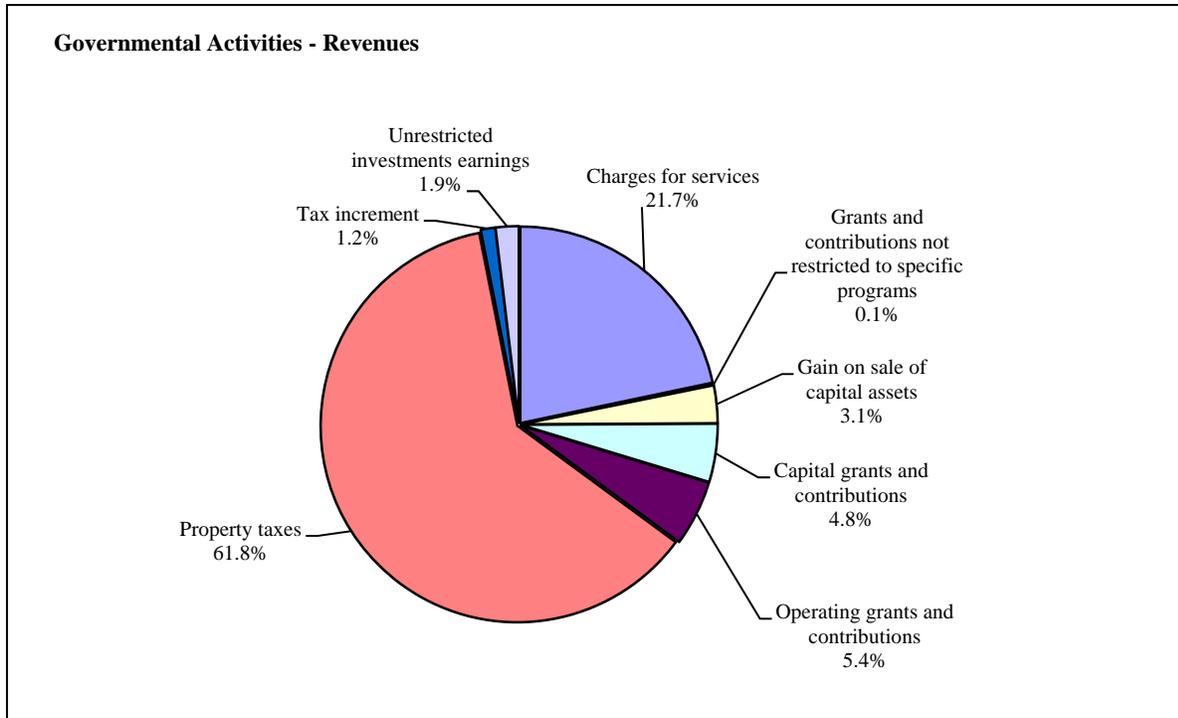
Governmental activities increased the City's net position by \$3,725,845 and business-type activities increased net position by \$1,431,716. Key elements of the activities are as follows:

City of Andover's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,296,147	\$ 3,902,190	\$ 4,886,443	\$ 5,166,839	\$ 8,182,590	\$ 9,069,029
Operating grants and contributions	946,540	965,986	9,506	-	956,046	965,986
Capital grants and contributions	4,677,704	863,155	990,412	1,524,088	5,668,116	2,387,243
General revenues:						
Property taxes	10,863,912	11,120,449	-	-	10,863,912	11,120,449
Tax increment	353,773	210,625	-	-	353,773	210,625
Grants and contributions not restricted to specific programs	87,179	15,327	-	-	87,179	15,327
Unrestricted investments earnings	747,621	348,885	115,425	57,291	863,046	406,176
Gain on sale of capital assets	228,639	548,950	-	-	228,639	548,950
Total revenues	<u>21,201,515</u>	<u>17,975,567</u>	<u>6,001,786</u>	<u>6,748,218</u>	<u>27,203,301</u>	<u>24,723,785</u>
Expenses:						
General government	2,791,507	2,823,408	-	-	2,791,507	2,823,408
Public safety	4,747,142	4,774,033	-	-	4,747,142	4,774,033
Public works	4,430,295	2,967,957	-	-	4,430,295	2,967,957
Parks and recreation	3,229,894	3,340,561	-	-	3,229,894	3,340,561
Recycling	111,760	98,016	-	-	111,760	98,016
Economic development	676,039	192,265	-	-	676,039	192,265
Interest on long-term debt	542,139	454,808	-	-	542,139	454,808
Water	-	-	2,308,552	2,316,651	2,308,552	2,316,651
Sewer	-	-	1,951,785	2,002,623	1,951,785	2,002,623
Storm sewer	-	-	848,745	595,902	848,745	595,902
Total expenses	<u>16,528,776</u>	<u>14,651,048</u>	<u>5,109,082</u>	<u>4,915,176</u>	<u>21,637,858</u>	<u>19,566,224</u>
Increase (decrease) in net position before transfers	4,672,739	3,324,519	892,704	1,833,042	5,565,443	5,157,561
Transfers	606,793	401,326	(606,793)	(401,326)	-	-
Change in net position	<u>5,279,532</u>	<u>3,725,845</u>	<u>285,911</u>	<u>1,431,716</u>	<u>5,565,443</u>	<u>5,157,561</u>
Net position - Jan. 1, previously reported	120,121,829	125,401,361	41,175,489	41,461,400	161,297,318	166,862,761
Prior period adjustment	-	(2,916,764)	-	(381,168)	-	(3,297,932)
Net position - Jan. 1, restated	<u>120,121,829</u>	<u>122,484,597</u>	<u>41,175,489</u>	<u>41,080,232</u>	<u>161,297,318</u>	<u>163,564,829</u>
Net position - ending	<u>\$ 125,401,361</u>	<u>\$ 126,210,442</u>	<u>\$ 41,461,400</u>	<u>\$ 42,511,948</u>	<u>\$ 166,862,761</u>	<u>\$ 168,722,390</u>

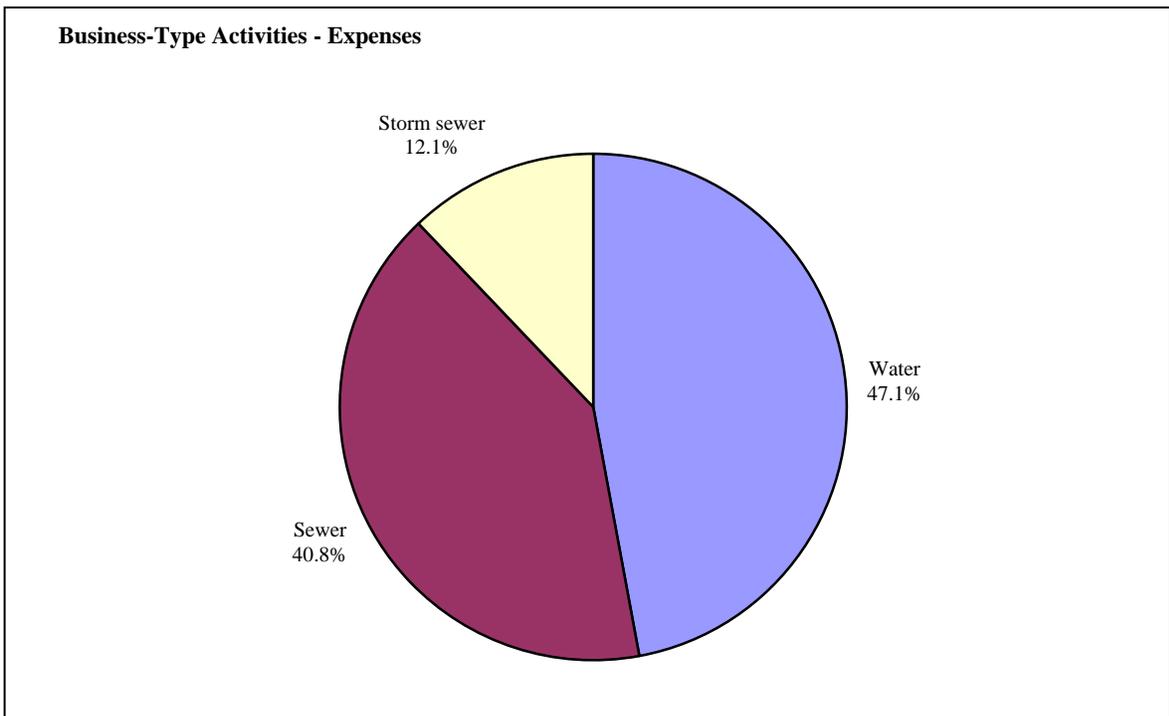
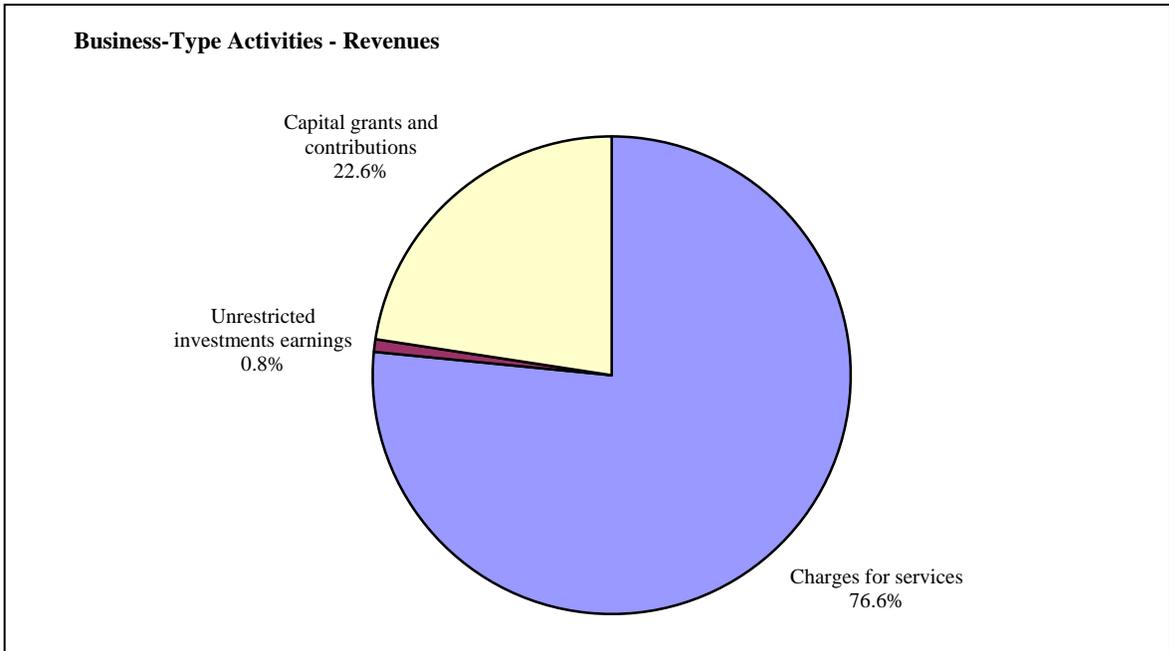
Governmental Activities

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 \$31,320,422. Approximately 22.6 percent of this total amount (\$7,072,734) constitutes unassigned fund balance. The remainder of the fund balance (\$24,247,688) is not available for new spending because it is either 1) nonspendable (\$133,613), 2) restricted (\$5,674,417), 3) committed (\$531,729) or 4) assigned (\$17,907,929).

Major Funds

The general fund increased by \$65,770 in 2015, which was a \$697,925 change from the final budget. The final budget showed a decrease in fund balance of \$632,155. The increase in fund balance is due to various departments under-spending and revenues exceeding budgets related to residential and commercial construction activity and an increase in state fire aid and miscellaneous fire grants.

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: Catchers Creek 2nd Addition, Country Oaks North 2nd Addition, Hickory Meadows 2nd Addition and Winslow Woods 2nd Addition. The sewer trunk fund continues to receive funds from the sewer enterprise fund to be set aside for future replacements (\$400,000).

The road and bridge capital projects fund increased by \$513,586 primarily due to the reduction in the scope of projects completed in 2015 as compared to 2014.

The tax increment capital projects fund increased by \$811,783 primarily due to the sale of land.

The permanent improvement revolving capital projects fund increased by \$135,034 due to the collection of special assessments revenue.

Nonmajor Funds

The community center special revenue fund increased \$104,504 due to the revenues exceeding expenditures and the transfer out.

The 2012A G.O. equipment certificates debt service fund increased by \$133,385 with the collection of tax levy for future debt service payments.

The 2012C G.O. abatement bonds debt service fund increased by \$50,993 due to revenues and transfers in exceeding debt service payments.

The 2009A state aid bonds debt service fund decreased by \$109,742 with the final debt service payment.

The building capital projects fund decreased by \$67,345 primarily due to the promissory note payment made in 2015.

The trail and transportation capital projects fund increased by \$212,437 due to a one-time transfer from the General Fund for trail projects.

The capital equipment reserve capital projects fund increased by \$164,919 due to the timing of revenues and expenditures and the sale of used equipment.

The fluctuation of fund balance for the equipment certificate capital projects funds depends on when the bonds are issued and when the purchases are actually made.

The 2010A open space referendum bonds capital projects fund decreased by \$233,392 due to the purchase of land for preservation.

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 \$6,910,106 (water \$3,040,230, sewer \$3,618,050 and storm sewer \$251,826) and internal service funds of \$744,804. The enterprise funds had a net increase in net position from current year activity of \$1,404,343 (water \$814,377, sewer \$285,640 and storm sewer \$304,326). A prior period adjustment recognizing the long-term obligation for pension benefits as a liability reduced the increase from prior year to \$1,023,175. Internal service funds had a net increase in net position of \$131,120.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT’S DISCUSSION AND ANALYSIS
 December 31, 2015

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, 2015, amounts to \$157,118,313 (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 2015, 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, 2015, the City’s street and trail system was rated at an Overall Condition Index (OCI) of 6.7.

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 \$1,114,900 on street and trail maintenance for the year ending December 31, 2015. 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>
2006	\$1,150,000	\$ 1,228,981	82
2007	1,150,000	1,256,433	81
2008	1,150,000	2,244,713	80
2009	1,150,000	1,666,216	81
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

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land and improvements	\$ 10,803,419	\$ 231,661	\$ (305,107)	\$ 10,729,973
Streets and trails	81,059,895	1,143,658	-	82,203,553
Construction in progress	52,523	38,665	(52,523)	38,665
Buildings and improvements	27,249,905	36,098	-	27,286,003
Furniture and equipment	570,289	13,037	-	583,326
Machinery and equipment	8,698,749	74,934	(561,609)	8,212,074
Other park improvements	6,946,891	313,302	(7,500)	7,252,693
	<u>135,381,671</u>	<u>1,851,355</u>	<u>(926,739)</u>	<u>136,306,287</u>
Total capital assets				
Less accumulated depreciation for:				
Buildings and improvements	9,867,895	906,866	-	10,774,761
Furniture and equipment	423,407	43,966	-	467,373
Machinery and equipment	5,937,203	399,247	(561,609)	5,774,841
Other park improvements	3,083,843	322,041	(7,500)	3,398,384
	<u>19,312,348</u>	<u>1,672,120</u>	<u>(569,109)</u>	<u>20,415,359</u>
Total accumulated depreciation				
Governmental activities capital assets - net				
	<u>116,069,323</u>	<u>179,235</u>	<u>(357,630)</u>	<u>115,890,928</u>
Business-type activities:				
Land and improvements	730,243	-	-	730,243
Buildings and improvements	15,877,590	-	-	15,877,590
Furniture and equipment	61,390	-	-	61,390
Machinery and equipment	1,252,207	87,475	(30,000)	1,309,682
Collection and distribution	52,439,202	1,692,043	-	54,131,245
	<u>70,360,632</u>	<u>1,779,518</u>	<u>(30,000)</u>	<u>72,110,150</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	7,860,166	533,154	-	8,393,320
Furniture and equipment	52,355	2,867	-	55,222
Machinery and equipment	1,111,269	40,300	(30,000)	1,121,569
Collection and distribution	20,239,460	1,073,194	-	21,312,654
	<u>29,263,250</u>	<u>1,649,515</u>	<u>(30,000)</u>	<u>30,882,765</u>
Total accumulated depreciation				
Business-type activities capital assets - net				
	<u>41,097,382</u>	<u>130,003</u>	<u>-</u>	<u>41,227,385</u>
Total capital assets				
	<u>\$ 157,166,705</u>	<u>\$ 309,238</u>	<u>\$ (357,630)</u>	<u>\$ 157,118,313</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 \$26,451,827, a decrease of \$2,532,522 from 2014. General obligation abatement bonds (\$15,840,000) were used to refund the 2006 and 2007 EDA lease revenue refunding bonds. General obligation revenue bonds (\$5,720,000) were used for an addition to the water treatment plant and the refunding of portions of the water treatment plant bonds. Certificates of indebtedness (\$1,915,000) financed capital equipment purchases. Capital improvement bonds (\$470,000) financed the construction of Fire Station #3 and the purchase of the Public Works building from the EDA, in addition to, the refunding of those same bonds. Referendum bonds (\$1,105,000) were used to finance land acquisitions for the preservation of open space. The promissory note payable (\$590,155) is being used to finance the purchase of land adjacent to the city hall complex.

Additional long-term debt in the amount of \$811,672 is for compensated absences.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

City of Andover's Outstanding Debt

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonds payable:			
Abatement bonds	\$ 15,840,000	\$ -	\$ 15,840,000
G.O. revenue bonds	-	5,720,000	5,720,000
Certificates of indebtedness	1,915,000	-	1,915,000
Capital improvement bonds	470,000	-	470,000
Referendum bonds	<u>1,105,000</u>	<u>-</u>	<u>1,105,000</u>
Total bonds payable	19,330,000	5,720,000	25,050,000
Promissory note payable	590,155	-	590,155
Compensated absences	<u>651,195</u>	<u>160,477</u>	<u>811,672</u>
Total	<u>\$ 20,571,350</u>	<u>\$ 5,880,477</u>	<u>\$ 26,451,827</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 \$73,073,118. Only \$18,138,481 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, 2015

Statement 1

	Primary Government		Totals 2015
	Government Activities	Business-Type Activities	
Assets:			
Cash and investments	\$ 31,822,911	\$ 6,003,798	\$ 37,826,709
Cash and investments with escrow agent	151,162	-	151,162
Accrued interest	125,075	21,651	146,726
Due from other governmental units	57,515	4,833	62,348
Accounts receivable - net	195,720	1,376,248	1,571,968
Property taxes receivable:			
Unremitted	118,735	-	118,735
Delinquent	225,000	-	225,000
Special assessments receivable:			
Unremitted	2,314	4,721	7,035
Delinquent	21,314	248,440	269,754
Deferred	1,813,220	3,218	1,816,438
Inventories - at cost	239,522	24,505	264,027
Land held for resale	225,000	-	225,000
Capital assets - net:			
Nondepreciable	92,972,191	730,243	93,702,434
Depreciable	22,918,737	40,497,142	63,415,879
Total assets	150,888,416	48,914,799	199,803,215
Deferred outflows of resources:			
Related to pensions	442,026	53,704	495,730
Liabilities:			
Interfund payable	94,457	(94,457)	-
Accounts payable	212,008	23,700	235,708
Contracts payable	35,011	14,872	49,883
Deposits payable	45,975	2,234	48,209
Due to other governmental units	24,083	25,066	49,149
Salaries payable	224,426	38,222	262,648
Unearned revenue	106,225	-	106,225
Accrued interest payable	188,582	95,865	284,447
Other post employment benefits:			
Due in more than one year	202,127	27,562	229,689
Compensated absences:			
Due within one year	97,679	24,071	121,750
Due in more than one year	553,516	136,406	689,922
Promissory note payable:			
Due within one year	196,719	-	196,719
Due in more than one year	393,436	-	393,436
Bonds/notes payable:			
Due within one year	1,770,000	615,000	2,385,000
Due in more than one year	17,560,000	5,105,000	22,665,000
Net pension liability:			
Due in more than one year	3,003,372	391,391	3,394,763
Total liabilities	24,707,616	6,404,932	31,112,548
Deferred inflows of resources:			
Related to pensions	412,384	51,623	464,007
Net position:			
Net investment in capital assets	95,998,027	35,507,385	131,505,412
Restricted for:			
Debt service	1,064,634	-	1,064,634
Tax increment purposes	4,618,734	-	4,618,734
Public services	71,794	-	71,794
Unrestricted	24,457,253	7,004,563	31,461,816
Total net position	\$ 126,210,442	\$ 42,511,948	\$ 168,722,390

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

CITY OF ANDOVER, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Government activities:				
General government	\$ 2,823,408	\$ 1,381,113	\$ 40,456	\$ -
Public safety	4,774,033	624,430	439,062	-
Public works	2,967,957	298,143	416,954	664,940
Parks and recreation	3,340,561	1,514,900	-	175,144
Recycling	98,016	32,976	69,514	23,071
Economic development	192,265	50,628	-	-
Interest on long-term debt	454,808	-	-	-
Total government activities	<u>14,651,048</u>	<u>3,902,190</u>	<u>965,986</u>	<u>863,155</u>
Business-type activities:				
Water	2,316,651	2,593,303	-	526,409
Sewer	2,002,623	2,129,201	-	536,520
Storm sewer	595,902	444,335	-	461,159
Total business-type activities	<u>4,915,176</u>	<u>5,166,839</u>	<u>-</u>	<u>1,524,088</u>
Total primary government	<u>\$ 19,566,224</u>	<u>\$ 9,069,029</u>	<u>\$ 965,986</u>	<u>\$ 2,387,243</u>

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

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
	\$ (1,401,839)	\$ -	\$ (1,401,839)
	(3,710,541)	-	(3,710,541)
	(1,587,920)	-	(1,587,920)
	(1,650,517)	-	(1,650,517)
	27,545	-	27,545
	(141,637)	-	(141,637)
	(454,808)	-	(454,808)
	<u>(8,919,717)</u>	<u>-</u>	<u>(8,919,717)</u>
	-	803,061	803,061
	-	663,098	663,098
	-	309,592	309,592
	<u>-</u>	<u>1,775,751</u>	<u>1,775,751</u>
	<u>(8,919,717)</u>	<u>1,775,751</u>	<u>(7,143,966)</u>
General revenues:			
General property taxes	11,120,449	-	11,120,449
Tax increment collections	210,625	-	210,625
Grants and contributions not restricted to specific programs	15,327	-	15,327
Unrestricted investment earnings	348,885	57,291	406,176
Gain on sale of capital assets	548,950	-	548,950
Transfers	401,326	(401,326)	-
Total general revenues, gain on sale of capital assets and transfers	<u>12,645,562</u>	<u>(344,035)</u>	<u>12,301,527</u>
Change in net position	<u>3,725,845</u>	<u>1,431,716</u>	<u>5,157,561</u>
Net position - January 1, as previously reported	125,401,361	41,461,400	166,862,761
Prior period adjustment	(2,916,764)	(381,168)	(3,297,932)
Net position - January 1, as restated	<u>122,484,597</u>	<u>41,080,232</u>	<u>163,564,829</u>
Net position - ending	<u>\$ 126,210,442</u>	<u>\$ 42,511,948</u>	<u>\$ 168,722,390</u>

CITY OF ANDOVER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015
With Comparative Totals For December 31, 2014

	General	Water Trunk CPF	Sewer Trunk CPF	Road & Bridge CPF	Tax Increment Projects CPF
Assets:					
Cash and investments	\$ 7,086,248	\$ 2,847,897	\$ 6,061,248	\$ 5,481,958	\$ 4,347,644
Cash and investments with escrow agent	-	-	-	-	-
Accrued interest	22,800	12,407	26,423	21,510	18,839
Due from other governmental units	57,515	-	-	-	-
Accounts receivable - net	87,402	-	-	-	-
Interfund receivable	190,000	-	-	-	-
Property taxes receivable:					
Unremitted	81,339	-	-	10,937	174
Delinquent	129,782	-	-	17,451	35,665
Special assessments receivable:					
Unremitted	371	-	-	1,943	-
Delinquent	18,027	-	-	3,287	-
Deferred	-	397,727	156,024	989,804	-
Inventories - at cost	131,813	-	-	-	-
Land held for resale	-	-	-	-	225,000
Total assets	<u>7,805,297</u>	<u>3,258,031</u>	<u>6,243,695</u>	<u>6,526,890</u>	<u>4,627,322</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Interfund payable	-	-	-	-	-
Accounts payable	147,916	-	-	-	1,348
Contracts payable	19,806	-	-	1,254	-
Deposits payable	16,840	5,741	5,741	539	-
Due to other governmental units	17,115	-	-	2,808	2,240
Salaries payable	187,907	-	-	-	-
Unearned revenue	-	-	-	-	5,000
Total liabilities	<u>389,584</u>	<u>5,741</u>	<u>5,741</u>	<u>4,601</u>	<u>8,588</u>
Deferred inflows of resources:					
Unavailable revenues	147,809	397,727	156,024	1,010,542	260,665
Fund balances (deficit):					
Nonspendable	131,813	-	-	-	-
Restricted	-	-	-	-	4,358,069
Committed	-	-	-	-	-
Assigned	-	2,854,563	6,081,930	5,511,747	-
Unassigned	7,136,091	-	-	-	-
Total fund balances	<u>7,267,904</u>	<u>2,854,563</u>	<u>6,081,930</u>	<u>5,511,747</u>	<u>4,358,069</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 7,805,297</u>	<u>\$ 3,258,031</u>	<u>\$ 6,243,695</u>	<u>\$ 6,526,890</u>	<u>\$ 4,627,322</u>

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 - pension related 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.

Permanent Improvement Revolving CPF	Other Governmental Funds	Intra Activity Eliminations	Totals	
			Governmental Funds	
			2015	2014
\$ 837,513	\$ 4,507,529	\$ -	\$ 31,170,037	\$ 28,771,135
-	151,162	-	151,162	126,086
3,548	16,875	-	122,402	121,545
-	-	-	57,515	46,969
-	108,318	-	195,720	191,738
-	-	(190,000)	-	-
-	26,285	-	118,735	99,093
-	42,102	-	225,000	255,095
-	-	-	2,314	3,105
-	-	-	21,314	22,724
269,665	-	-	1,813,220	2,283,051
-	1,800	-	133,613	138,563
-	-	-	225,000	325,000
<u>1,110,726</u>	<u>4,854,071</u>	<u>(190,000)</u>	<u>34,236,032</u>	<u>32,384,104</u>
-	190,000	(190,000)	-	-
-	57,804	-	207,068	264,797
-	13,951	-	35,011	49,175
-	17,114	-	45,975	52,835
276	1,644	-	24,083	35,599
-	24,807	-	212,714	201,817
-	101,225	-	106,225	95,008
<u>276</u>	<u>406,545</u>	<u>(190,000)</u>	<u>631,076</u>	<u>699,231</u>
<u>269,665</u>	<u>42,102</u>	<u>-</u>	<u>2,284,534</u>	<u>2,885,870</u>
-	1,800	-	133,613	138,563
-	1,316,348	-	5,674,417	5,022,967
-	531,729	-	531,729	591,289
840,785	2,618,904	-	17,907,929	16,095,395
-	(63,357)	-	7,072,734	6,950,789
<u>840,785</u>	<u>4,405,424</u>	<u>-</u>	<u>31,320,422</u>	<u>28,799,003</u>
<u>\$ 1,110,726</u>	<u>\$ 4,854,071</u>	<u>\$ (190,000)</u>	<u>\$ 34,236,032</u>	<u>\$ 32,384,104</u>
			\$ 31,320,422	
			115,890,928	
			442,026	
			2,284,534	
			650,347	
			(23,965,431)	
			(412,384)	
			<u>\$ 126,210,442</u>	

CITY OF ANDOVER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	General	Water Trunk CPF	Sewer Trunk CPF	Road & Bridge CPF	Tax Increment Projects CPF
Revenues:					
General property taxes	\$ 7,634,714	\$ -	\$ -	\$ 1,026,577	\$ -
Tax increment collections	-	-	-	-	213,020
Licenses and permits	452,422	-	-	-	-
Intergovernmental	749,570	-	-	194,797	15,423
Special assessments	-	42,342	27,195	493,996	-
Charges for services	804,228	-	-	-	-
Fines	99,304	-	-	-	-
Investment income	63,709	35,034	75,978	65,307	56,778
Miscellaneous:					
Park dedication fees	-	-	-	-	-
Connection charges	-	309,873	96,094	-	-
Rent	-	-	-	-	-
Other	154,890	-	-	-	-
Total revenues	9,958,837	387,249	199,267	1,780,677	285,221
Expenditures:					
Current:					
General government	2,511,970	-	-	-	-
Public safety	4,503,327	-	-	-	-
Public works	1,538,629	2,290	1,035	1,103,853	-
Parks and recreation	1,151,313	-	-	-	-
Recycling	91,940	-	-	-	-
Economic development	-	-	-	-	109,554
Unallocated	56,720	-	-	-	-
Capital outlay:					
Public safety	-	-	-	-	-
Public works	-	-	-	316,931	-
Parks and recreation	-	-	-	-	-
Recycling	36,098	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Paying agent fees	-	-	-	-	-
Professional services	-	-	-	-	-
Construction/acquisition costs	-	109,860	58,095	-	-
Total expenditures	9,889,997	112,150	59,130	1,420,784	109,554
Revenues over (under) expenditures	68,840	275,099	140,137	359,893	175,667
Other financing sources (uses):					
Transfers in	196,930	-	400,000	48,902	-
Transfers out	(200,000)	(58,249)	-	-	-
Bonds issued	-	-	-	-	-
Redemption of refunded bonds	-	-	-	-	-
Bond premium	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	104,791	636,116
Total other financing sources (uses)	(3,070)	(58,249)	400,000	153,693	636,116
Net increase (decrease) in fund balance	65,770	216,850	540,137	513,586	811,783
Fund balance - January 1	7,202,134	2,637,713	5,541,793	4,998,161	3,546,286
Fund balance - December 31	\$ 7,267,904	\$ 2,854,563	\$ 6,081,930	\$ 5,511,747	\$ 4,358,069

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

Permanent Improvement Revolving CPF	Other Governmental Funds	Intra Activity Eliminations	Totals	
			Governmental Funds	
			2015	2014
\$ -	\$ 2,486,858	\$ -	\$ 11,148,149	\$ 10,894,301
-	-	-	213,020	377,733
-	-	-	452,422	364,430
-	-	-	959,790	3,464,985
126,628	-	-	690,161	733,425
-	695,681	-	1,499,909	1,720,972
-	-	-	99,304	94,375
9,774	34,812	-	341,392	735,325
-	170,144	-	170,144	156,384
-	-	-	405,967	676,826
-	638,220	-	638,220	639,000
-	418,183	(30,600)	542,473	564,057
<u>136,402</u>	<u>4,443,898</u>	<u>(30,600)</u>	<u>17,160,951</u>	<u>20,421,813</u>
-	127,851	-	2,639,821	2,588,950
-	17,802	-	4,521,129	4,537,264
1,368	100,375	-	2,747,550	4,145,404
-	1,126,263	-	2,277,576	2,139,552
-	-	-	91,940	106,587
-	71,997	-	181,551	665,325
-	-	-	56,720	81,183
-	74,934	-	74,934	1,089,037
-	23,028	-	339,959	856,511
-	490,222	-	490,222	863,513
-	-	-	36,098	7,314
-	1,961,719	-	1,961,719	2,336,719
-	470,687	-	470,687	900,504
-	5,009	-	5,009	2,775
-	-	-	-	5,120
-	-	-	167,955	-
<u>1,368</u>	<u>4,469,887</u>	<u>-</u>	<u>16,062,870</u>	<u>20,325,758</u>
<u>135,034</u>	<u>(25,989)</u>	<u>(30,600)</u>	<u>1,098,081</u>	<u>96,055</u>
-	500,000	(518,302)	627,530	627,530
-	(348,902)	548,902	(58,249)	(20,737)
-	-	-	-	1,555,000
-	-	-	-	(16,455,000)
-	-	-	-	44,278
-	113,150	-	854,057	922,408
-	264,248	30,600	1,423,338	(13,326,521)
135,034	238,259	-	2,521,419	(13,230,466)
705,751	4,167,165	-	28,799,003	42,029,469
<u>\$ 840,785</u>	<u>\$ 4,405,424</u>	<u>\$ -</u>	<u>\$ 31,320,422</u>	<u>\$ 28,799,003</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
For The Year Ended December 31, 2015

Statement 5

	<u>2015</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)	\$ 2,521,419
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.	(562,952)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position (i.e., sales, trade-ins, and donations).	552,512
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(601,336)
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.	1,961,719
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.	(17,973)
Transfer out of governmental capital assets contributed to Enterprise Funds.	(167,955)
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.	(6,370)
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 exceeded pension contributions:	
Pension contributions	275,096
Pension expense	(332,062)
	(56,966)
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>103,747</u>
Change in net position of governmental activities (page 31)	<u>\$ 3,725,845</u>

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

CITY OF ANDOVER, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
With Comparative Totals For December 31, 2014

	Water	Sewer	Storm Sewer
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,860,495	\$ 3,025,270	\$ 118,033
Accrued interest	9,591	11,764	296
Due from other governmental units	-	4,833	-
Accounts receivable - net	531,978	696,943	147,327
Special assessments receivable:			
Unremitted	2,018	2,378	325
Delinquent	105,801	117,849	24,790
Deferred	-	-	3,218
Inventories - at cost	24,505	-	-
Total current assets	<u>3,534,388</u>	<u>3,859,037</u>	<u>293,989</u>
Noncurrent assets:			
Capital assets:			
Land	730,243	-	-
Buildings and structures	15,877,590	-	-
Machinery and equipment	294,863	576,353	499,856
Distribution and collection system	18,140,262	25,060,497	10,930,486
Total capital assets	<u>35,042,958</u>	<u>25,636,850</u>	<u>11,430,342</u>
Less: Allowance for depreciation	<u>(15,038,785)</u>	<u>(11,190,850)</u>	<u>(4,653,130)</u>
Total noncurrent assets	<u>20,004,173</u>	<u>14,446,000</u>	<u>6,777,212</u>
Total assets	<u>23,538,561</u>	<u>18,305,037</u>	<u>7,071,201</u>
Deferred outflows of resources:			
Related to pensions	<u>32,916</u>	<u>20,788</u>	<u>-</u>
Liabilities:			
Current liabilities:			
Accounts payable	14,197	8,433	1,070
Contracts payable	6,359	3,521	4,992
Deposits payable	2,234	-	-
Interest payable	95,865	-	-
Due to other governmental units	17,451	7,615	-
Salaries payable	18,047	11,190	8,985
Bonds payable - due within one year	615,000	-	-
Compensated absences payable - due within one year	13,486	6,518	4,067
Total current liabilities	<u>782,639</u>	<u>37,277</u>	<u>19,114</u>
Noncurrent liabilities:			
Other post employment benefits - due in more than one year	11,484	16,078	-
Bonds payable - due in more than one year	5,105,000	-	-
Compensated absences payable - due in more than one year	76,423	36,934	23,049
Net pension liability - due in more than one year	239,888	151,503	-
Total noncurrent liabilities	<u>5,432,795</u>	<u>204,515</u>	<u>23,049</u>
Total liabilities	<u>6,215,434</u>	<u>241,792</u>	<u>42,163</u>
Deferred inflows of resources:			
Related to pensions	<u>31,640</u>	<u>19,983</u>	<u>-</u>
Net position:			
Net investment in capital assets	14,284,173	14,446,000	6,777,212
Unrestricted	<u>3,040,230</u>	<u>3,618,050</u>	<u>251,826</u>
Total net position	<u>\$ 17,324,403</u>	<u>\$ 18,064,050</u>	<u>\$ 7,029,038</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.

Statement 6

Totals	Totals	
	Governmental Activities - Internal Service Funds	
2015	2015	2014
\$ 6,003,798	\$ 652,874	\$ 545,350
21,651	2,673	2,082
4,833	-	-
1,376,248	-	-
4,721	-	-
248,440	-	-
3,218	-	-
24,505	105,909	119,907
<u>7,687,414</u>	<u>761,456</u>	<u>667,339</u>
730,243	-	-
15,877,590	-	-
1,371,072	-	-
54,131,245	-	-
72,110,150	-	-
(30,882,765)	-	-
<u>41,227,385</u>	<u>-</u>	<u>-</u>
<u>48,914,799</u>	<u>761,456</u>	<u>667,339</u>
<u>53,704</u>	<u>-</u>	<u>-</u>
23,700	4,940	17,640
14,872	-	24,000
2,234	-	-
95,865	-	-
25,066	-	-
38,222	11,712	12,015
615,000	-	-
24,071	-	-
<u>839,030</u>	<u>16,652</u>	<u>53,655</u>
27,562	-	-
5,105,000	-	-
136,406	-	-
391,391	-	-
<u>5,660,359</u>	<u>-</u>	<u>-</u>
<u>6,499,389</u>	<u>16,652</u>	<u>53,655</u>
<u>51,623</u>	<u>-</u>	<u>-</u>
35,507,385	-	-
<u>6,910,106</u>	<u>744,804</u>	<u>613,684</u>
<u>\$ 42,417,491</u>	<u>\$ 744,804</u>	<u>\$ 613,684</u>
\$ 42,417,491		
<u>94,457</u>		
<u>\$ 42,511,948</u>		

CITY OF ANDOVER, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>
Operating revenues:			
User charges	\$ 2,524,089	\$ 2,129,201	\$ 442,567
Meters	16,055	-	-
Permit fees	4,650	-	-
Other	48,509	-	1,768
	<u>2,593,303</u>	<u>2,129,201</u>	<u>444,335</u>
Total operating revenues			
Operating expenses:			
Personal services	421,575	316,472	213,115
Supplies	179,464	19,756	17,194
Other service charges	622,073	167,753	129,167
Disposal charges	-	1,005,087	-
Depreciation	893,457	513,362	242,696
	<u>2,116,569</u>	<u>2,022,430</u>	<u>602,172</u>
Total operating expenses			
Operating income (loss)	<u>476,734</u>	<u>106,771</u>	<u>(157,837)</u>
Nonoperating revenues (expenses):			
Investment income	25,353	30,934	1,004
Interest expense	(231,978)	-	-
	<u>(206,625)</u>	<u>30,934</u>	<u>1,004</u>
Total nonoperating revenues (expenses)			
Income (loss) before contributions and transfers	<u>270,109</u>	<u>137,705</u>	<u>(156,833)</u>
Capital contributions	<u>636,269</u>	<u>594,615</u>	<u>461,159</u>
Transfers:			
Transfers in	58,249	-	-
Transfers out	(150,250)	(446,680)	-
	<u>(92,001)</u>	<u>(446,680)</u>	<u>-</u>
Total transfers			
Change in net position	<u>814,377</u>	<u>285,640</u>	<u>304,326</u>
Net position - January 1, as previously reported	16,743,645	17,925,959	6,724,712
Prior period adjustment	(233,619)	(147,549)	-
Net position - January 1, as restated	<u>16,510,026</u>	<u>17,778,410</u>	<u>6,724,712</u>
Net position - December 31	<u>\$ 17,324,403</u>	<u>\$ 18,064,050</u>	<u>\$ 7,029,038</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 2015	Totals	
		Governmental Activities - Internal Service Funds	
		2015	2014
\$ -	\$ 5,095,857	\$ 1,112,578	\$ 1,078,928
-	16,055	-	-
-	4,650	-	-
-	50,277	97,856	123,144
-	5,166,839	1,210,434	1,202,072
-	951,162	421,664	376,250
-	216,414	297,248	397,664
(30,600)	888,393	367,895	503,962
-	1,005,087	-	-
-	1,649,515	-	-
(30,600)	4,710,571	1,086,807	1,277,876
30,600	456,268	123,627	(75,804)
-	57,291	7,493	12,296
-	(231,978)	-	-
-	(174,687)	7,493	12,296
30,600	281,581	131,120	(63,508)
-	1,692,043	-	-
-	58,249	-	-
(30,600)	(627,530)	-	-
(30,600)	(569,281)	-	-
-	1,404,343	131,120	(63,508)
-	41,394,316	613,684	677,192
-	(381,168)	-	-
-	41,013,148	613,684	677,192
\$ -	\$ 42,417,491	\$ 744,804	\$ 613,684
	\$ 1,404,343		
	27,373		
	\$ 1,431,716		

CITY OF ANDOVER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,741,777	\$ 2,244,730	\$ 462,208
Payment to suppliers	(825,038)	(1,185,024)	(155,178)
Payment to employees	<u>(408,276)</u>	<u>(320,710)</u>	<u>(212,555)</u>
Net cash flows from operating activities	<u>1,508,463</u>	<u>738,996</u>	<u>94,475</u>
Cash flows from noncapital financing activities:			
Intergovernmental revenues	-	-	-
Transfers in	58,249	-	-
Transfers out	<u>(150,250)</u>	<u>(446,680)</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>(92,001)</u>	<u>(446,680)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,863)	(81,749)	(2,863)
Interest paid on debt	(241,486)	-	-
Payment of bonds	<u>(590,000)</u>	<u>-</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>(834,349)</u>	<u>(81,749)</u>	<u>(2,863)</u>
Cash flows from investing activities:			
Investment income	<u>23,913</u>	<u>31,306</u>	<u>708</u>
Net increase in cash and cash equivalents	606,026	241,873	92,320
Cash and cash equivalents - January 1	<u>2,254,469</u>	<u>2,783,397</u>	<u>25,713</u>
Cash and cash equivalents - December 31	<u>\$ 2,860,495</u>	<u>\$ 3,025,270</u>	<u>\$ 118,033</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ 476,734</u>	<u>\$ 106,771</u>	<u>\$ (157,837)</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	893,457	513,362	242,696
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Decrease (increase) in due from other governmental units	-	1,095	-
Decrease (increase) in accounts receivable	173,220	143,117	22,950
Decrease (increase) in special assessments	(24,746)	(28,683)	(5,077)
Decrease (increase) in inventory	(2,208)	-	-
Decrease (increase) in deferred outflows of resources	(32,916)	(20,788)	-
Increase (decrease) in accounts payable	(10,794)	7,562	814
Increase (decrease) in contracts payable	(3,209)	(14)	(9,631)
Increase (decrease) in deposits payable	(1,200)	-	-
Increase (decrease) in due to other governmental units	(6,090)	24	-
Increase (decrease) in salaries payable	(699)	(3,507)	3,936
Increase (decrease) in other post employment benefits	3,207	1,594	-
Increase (decrease) in compensated absences	5,798	(5,474)	(3,376)
Increase (decrease) in net pension liability	6,269	3,954	-
Increase (decrease) in deferred inflows of resources	<u>31,640</u>	<u>19,983</u>	<u>-</u>
Total adjustments	<u>1,031,729</u>	<u>632,225</u>	<u>252,312</u>
Net cash provided (used) by operating activities	<u>\$ 1,508,463</u>	<u>\$ 738,996</u>	<u>\$ 94,475</u>
Noncash investing, capital and financing activities:			
Assets contributed to the Enterprise Funds	<u>\$ 636,269</u>	<u>\$ 594,615</u>	<u>\$ 461,159</u>

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

Statement 8

Totals		Totals	
		Governmental Activities - Internal Service Funds	
2015	2014	2015	2014
\$ 5,448,715	\$ 4,483,825	\$ 1,210,434	\$ 1,202,072
(2,165,240)	(2,313,822)	(687,845)	(915,518)
(941,541)	(896,474)	(421,967)	(374,357)
<u>2,341,934</u>	<u>1,273,529</u>	<u>100,622</u>	<u>(87,803)</u>
-	9,506	-	-
58,249	20,737	-	-
(596,930)	(596,930)	-	-
<u>(538,681)</u>	<u>(566,687)</u>	<u>-</u>	<u>-</u>
(87,475)	-	-	-
(241,486)	(263,807)	-	-
(590,000)	(565,000)	-	-
<u>(918,961)</u>	<u>(828,807)</u>	<u>-</u>	<u>-</u>
55,927	115,969	6,902	13,240
940,219	(5,996)	107,524	(74,563)
<u>5,063,579</u>	<u>5,069,575</u>	<u>545,350</u>	<u>619,913</u>
<u>\$ 6,003,798</u>	<u>\$ 5,063,579</u>	<u>\$ 652,874</u>	<u>\$ 545,350</u>
\$ 425,668	\$ 17,114	\$ 123,627	\$ (75,804)
1,649,515	1,632,689	-	-
1,095	2,419	-	-
339,287	(277,497)	-	-
(58,506)	(127,540)	-	-
(2,208)	(1,000)	13,998	(19,313)
(53,704)	-	-	-
(2,418)	(8,107)	(12,700)	(18,579)
(12,854)	13,232	(24,000)	24,000
(1,200)	(112)	-	-
(6,066)	2,882	-	-
(270)	8,439	(303)	1,893
4,801	1,288	-	-
(3,052)	9,722	-	-
10,223	-	-	-
51,623	-	-	-
<u>1,916,266</u>	<u>1,256,415</u>	<u>(23,005)</u>	<u>(11,999)</u>
<u>\$ 2,341,934</u>	<u>\$ 1,273,529</u>	<u>\$ 100,622</u>	<u>\$ (87,803)</u>
<u>\$ 1,692,043</u>	<u>\$ 990,412</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ANDOVER, MINNESOTA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
December 31, 2015
With Comparative Totals For December 31, 2014

Statement 9

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and investments	<u>\$ 287,408</u>	<u>\$ 251,391</u>
Liabilities:		
Accounts payable	10,897	13,472
Deposits payable	<u>276,511</u>	<u>237,919</u>
Total liabilities	<u>\$ 287,408</u>	<u>\$ 251,391</u>

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

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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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. The City's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 *Tax Increment Projects CPF* is used to account for activities in TIF districts 1-1, 1-2, 1-3, 1-4, 1-5, 1-6 and all TIF land sales and expenditures to reach the goals of the TIF district plans.

The *Permanent Improvement Revolving CPF* serves as a long-term funding source for large capital improvement expenditures.

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 types:

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

The *Agency Funds* are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. It is used to account for the collection and distribution of funds relating to development activities and retiree insurance premiums.

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:			
Community Center	\$ 1,004,855	\$ 1,045,347	\$ 40,492
Construction Seal Coating	5,000	11,047	6,047

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, based upon quoted market prices. Short-term investments, such as commercial paper and banker's acceptances, are reported at amortized cost. Investments in 2a7, like external investment pools, are also stated 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." All short-term interfund receivables and payables at December 31, 2015 are planned to be eliminated in 2016. 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 estimated fair market 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2015, no interest was capitalized in connection with construction in progress.

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:

<u>Assets</u>	<u>Life</u>
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 2015 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:

<u>Range</u>	<u>Description</u>
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 immaterial and are expensed in the year of bond issuance.

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, 2014, 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 one item that qualifies for reporting in the category. It is 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. 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

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pension liability, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$23,965,431) difference are as follows:

Bonds payable	\$ (19,330,000)
Promissory note payable	(590,155)
Accrued interest payable	(188,582)
Other post employment benefits	(202,127)
Compensated absences	(651,195)
Net pension liability	<u>(3,003,372)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	 <u>\$ (23,965,431)</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 \$650,647 difference are as follows:

Internal Service Funds net position	\$ 744,804
Net revenue attributable to business-type activities	<u>(94,457)</u>
 Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	 <u>\$ 650,347</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 (\$562,952) difference are as follows:

Capital outlay	\$ 941,213
Construction/acquisition costs	167,955
Depreciation expense	<u>(1,672,120)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (562,952)</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 \$552,512 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.	\$ (305,107)
 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>857,619</u>
 Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	 <u>\$ 552,512</u>

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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 (\$601,336) difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2014	\$ (217,035)
At December 31, 2015	189,335
Unavailable revenue - tax increment taxes:	
At December 31, 2014	(38,060)
At December 31, 2015	35,665
Unavailable revenue - special assessments:	
At December 31, 2014	(2,305,775)
At December 31, 2015	1,834,534
Unavailable revenue - land held for resale:	
At December 31, 2014	(325,000)
At December 31, 2015	<u>225,000</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (601,336)</u></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 \$1,961,719 difference are as follows:

Principal repayments:	
Capital improvement bonds	\$ 500,000
Abatement bonds	835,000
Referendum bonds	145,000
Certificates of indebtedness	225,000
State aid bonds	60,000
Promissory note payable	<u>196,719</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>\$ 1,961,719</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 (\$6,370) difference are as follows:

Compensated absences	\$ (22,249)
Accrued interest	<u>15,879</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>\$ (6,370)</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 \$103,747 difference are as follows:

Internal Service Funds change in net position	\$ 131,120
Net revenue attributable to business-type activities	<u>(27,373)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 103,747</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;
- 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, 2015, 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.

CITY OF ANDOVER, MINNESOTA
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- 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, 2015, the City had the following investments and maturities:

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	\$ 2,919,557	\$ 2,919,557	\$ -	\$ -	\$ -
Minnesota Municipal Money Market Fund	N/A	4,993	4,993	-	-	-
Certificates of deposit	N/A	12,965,387	9,627,671	3,337,716	-	-
Local/State governments	A/A1/A2	786,538	201,162	481,719	-	103,657
	AA1/AA2/AA3	9,471,290	1,681,736	5,586,880	1,696,593	506,081
	AAA	4,154,969	739,803	2,853,351	311,815	250,000
U.S. agencies	AAA	3,206,730	130,462	2,462,716	398,178	215,374
FNMA REMIC	N/A	8,367	-	8,367	-	-
U.S. agencies	N/A	1,145,264	-	1,145,264	-	-
Total investments		34,663,095	<u>\$15,305,384</u>	<u>\$15,876,013</u>	<u>\$ 2,406,586</u>	<u>\$ 1,075,112</u>
Deposits		<u>3,602,184</u>				
Total cash and investments		<u>\$38,265,279</u>				

The following is a reconciliation of the City's total cash and investment balances at December 31, 2015:

Government-wide statement of net position:	
Cash and investments	\$ 37,826,709
Cash and investments with escrow agent	151,162
Fiduciary funds statement of net position	<u>287,408</u>
Total	<u>\$ 38,265,279</u>

The Minnesota Municipal Money Market Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

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, 2015, \$250,000 of the City's \$34,663,095 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.

FNMA REMIC – The City invests in REMIC’s in accordance with State law and the City’s investment policy. These securities are based on cash flows from payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgages, which may result from a decline in interest rates.

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.

Concentration of Credit Risk - More than 12% of the City’s investments are in various holdings with U.S. agencies; Federal Home Loan Bank (1.4%), Federal Farm Credit Bank (3.3%), Federal National Mortgage Association (1.9%), Federal Home Loan Mortgage Corporation (2.3%) and U.S. Treasury (3.9%). 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, 2015 are as follows:

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	Delinquent Property Taxes	Delinquent Tax Increment	Special Assessment Receivable	Total
Major Funds:				
General Fund	\$ 64,891	\$ -	\$ 18,027	\$ 82,918
Water Trunk CPF	-	-	381,702	381,702
Sewer Trunk CPF	-	-	134,713	134,713
Road and Bridge CPF	8,725	-	851,197	859,922
Tax Increment Projects CPF	-	32,812	-	32,812
Permanent Improvement Revolving CPF	-	-	195,934	195,934
Nonmajor Funds	21,051	-	-	21,051
Total	<u>\$ 94,667</u>	<u>\$ 32,812</u>	<u>\$ 1,581,573</u>	<u>\$ 1,709,052</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:

	Property Taxes	Tax Increment	Special Assessments	Land Held for Resale	Total
Major Funds:					
General Fund	\$ 129,782	\$ -	\$ 18,027	\$ -	\$ 147,809
Water Trunk CPF	-	-	397,727	-	397,727
Sewer Trunk CPF	-	-	156,024	-	156,024
Road and Bridge CPF	17,451	-	993,091	-	1,010,542
Tax Increment Projects CPF	-	35,665	-	225,000	260,665
Permanent Improvement Revolving CPF	-	-	269,665	-	269,665
Nonmajor Funds	42,102	-	-	-	42,102
Total	<u>\$ 189,335</u>	<u>\$ 35,665</u>	<u>\$ 1,834,534</u>	<u>\$ 225,000</u>	<u>\$ 2,284,534</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, 2015 was as follows:

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Primary Government	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 10,803,419	\$ 231,661	\$ (305,107)	\$ 10,729,973
Streets and trails	81,059,895	1,143,658	-	82,203,553
Construction in progress	52,523	38,665	(52,523)	38,665
Total capital assets not being depreciated	<u>91,915,837</u>	<u>1,413,984</u>	<u>(357,630)</u>	<u>92,972,191</u>
Capital assets being depreciated:				
Buildings and improvements	27,249,905	36,098	-	27,286,003
Furniture and equipment (including software)	570,289	13,037	-	583,326
Machinery and equipment	8,698,749	74,934	(561,609)	8,212,074
Other park improvements	6,946,891	313,302	(7,500)	7,252,693
Total capital assets being depreciated	<u>43,465,834</u>	<u>437,371</u>	<u>(569,109)</u>	<u>43,334,096</u>
Less accumulated depreciation for:				
Buildings and improvements	9,867,895	906,866	-	10,774,761
Furniture and equipment	423,407	43,966	-	467,373
Machinery and equipment	5,937,203	399,247	(561,609)	5,774,841
Other park improvements	3,083,843	322,041	(7,500)	3,398,384
Total accumulated depreciation	<u>19,312,348</u>	<u>1,672,120</u>	<u>(569,109)</u>	<u>20,415,359</u>
Total capital assets being depreciated - net	<u>24,153,486</u>	<u>(1,234,749)</u>	<u>-</u>	<u>22,918,737</u>
Governmental activities capital assets - net	<u>\$ 116,069,323</u>	<u>\$ 179,235</u>	<u>\$ (357,630)</u>	<u>\$ 115,890,928</u>

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
Capital assets being depreciated:				
Buildings and improvements	15,877,590	-	-	15,877,590
Furniture and equipment (including software)	61,390	-	-	61,390
Machinery and equipment	1,252,207	87,475	(30,000)	1,309,682
Collection and distribution	52,439,202	1,692,043	-	54,131,245
Total capital assets being depreciated	<u>69,630,389</u>	<u>1,779,518</u>	<u>(30,000)</u>	<u>71,379,907</u>
Less accumulated depreciation for:				
Buildings and improvements	7,860,166	533,154	-	8,393,320
Furniture and equipment	52,355	2,867	-	55,222
Machinery and equipment	1,111,269	40,300	(30,000)	1,121,569
Collection and distribution	20,239,460	1,073,194	-	21,312,654
Total accumulated depreciation	<u>29,263,250</u>	<u>1,649,515</u>	<u>(30,000)</u>	<u>30,882,765</u>
Total capital assets being depreciated - net	<u>40,367,139</u>	<u>130,003</u>	<u>-</u>	<u>40,497,142</u>
Business-type activities capital assets - net	<u>\$ 41,097,382</u>	<u>\$ 130,003</u>	<u>\$ -</u>	<u>\$ 41,227,385</u>

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 85,569
Public safety	275,863
Public works	242,537
Parks and recreation	1,051,760
Recycling	5,677
Economic development	<u>10,714</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 1,672,120</u>
Business-type activities:	
Water	\$ 893,457
Sewer	513,362
Storm sewer	<u>242,696</u>
Total depreciation/amortization expense - business-type activities	<u>\$ 1,649,515</u>

CONSTRUCTION COMMITMENTS

At December 31, 2015, the City did not have any construction commitments.

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.

CITY OF ANDOVER, MINNESOTA
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December 31, 2015

	Issue Date	Maturity Date	Interest Rate	Original Issue	Payable 12/31/15
GOVERNMENTAL ACTIVITIES:					
Abatement Bonds:					
2012C G.O. Abatement Bonds	12/27/2012	2/1/2031	1.00-3.00%	\$ 17,315,000	\$ 15,840,000
Certificates of Indebtedness:					
2012A G.O. Equipment Certificates	3/22/2012	2/1/2017	2.00%	585,000	585,000
2014A G.O. Equipment Certificates	5/29/2014	2/1/2020	1.50-2.00%	1,555,000	1,330,000
Total certificates of indebtedness				2,140,000	1,915,000
Capital Improvement Bonds:					
2012B G.O. Capital Improvement Ref Bonds	3/22/2012	2/1/2016	2.00%	1,570,000	470,000
Referendum Bonds:					
2010A G.O. Open Space Referendum Bonds	2/18/2010	2/1/2022	2.00-3.12%	1,660,000	1,105,000
Total - bonded indebtedness				22,685,000	19,330,000
Promissory note payable	12/17/2013	11/15/2018	n/a	983,593	590,155
Compensated absences payable				-	651,195
Total governmental activities indebtedness				23,668,593	20,571,350
BUSINESS-TYPE ACTIVITIES:					
General Obligation Revenue Bonds:					
2007B G.O. Water Revenue Refunding Bonds	3/13/2007	2/1/2023	4.00-4.25%	6,570,000	5,055,000
2009A G.O. Water Revenue Bonds	3/26/2009	2/1/2024	2.00-4.25%	1,025,000	665,000
Total general obligation revenue bonds				7,595,000	5,720,000
Compensated absences payable				-	160,477
Total business-type activities indebtedness				7,595,000	5,880,477
Total City indebtedness				\$ 31,263,593	\$ 26,451,827

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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
2016	\$ 845,000	\$ 371,506	\$ 310,000	\$ 34,550	\$ 470,000	\$ 4,700
2017	855,000	358,731	795,000	24,150	-	-
2018	870,000	341,481	265,000	13,550	-	-
2019	885,000	323,931	270,000	8,200	-	-
2020	910,000	305,981	275,000	2,750	-	-
2021-2025	4,820,000	1,238,200	-	-	-	-
2026-2030	5,455,000	589,747	-	-	-	-
2031	1,200,000	18,000	-	-	-	-
Total	<u>\$ 15,840,000</u>	<u>\$ 3,547,577</u>	<u>\$ 1,915,000</u>	<u>\$ 83,200</u>	<u>\$ 470,000</u>	<u>\$ 4,700</u>

	Governmental Activities		Business-Type Activities	
	Referendum Bonds		G.O. Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 145,000	\$ 28,942	\$ 615,000	\$ 218,101
2017	150,000	25,657	635,000	193,751
2018	155,000	21,841	665,000	168,339
2019	160,000	17,507	685,000	141,776
2020	160,000	12,828	715,000	114,045
2021-2025	335,000	10,526	2,405,000	160,811
Total	<u>\$ 1,105,000</u>	<u>\$ 117,301</u>	<u>\$ 5,720,000</u>	<u>\$ 996,823</u>

Annual debt service requirements to maturity for the promissory note payable is as follows:

	Governmental Activities	
	Promissory Note Payable	
	Principal	Interest
2016	\$ 196,719	-
2017	196,718	-
2018	196,718	-
Total	<u>\$ 590,155</u>	<u>\$ -</u>

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

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2015, was as follows:

CITY OF ANDOVER, MINNESOTA
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December 31, 2015

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Abatement bonds	\$ 16,675,000	\$ -	\$ (835,000)	\$ 15,840,000	\$ 845,000
Certificates of indebtedness	2,140,000	-	(225,000)	1,915,000	310,000
Capital improvement bonds	970,000	-	(500,000)	470,000	470,000
State aid bonds	60,000	-	(60,000)	-	-
Referendum bonds	<u>1,250,000</u>	<u>-</u>	<u>(145,000)</u>	<u>1,105,000</u>	<u>145,000</u>
Total bonds payable	21,095,000	-	(1,765,000)	19,330,000	1,770,000
Promissory note payable	786,874	-	(196,719)	590,155	196,719
Compensated absences	<u>628,946</u>	<u>404,856</u>	<u>(382,607)</u>	<u>651,195</u>	<u>97,679</u>
Total governmental activities long-term liabilities	<u>\$ 22,510,820</u>	<u>\$ 404,856</u>	<u>\$ (2,344,326)</u>	<u>\$ 20,571,350</u>	<u>\$ 2,064,398</u>
Business-type activities:					
Bonds payable:					
G.O. revenue bonds	\$ 6,310,000	\$ -	\$ (590,000)	\$ 5,720,000	\$ 615,000
Compensated absences	<u>163,529</u>	<u>56,679</u>	<u>(59,731)</u>	<u>160,477</u>	<u>24,071</u>
Total business-type activities long-term liabilities	<u>\$ 6,473,529</u>	<u>\$ 56,679</u>	<u>\$ (649,731)</u>	<u>\$ 5,880,477</u>	<u>\$ 639,071</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. 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* were used to purchase the 30,000 square foot public works building from the EDA and to finance the construction of a new fire station. 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 *state aid bonds* were used to finance the Municipal State Aid (MSA) eligible costs of the Andover Boulevard project. The bonds are payable entirely from state-aid received by the City from construction and maintenance of the state aid street system. The City has pledged an amount of money from its account in the state-aid street fund sufficient to pay the principal and interest of the bonds. In addition, the bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount.

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.

The *promissory note payable* was used to finance the purchase of 13 acres adjacent to the city hall campus for future expansion. The note is payable from monies set aside in the Building Capital Projects Fund.

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

CITY OF ANDOVER, MINNESOTA
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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 \$19,387,577, payable through February 2031. For the current year, principal and interest paid and total property tax revenues were \$1,214,906 and \$974,822, respectively.

2012A G.O. Equipment Certificates. The City has pledged future property tax revenue to repay the \$585,000 bonds issued in March 2012. 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 \$601,550, payable through February 2017. For the current year, interest paid and total property tax revenues were \$11,700 and \$139,881, respectively.

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 \$1,396,650, payable through February 2020. For the current year, principal and interest paid and total property tax revenues were \$256,926 and \$295,803, respectively.

2012B G.O. Capital Improvement Refunding Bonds. The City has pledged future property tax revenue to repay the \$1,570,000 bonds issued in March 2012. Proceeds from the bonds refunded the Series 2004A Bonds. 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 \$474,700, payable through February 2016. For the current year, principal and interest paid and total property tax revenues were \$514,400 and \$539,660, 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 \$1,222,301, payable through February 2022. For the current year, principal and interest paid and total property tax revenues were \$176,915 and \$184,484, respectively.

2007B G.O. Water Revenue Bonds. The City has pledged future water customer revenues, net of operating expenses, to repay the \$6,570,000 bonds issued in March 2007. Proceeds of the bonds refunded the Series 2002 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 \$5,928,398. The principal and interest paid for the current year and total customer net revenues were \$741,046 and \$1,278,190, 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 \$788,425. The principal and interest paid for the current year and total customer net revenues were \$90,440 and \$1,278,190, 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 2015 and 2014 is computed as follows:

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	December 31,	
	2015	2014
Estimated taxable market value	<u>\$ 2,435,770,612</u>	<u>\$ 2,071,812,281</u>
Debt limit (3% of market value)	<u>73,073,118</u>	<u>62,154,368</u>
Amount of debt applicable to debt limit:		
Total bonded debt	\$ 25,050,000	\$ 27,405,000
Less: Nonapplicable debt		
G.O. water revenue bonds	(5,720,000)	(6,310,000)
State aid bonds	-	(60,000)
Less: Cash and investments in related debt service funds	<u>(1,191,519)</u>	<u>(942,607)</u>
Total debt applicable to debt limit	<u>18,138,481</u>	<u>20,092,393</u>
Legal debt margin	<u>\$ 54,934,637</u>	<u>\$ 42,061,975</u>

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

B. 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 Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

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

C. 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.

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

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For 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.

2. PEPFF Benefits

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

D. CONTRIBUTIONS

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015, were \$268,490. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were \$38,121. The City's contributions were equal to the required contributions as set by state statute.

E. PENSION COSTS

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$3,156,154 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of

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PERA's participating employers. At June 30, 2015, the City's proportion was 0.0609% which was a decrease of 0.0073% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$333,926 for its proportionate share of the GERS's pension expense.

At December 31, 2015, the City reported its proportionate share of the GERS'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	\$ -	\$ 159,124
Changes in actuarial assumptions	-	-
Differences between projected and actual investment earnings	298,778	-
Changes in proportion	-	257,188
Contributions paid to PERA subsequent to the measurement date	<u>134,323</u>	<u>-</u>
 Total	 <u>\$ 433,101</u>	 <u>\$ 416,312</u>

\$134,323 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, 2016. 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>
2016	\$ (64,075)
2017	(64,075)
2018	(64,077)
2019	74,693
2020	-
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$238,609 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0210% which was a decrease of 0.0010% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$39,683 for its proportionate share of the PEPFF's pension expense. The City also recognized \$1,890 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

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

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 38,695
Changes in actuarial assumptions	-	-
Differences between projected and actual investment earnings	41,574	-
Changes in proportion	-	9,000
Contributions paid to PERA subsequent to the measurement date	<u>21,055</u>	<u>-</u>
 Total	 <u>\$ 62,629</u>	 <u>\$ 47,695</u>

\$21,055 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, 2016. 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>
2016	\$ 855
2017	855
2018	855
2019	853
2020	(9,539)
Thereafter	-

F. ACTUARIAL ASSUMPTIONS

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

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

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

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

There are no changes in actuarial assumptions in 2015.

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

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

G. DISCOUNT RATE

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

H. 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 (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
City's proportionate share of the GERF net pension liability	\$ 4,962,596	\$ 3,156,154	\$ 1,664,311
City's proportionate share of the PEPFF net pension liability	465,052	238,609	51,528

I. 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.

J. PENSION EXPENSE

Pension expense recognized by the City for the fiscal year ended December 31, 2015 is as follows:

GERF	\$ 333,926
PEPFF	<u>39,683</u>
Total	<u><u>\$ 373,609</u></u>

K. 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:

<u>Year Ending</u>	<u>City</u>	<u>State</u>	<u>Total</u>
12/31/2013	\$ 50,000	\$ 153,555	\$ 203,555
12/31/2014	55,000	151,491	206,491
12/31/2015	55,000	165,332	220,332

Note 9 OTHER POST EMPLOYMENT BENEFITS (OPEB)

In 2008, the City prospectively implemented the requirement of a new accounting pronouncement, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*.

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 January 2014, participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	2
Active employees	<u>55</u>
Total	<u><u>57</u></u>
Participating employers	<u><u>1</u></u>

D. FUNDING POLICY

The additional cost of using a blended rate for actives and retirees is currently funded on a pay-as-you-go basis. The City Council may change the funding policy at any time.

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual other post employment benefit (OPEB) cost is calculated based on the annual requirement contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized

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any unfunded actuarial liabilities (or funding excess) over period not to exceed 30 years. The net OPEB obligation as of December 31, 2015, was calculated as follows:

Annual required contribution (ARC)	\$ 39,716
Amortization of net OPEB obligation	(11,966)
Interest on net OPEB obligation	8,277
Annual OPEB cost	<u>36,027</u>
Contributions made during the year	<u>(13,253)</u>
Increase (decrease) in net OPEB obligation	22,774
Net OPEB obligation - beginning of year	<u>206,915</u>
Net OPEB obligation - end of year	<u>\$ 229,689</u>

The City had an actuarial valuation performed for the plan as of January 1, 2014 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended December 31, 2015. The City's annual OPEB cost (expense) of \$39,716 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of December 31, 2007. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013, 2014 and 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	165740 Net OPEB Obligation
December 31, 2013	\$ 37,266	\$ 24,068	64.6%	\$ 178,938
December 31, 2014	34,987	7,010	20.0%	206,915
December 31, 2015	36,027	13,253	36.8%	229,689

For the governmental activities, other post employment benefits are generally liquidated through the General Fund.

F. FUNDED STATUS AND FUNDING PROGRESS

The City currently has no assets that have been irrevocably deposited in a trust for future health benefits; therefore, the actuarial value of assets is zero. The funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability * (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
January 1, 2014	\$ -	\$ 247,646	\$ 247,646	0.00%	\$ 5,728,317	4.32%

*using the Projected Unit Credit actuarial method

G. ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information

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following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years on an open basis. The remaining amortized period at 12/31/2015 was 29 years. The actuarial value of assets was \$0.

In the January 1, 2014 actuarial valuation, the Projected Unit Credit Actuarial cost method was used. The following actuarial assumptions were used:

1. Discount rate – 4.0%
2. Inflation rate – 3.0%
3. Monthly rates – life expectancies were based on mortality tables at the National Center for Health Statistics
4. Retirement age – latest of age 62, plan eligibility or current age
5. Participation rate – 75% of future retirees employees expected to retire in the future will elect coverage at retirement and continue coverage to age 65; 100% of current retirees will continue their coverage until age 65
6. Spouse participation – spouse continue coverage until age 65
7. Health care cost rate – 7.5% reduced by 0.5% each year to arrive at an ultimate health care cost trend 5.0%.

Note 10 INTERFUND RECEIVABLES/PAYABLES, LOANS AND TRANSFERS

Individual fund interfund receivable and payable balances at December 31, 2015 are as follows:

Fund	Receivable	Payable
Governmental Funds:		
Major Funds:		
General Fund	\$ 190,000	\$ -
Nonmajor Governmental Funds	-	190,000
Total governmental funds	<u>\$ 190,000</u>	<u>\$ 190,000</u>

Interfund receivables and payables are representative of lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year.

The City made the following interfund transfers during the year:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Water Fund	\$ 150,250	Admin allocation
General Fund	Sewer Fund	46,680	Admin allocation
Sewer Trunk CPF	Sewer Fund	400,000	Replacement reserve
Road & Bridge CPF	Nonmajor Fund	48,902	Close debt service fund
Water Fund	Water Trunk Fund CPF	58,249	Debt service allocation
Nonmajor Fund	General Fund	200,000	Trail funding
Nonmajor Fund	Nonmajor Fund	300,000	Debt service allocation
		<u>\$ 1,204,081</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:

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

Note 11 TAX INCREMENT DISTRICTS

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

1. Name of District:	Tax Increment Financing District 1-3	
Type of District:	Redevelopment	
Authorizing Law:	M.S. Section 469	
Established:	1997	
Duration of District:	Through 2025	
Original net tax capacity:		\$ 7,314
Current net tax capacity:		<u>146,617</u>
Captured net tax capacity - retained by the City		<u>\$ 139,303</u>
2. Name of District:	Tax Increment Financing District 1-4	
Type of District:	Redevelopment	
Authorizing Law:	M.S. Section 469	
Established:	2005	
Duration of District:	Through 2031	
Original net tax capacity:		\$ 66,924
Current net tax capacity:		<u>71,818</u>
Captured net tax capacity - retained by the City		<u>\$ 4,894</u>
3. 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>72,878</u>
Captured net tax capacity - retained by the City		<u>\$ 66,739</u>
4. 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>21,998</u>
Captured net tax capacity - retained by the City		<u>\$ -</u>

Note 12 DEFICIT FUND BALANCES

The City has deficit fund balances at December 31, 2015 as follows:

<u>Fund</u>	<u>Amount</u>
Nonmajor Capital Projects Funds:	
Storm Sewer Project	\$ 63,357

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, 2015.

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. PAY-AS-YOU-GO TAX INCREMENT

The City has two tax increment pay-as-you-go agreements. The agreements are not a general obligation of the City and are payable solely from tax increments. Accordingly, these agreements are not reflected in the financial statements of the City. Details of the pay-as-you-go are as follows:

TIF District #1-3, Farmstead Project: The pay-as-you-go agreement for TIF District #1-3 provides for the payment of 90% of all tax increment received and was completed February 1, 2015.

TIF District #1-5, Arbor Oaks Project: The pay-as-you-go agreement for TIF District #1-5 provides for the payment of 90% of all tax increment received and will be completed February 1, 2029.

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, 2015. Future scheduled tax levies for all bonds outstanding at December 31, 2015 totaled \$20,138,786.

Note 15 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2015, a summary of the governmental fund balance classifications are as follows:

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

	General	Water Trunk CPF	Sewer Trunk CPF	Road & Bridge CPF	Tax Increment Projects CPF	Permanent Improvement Revolving CPF	Other Governmental Funds	Total
Nonspendable:								
Inventory	\$ 131,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,800	\$ 133,613
Restricted for:								
Debt service	-	-	-	-	-	-	1,217,300	1,217,300
Tax increment	-	-	-	-	4,358,069	-	-	4,358,069
Public services	-	-	-	-	-	-	71,794	71,794
Equipment purchases	-	-	-	-	-	-	25,223	25,223
Open space referendum	-	-	-	-	-	-	2,031	2,031
Total restricted	-	-	-	-	4,358,069	-	1,316,348	5,674,417
Committed to:								
Economic development	-	-	-	-	-	-	334,451	334,451
City's mapping system	-	-	-	-	-	-	144,771	144,771
Surface water management	-	-	-	-	-	-	1,385	1,385
Public right of ways management	-	-	-	-	-	-	47,909	47,909
Seal coating new developments	-	-	-	-	-	-	3,213	3,213
Total committed	-	-	-	-	-	-	531,729	531,729
Assigned to:								
Water system	-	2,854,563	-	-	-	-	-	2,854,563
Sanitary sewer system	-	-	6,081,930	-	-	-	-	6,081,930
Street rehabilitation	-	-	-	5,511,747	-	-	-	5,511,747
Development purposes	-	-	-	-	-	840,785	-	840,785
Community center	-	-	-	-	-	-	54,340	54,340
Forest resources programs	-	-	-	-	-	-	6,831	6,831
Public services	-	-	-	-	-	-	2,948	2,948
Park improvements	-	-	-	-	-	-	376,632	376,632
Facilities management	-	-	-	-	-	-	779,066	779,066
Pedestrian trails	-	-	-	-	-	-	347,400	347,400
Capital improvements	-	-	-	-	-	-	1,051,687	1,051,687
Total assigned	-	2,854,563	6,081,930	5,511,747	-	840,785	2,618,904	17,907,929
Unassigned	7,136,091	-	-	-	-	-	(63,357)	7,072,734
Total	\$ 7,267,904	\$ 2,854,563	\$ 6,081,930	\$ 5,511,747	\$ 4,358,069	\$ 840,785	\$ 4,405,424	\$ 31,320,422

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, 2015, the unassigned fund balance of the General Fund targeted for cash-flow needs was 67% 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, 2015, the following revenue bonds were outstanding:

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

<u>Project</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Retired</u>	<u>Outstanding 12/31/2015</u>
Presbyterian Homes of Andover, Inc.	11/1/2003	\$ 13,145,000	\$ (3,353,910)	\$ 9,791,090

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 and Subway Real Estate, LLC for building space at the Andover YMCA Community Center. Terms of each lease are as follows:

<u>Location</u>	<u>Lessee</u>	<u>2015 Lease Amount</u>	<u>Annual Lease Adjustment Factor</u>	<u>Expiration Date</u>	<u>Renewal Options</u>
City Hall water tower	Sprint Nextel	\$ 30,999	Greater of CPI or 4%	12/31/2017	Final
City Hall water tower	T-Mobile USA, Inc	25,282	Greater of CPI or 4%	12/31/2016	Final
City Hall water tower	Verizon	25,641	3% annually	5/31/2024	3 - 5 year terms
Emergency Siren Pole	T-Mobile USA, Inc	9,000	\$1,000 annual increase	9/22/2018	3 - 5 year terms
Andover YMCA Comm Ctr	Greater Minneapolis YMCA	635,000	None	8/1/2035	N/A
Rose Park water tower	Sprint Nextel	16,405	3% annually	7/31/2020	4 - 5 year terms
Rose Park water tower	Verizon	21,978	3% annually	5/31/2024	3 - 5 year terms
Andover YMCA Comm Ctr	Subway Real Estate, LLC	17,958	\$600 annual increase	10/2/2018	2 - 3 year terms

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 RECENTLY ISSUED ACCOUNTING STANDARDS

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

Statement No. 72 *Fair Value Measurement and Application.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Statement No. 77 *Tax Abatement Disclosures.* The provisions of this Statement are effective for reporting periods beginning after December 31, 2015.

Statement No. 80 *Blending Requirements for Certain Component Units.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81 *Irrevocable Split-Interest Agreements.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2016.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 75 will have a material impact.

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 19 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. GASB 68 addresses accounting and financial reporting for pension plans that are provided to employees of state and local governments. The standard requires the City to record its share of the net pension liability of defined benefit plans, as well as any corresponding deferred inflows and outflows of resources. See Note 8 for further information.

The standard required retroactive implementation which resulted in a restatement of net position as of December 31, 2014. Certain amounts necessary to fully restate 2014 financial information are not determinable, therefore, prior year comparative amounts have not been restated. Details of the prior period adjustment are as follows:

	Governmental Activities	Business-Type Activities		
		Water	Sewer	Total
Net Position - January 1, 2015 as previously reported	\$ 125,401,361	\$ 16,743,645	\$ 17,925,959	\$ 34,669,604
Prior period adjustment:				
Deferred outflows of resources - pension related	127,281	9,862	6,228	16,090
Net pension liability	<u>(3,044,045)</u>	<u>(243,481)</u>	<u>(153,777)</u>	<u>(397,258)</u>
Net Position - January 1, 2015 as restated	<u>\$ 122,484,597</u>	<u>\$ 16,510,026</u>	<u>\$ 17,778,410</u>	<u>\$ 34,288,436</u>

Note 20 SUBSEQUENT EVENTS

The City of Andover sold \$520,000 of General Obligation Equipment Certificates, Series 2016A on February 19th, 2016 to finance the purchase of public safety and public works equipment. The rates of the bonds are 1.90% with a true interest cost of 1.90%. Principal payments are due in 2018 – 2021.

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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, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 10

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Revenues:					
General property taxes	\$ 7,706,892	\$ 7,706,892	\$ 7,634,714	\$ (72,178)	\$ 7,476,294
Licenses and permits	316,588	316,588	452,422	135,834	364,430
Intergovernmental	633,015	633,015	749,570	116,555	697,492
Charges for services	748,550	748,550	804,228	55,678	998,510
Fines	100,750	100,750	99,304	(1,446)	94,375
Investment income	75,000	75,000	63,709	(11,291)	144,876
Miscellaneous	98,850	98,850	154,890	56,040	150,401
Total revenues	9,679,645	9,679,645	9,958,837	279,192	9,926,378
Expenditures:					
Current:					
General government:					
Mayor and City council	87,154	87,154	85,061	2,093	84,650
Administration	180,888	180,888	172,296	8,592	169,219
Newsletter	26,000	26,000	21,042	4,958	20,974
Human resources	40,156	34,643	15,909	18,734	18,039
Legal	182,000	182,000	180,313	1,687	177,427
City clerk	135,359	135,359	134,776	583	128,859
Elections	57,492	32,492	14,496	17,996	41,506
Financial administration	239,981	245,494	240,317	5,177	230,639
Assessing	150,000	150,000	146,315	3,685	145,051
Information systems	172,239	172,239	131,745	40,494	146,985
Planning and zoning	412,937	412,937	406,045	6,892	387,309
Engineering	470,631	470,631	464,842	5,789	460,871
Facility management	579,802	564,802	498,813	65,989	470,400
Total general government	2,734,639	2,694,639	2,511,970	182,669	2,481,929
Public safety:					
Police	2,918,308	2,918,308	2,918,308	-	2,818,132
Fire protection	1,192,330	1,182,330	1,165,221	17,109	1,264,021
Protective inspection	423,161	423,161	391,948	31,213	390,908
Civil defense	29,189	39,189	24,352	14,837	21,837
Animal control	9,950	9,950	3,498	6,452	4,026
Total public safety	4,572,938	4,572,938	4,503,327	69,611	4,498,924
Public works:					
Streets and highways	625,664	625,664	629,724	(4,060)	600,315
Snow and ice removal	539,770	533,770	442,077	91,693	637,153
Street signs	203,533	203,533	204,494	(961)	187,936
Traffic signals	35,000	35,000	30,169	4,831	34,902
Street lighting	252,400	252,400	232,165	20,235	235,794
Total public works	\$ 1,656,367	\$ 1,650,367	\$ 1,538,629	\$ 111,738	\$ 1,696,100

(Continued)

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 10
(Continued)

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Expenditures:					
Current: (continued)					
Parks and recreation	\$ 1,169,338	\$ 1,185,338	\$ 1,151,313	\$ 34,025	\$ 1,009,373
Recycling	135,120	99,022	91,940	7,082	106,587
Unallocated	70,328	70,328	56,720	13,608	81,183
Total current	10,338,730	10,272,632	9,853,899	418,733	9,874,096
Capital outlay:					
Recycling	-	36,098	36,098	-	7,314
Total expenditures	10,338,730	10,308,730	9,889,997	418,733	9,881,410
Revenues over (under) expenditures	(659,085)	(629,085)	68,840	697,925	44,968
Other financing sources (uses):					
Transfers in	196,930	196,930	196,930	-	196,930
Transfers out	-	(200,000)	(200,000)	-	-
Total other financing sources (uses)	196,930	(3,070)	(3,070)	-	196,930
Net increase (decrease) in fund balance	\$ (462,155)	\$ (632,155)	65,770	\$ 697,925	241,898
Fund balance - January 1			7,202,134		6,960,236
Fund balance - December 31			\$ 7,267,904		\$ 7,202,134

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS -
OTHER POST EMPLOYMENT BENEFITS PLAN
For The Year Ended December 31, 2015

Statement 11

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Fund Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
January 1, 2008	\$ -	\$ 324,387	\$ 324,387	0.00%	\$ 5,400,000	6.01%
January 1, 2011	-	273,046	273,046	0.00%	5,298,367	5.15%
January 1, 2014	-	247,646	247,646	0.00%	5,728,317	4.32%

CITY OF ANDOVER, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY*
 GENERAL EMPLOYEES RETIREMENT FUND
 For The Year Ended December 31, 2015

<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-Employee Payroll (b)</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	December 31, 2015	0.0609%	\$ 3,156,154	\$ 3,578,755	88.2%	78.2%

* 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 Year Ended December 31, 2015

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	\$ 268,490	\$ 268,490	\$ -	\$ 3,579,867	7.5%

* 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 Year Ended December 31, 2015

Statement 14

<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-Employee Payroll (b)</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee 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%

* 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 Year Ended December 31, 2015

Statement 15

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
December 31, 2015	\$ 38,121	\$ 38,121	\$ -	\$ 235,315	16.2%

* 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, 2015

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			
Streets and highways	\$ 625,664	\$ 629,724	\$ 4,060
Street signs	203,533	204,494	961

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 2015, 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, 2015

As of December 31, 2015, the City's street and trail system was rated at an OCI index of 6.7 on the average with detail condition as follows:

<u>Condition</u>	<u>% of Street and Trails</u>
Excellent to Good	78.0%
Fair	21.0%
Poor to Substandard	1.0%

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 \$1,114,900 on street and trail maintenance for the year ending December 31, 2015. 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>
2006	\$1,150,000	\$ 1,228,981	82
2007	1,150,000	1,256,433	81
2008	1,150,000	2,244,713	80
2009	1,150,000	1,666,216	81
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

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 PENSION INFORMATION

PERA – General Employees Retirement Fund

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details can be obtained from the financial reports of PERA.

PERA – Public Employees Police and Fire

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details can be obtained from the financial reports of PERA.

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, 2015
With Comparative Totals For December 31, 2014

Statement 16

	Special Revenue	Debt Service	Capital Projects	Totals	
				Nonmajor Governmental Funds 2015	2014
Assets:					
Cash and investments	\$ 725,949	\$ 1,191,519	\$ 2,590,061	\$ 4,507,529	\$ 4,448,479
Cash and investments with escrow agent	151,162	-	-	151,162	126,086
Accrued interest	3,108	3,321	10,446	16,875	18,875
Accounts receivable - net	108,318	-	-	108,318	91,172
Property taxes receivable:					
Unremitted	498	22,460	3,327	26,285	21,208
Delinquent	877	35,916	5,309	42,102	46,867
Inventories - at cost	1,800	-	-	1,800	1,562
Land held for resale	-	-	-	-	100,000
Total assets	991,712	1,253,216	2,609,143	4,854,071	4,854,249
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Interfund payable	120,000	-	70,000	190,000	260,000
Accounts payable	53,556	-	4,248	57,804	142,503
Contracts payable	3,047	-	10,904	13,951	-
Deposits payable	17,114	-	-	17,114	16,576
Due to other governmental units	1,644	-	-	1,644	3,147
Salaries payable	24,807	-	-	24,807	22,983
Unearned revenue	101,225	-	-	101,225	95,008
Total liabilities	321,393	-	85,152	406,545	540,217
Deferred inflows of resources:					
Unavailable revenues	877	35,916	5,309	42,102	146,867
Fund balance (deficit):					
Nonspendable	1,800	-	-	1,800	1,562
Restricted	71,794	1,217,300	27,254	1,316,348	1,476,681
Committed	531,729	-	-	531,729	591,289
Assigned	64,119	-	2,554,785	2,618,904	2,211,977
Unassigned	-	-	(63,357)	(63,357)	(114,344)
Total fund balance (deficit)	669,442	1,217,300	2,518,682	4,405,424	4,167,165
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 991,712	\$ 1,253,216	\$ 2,609,143	\$ 4,854,071	\$ 4,854,249

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

Statement 17

	Special Revenue	Debt Service	Capital Projects	Totals	
				Nonmajor Governmental Funds	
				2015	2014
Revenues:					
General property taxes	\$ 39,927	\$ 2,134,650	\$ 312,281	\$ 2,486,858	\$ 2,386,360
Intergovernmental	-	-	-	-	66,589
Charges for services	695,681	-	-	695,681	722,462
Investment income	7,533	(1,287)	28,566	34,812	93,493
Miscellaneous:					
Park dedication fees	-	-	170,144	170,144	156,384
Rent	638,220	-	-	638,220	639,000
Other	216,176	-	202,007	418,183	369,974
Total revenues	1,597,537	2,133,363	712,998	4,443,898	4,434,262
Expenditures:					
Current:					
General government	23,872	-	103,979	127,851	107,021
Public safety	-	-	17,802	17,802	38,340
Public works	94,283	-	6,092	100,375	101,352
Parks and recreation	1,045,347	-	80,916	1,126,263	1,130,179
Economic development	71,997	-	-	71,997	121,622
Capital outlay:					
Public safety	-	-	74,934	74,934	1,089,037
Public works	-	-	23,028	23,028	339,497
Parks and recreation	-	-	490,222	490,222	863,513
Debt service:					
Principal retirement	-	1,765,000	196,719	1,961,719	2,336,719
Interest	-	470,687	-	470,687	900,504
Paying agent fees	-	5,009	-	5,009	2,775
Professional service	-	-	-	-	2,030
Total expenditures	1,235,499	2,240,696	993,692	4,469,887	7,032,589
Revenues over (under) expenditures	362,038	(107,333)	(280,694)	(25,989)	(2,598,327)
Other financing sources (uses):					
Transfers in	-	300,000	200,000	500,000	603,268
Transfers out	(300,000)	(48,902)	-	(348,902)	(256,944)
Bonds issued	-	-	-	-	1,555,000
Bond premium	-	-	-	-	44,278
Proceeds from sale of capital assets	-	-	113,150	113,150	25,133
Total other financing sources (uses)	(300,000)	251,098	313,150	264,248	1,970,735
Net increase (decrease) in fund balance	62,038	143,765	32,456	238,259	(627,592)
Fund balance - January 1	607,404	1,073,535	2,486,226	4,167,165	4,794,757
Fund balance - December 31	\$ 669,442	\$ 1,217,300	\$ 2,518,682	\$ 4,405,424	\$ 4,167,165

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, 2015
With Comparative Totals For December 31, 2014

	EDA General	Community Center	Drainage and Mapping	LRRWMO
Assets:				
Cash and investments	\$ 321,564	\$ 12,032	\$ 144,128	\$ 1,673
Cash and investments with escrow agent	-	151,162	-	-
Accrued interest	1,418	-	643	-
Accounts receivable - net	14,591	93,727	-	-
Property taxes receivable:				
Unremitted	-	-	-	498
Delinquent	-	-	-	877
Inventories - at cost	-	1,800	-	-
Total assets	<u>337,573</u>	<u>258,721</u>	<u>144,771</u>	<u>3,048</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Interfund payable	-	120,000	-	-
Accounts payable	1,025	39,838	-	-
Contracts payable	-	3,047	-	-
Deposits payable	-	17,114	-	-
Due to other governmental units	-	1,644	-	-
Salaries payable	2,097	20,938	-	786
Unearned revenue	-	-	-	-
Total liabilities	<u>3,122</u>	<u>202,581</u>	<u>-</u>	<u>786</u>
Deferred inflows of resources:				
Unavailable revenues	-	-	-	877
Fund balance (deficit):				
Nonspendable	-	1,800	-	-
Restricted	-	-	-	-
Committed	334,451	-	144,771	1,385
Assigned	-	54,340	-	-
Unassigned	-	-	-	-
Total fund balance (deficit)	<u>334,451</u>	<u>56,140</u>	<u>144,771</u>	<u>1,385</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 337,573</u>	<u>\$ 258,721</u>	<u>\$ 144,771</u>	<u>\$ 3,048</u>

Forestry	Right-of-Way Management/ Utility	Charitable Gambling	Construction Seal Coating	Totals	
				Nonmajor 2015	Special Revenue Funds 2014
\$ 6,831	\$ 48,684	\$ 79,510	\$ 111,527	\$ 725,949	\$ 761,440
-	-	-	-	151,162	126,086
-	211	312	524	3,108	3,479
-	-	-	-	108,318	91,172
-	-	-	-	498	455
-	-	-	-	877	918
-	-	-	-	1,800	1,562
<u>6,831</u>	<u>48,895</u>	<u>79,822</u>	<u>112,051</u>	<u>991,712</u>	<u>985,112</u>
-	-	-	-	120,000	190,000
-	-	5,080	7,613	53,556	49,076
-	-	-	-	3,047	-
-	-	-	-	17,114	16,576
-	-	-	-	1,644	3,147
-	986	-	-	24,807	22,983
-	-	-	101,225	101,225	95,008
-	<u>986</u>	<u>5,080</u>	<u>108,838</u>	<u>321,393</u>	<u>376,790</u>
-	-	-	-	877	918
-	-	-	-	1,800	1,562
-	-	71,794	-	71,794	55,210
-	47,909	-	3,213	531,729	591,289
6,831	-	2,948	-	64,119	9,269
-	-	-	-	-	(49,926)
<u>6,831</u>	<u>47,909</u>	<u>74,742</u>	<u>3,213</u>	<u>669,442</u>	<u>607,404</u>
<u>\$ 6,831</u>	<u>\$ 48,895</u>	<u>\$ 79,822</u>	<u>\$ 112,051</u>	<u>\$ 991,712</u>	<u>\$ 985,112</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, 2015
With Comparative Totals For The Year Ended December 31, 2014

	EDA General	Community Center	Drainage and Mapping	LRRWMO
Revenues:				
General property taxes	\$ -	\$ -	\$ -	\$ 39,927
Intergovernmental	-	-	-	-
Charges for services	20,895	637,921	317	-
Investment income	3,831	(1,079)	1,768	(204)
Miscellaneous:				
Rent	-	638,220	-	-
Other	930	174,789	-	-
Total revenues	25,656	1,449,851	2,085	39,723
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	-	12,152	40,633
Parks and recreation	-	1,045,347	-	-
Economic development	71,997	-	-	-
Capital outlay:				
Parks and recreation	-	-	-	-
Total expenditures	71,997	1,045,347	12,152	40,633
Revenues over (under) expenditures	(46,341)	404,504	(10,067)	(910)
Other financing sources (uses):				
Transfers out	-	(300,000)	-	-
Net increase (decrease) in fund balance	(46,341)	104,504	(10,067)	(910)
Fund balance (deficit) - January 1	380,792	(48,364)	154,838	2,295
Fund balance (deficit) - December 31	<u>\$ 334,451</u>	<u>\$ 56,140</u>	<u>\$ 144,771</u>	<u>\$ 1,385</u>

Forestry	Right-of-Way Management/ Utility	Charitable Gambling	Construction Seal Coating	Totals	
				Nonmajor Special Revenue Funds	
				2015	2014
\$ -	\$ -	\$ -	\$ -	\$ 39,927	\$ 40,066
-	-	-	-	-	4,909
-	27,135	-	9,413	695,681	722,462
88	727	921	1,481	7,533	12,592
-	-	-	-	638,220	639,000
-	-	40,457	-	216,176	261,330
<u>88</u>	<u>27,862</u>	<u>41,378</u>	<u>10,894</u>	<u>1,597,537</u>	<u>1,680,359</u>
-	-	23,872	-	23,872	3,690
500	29,951	-	11,047	94,283	93,179
-	-	-	-	1,045,347	1,028,693
-	-	-	-	71,997	78,213
-	-	-	-	-	29,774
<u>500</u>	<u>29,951</u>	<u>23,872</u>	<u>11,047</u>	<u>1,235,499</u>	<u>1,233,549</u>
(412)	(2,089)	17,506	(153)	362,038	446,810
-	-	-	-	(300,000)	(246,993)
(412)	(2,089)	17,506	(153)	62,038	199,817
<u>7,243</u>	<u>49,998</u>	<u>57,236</u>	<u>3,366</u>	<u>607,404</u>	<u>407,587</u>
<u>\$ 6,831</u>	<u>\$ 47,909</u>	<u>\$ 74,742</u>	<u>\$ 3,213</u>	<u>\$ 669,442</u>	<u>\$ 607,404</u>

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NONMAJOR DEBT SERVICE FUNDS

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

- Certificates of Indebtedness
- Capital Improvement Bonds
- Revenue Bonds
- Abatement Bonds
- Permanent Improvement Revolving Bonds
- State Aid Bonds
- Referendum Bonds

Certificates of Indebtedness - (G.O. Equipment Certificates - 2012A and 2014A) are repaid primarily from general property taxes.

Capital Improvement Bonds - (G.O. Capital Improvement Refunding Bonds 2012B) 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.

State Aid Bonds - (State Aid Refunding Bonds of 2009A) are used to finance MSA eligible cost for road construction and improvements. These bonds are repaid from a portion of state aid allotments received by the City.

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, 2015
With Comparative Totals For December 31, 2014

	G.O. Equipment Certificate 2012A	G.O. Equipment Certificate 2014A	G.O. Capital Improvement Refunding Bonds 2012B	G.O. Abatement Bonds 2012C
Assets:				
Cash and investments	\$ 503,012	\$ 299,464	\$ 70,866	\$ 105,509
Accrued interest	1,945	779	-	-
Property taxes receivable:				
Unremitted	1,477	3,123	5,698	10,293
Delinquent	2,343	4,954	9,038	16,326
 Total assets	 <u>508,777</u>	 <u>308,320</u>	 <u>85,602</u>	 <u>132,128</u>
 Deferred Inflows of Resources and Fund Balances				
Deferred inflows of resources:				
Unavailable revenues	2,343	4,954	9,038	16,326
 Fund balance (deficit):				
Restricted	<u>506,434</u>	<u>303,366</u>	<u>76,564</u>	<u>115,802</u>
 Total deferred inflows of resources, and and fund balances (deficit)	 <u>\$ 508,777</u>	 <u>\$ 308,320</u>	 <u>\$ 85,602</u>	 <u>\$ 132,128</u>

Statement 20

Open Space Referendum Bonds 2010A	Totals	
	Nonmajor Debt Service Funds	
	2015	2014
\$ 212,668	\$ 1,191,519	\$ 1,052,349
597	3,321	2,882
1,869	22,460	18,304
<u>3,255</u>	<u>35,916</u>	<u>40,505</u>
<u>218,389</u>	<u>1,253,216</u>	<u>1,114,040</u>
3,255	35,916	40,505
<u>215,134</u>	<u>1,217,300</u>	<u>1,073,535</u>
<u>\$ 218,389</u>	<u>\$ 1,253,216</u>	<u>\$ 1,114,040</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, 2015
With Comparative Totals For The Year Ended December 31, 2014

	G.O. Equipment Certificate 2012A	G.O. Equipment Certificate 2014A	G.O. Capital Improvement Refunding Bonds 2012B	G.O. Abatement Bonds 2012C
Revenues:				
General property taxes	\$ 139,881	\$ 295,803	\$ 539,660	\$ 974,822
Intergovernmental	-	-	-	-
Investment income	5,738	1,351	(3,730)	(5,810)
Total revenues	<u>145,619</u>	<u>297,154</u>	<u>535,930</u>	<u>969,012</u>
Expenditures:				
Debt service:				
Principal retirement	-	225,000	500,000	835,000
Interest	11,700	31,926	14,400	379,906
Paying agent fees	534	210	534	3,113
Professional services	-	-	-	-
Total expenditures	<u>12,234</u>	<u>257,136</u>	<u>514,934</u>	<u>1,218,019</u>
Revenues over (under) expenditures	<u>133,385</u>	<u>40,018</u>	<u>20,996</u>	<u>(249,007)</u>
Other financing sources (uses):				
Transfers in	-	-	-	300,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Net increase (decrease) in fund balance	133,385	40,018	20,996	50,993
Fund balance - January 1	<u>373,049</u>	<u>263,348</u>	<u>55,568</u>	<u>64,809</u>
Fund balance - December 31	<u>\$ 506,434</u>	<u>\$ 303,366</u>	<u>\$ 76,564</u>	<u>\$ 115,802</u>

Statement 21

State Aid Bonds 2009A	Open Space Referendum Bonds 2010A	Totals	
		Nonmajor Debt Service Funds	
		2015	2014
\$ -	\$ 184,484	\$ 2,134,650	\$ 2,074,115
-	-	-	61,680
-	1,164	(1,287)	1,294
-	185,648	2,133,363	2,137,089
60,000	145,000	1,765,000	2,140,000
840	31,915	470,687	900,504
-	618	5,009	2,775
-	-	-	2,030
60,840	177,533	2,240,696	3,045,309
(60,840)	8,115	(107,333)	(908,220)
-	-	300,000	593,317
(48,902)	-	(48,902)	(9,951)
(48,902)	-	251,098	583,366
(109,742)	8,115	143,765	(324,854)
109,742	207,019	1,073,535	1,398,389
\$ -	\$ 215,134	\$ 1,217,300	\$ 1,073,535

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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.

Equipment Certificates 2014A - This fund was established to account for the purchase of capital equipment that was financed through the issuance of capital notes.

Open Space Referendum Bonds 2010A - This fund was established to account for the purchase of various land acquisitions for open space preservation within the City.

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2015
With Comparative Totals For December 31, 2014

	Storm Sewer Project	Park Dedication	Building Fund	Trail & Transportation
Assets:				
Cash and investments	\$ 6,643	\$ 378,878	\$ 775,138	\$ 350,884
Accrued interest	-	1,494	3,928	749
Property taxes receivable:				
Unremitted	-	660	-	-
Delinquent	-	1,053	-	-
Land held for resale	-	-	-	-
Total assets	6,643	382,085	779,066	351,633
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Interfund payable	70,000	-	-	-
Accounts payable	-	-	-	4,233
Contracts payable	-	4,400	-	-
Total liabilities	70,000	4,400	-	4,233
Deferred inflows of resources:				
Unavailable revenues	-	1,053	-	-
Fund balance (deficit):				
Restricted	-	-	-	-
Assigned	-	376,632	779,066	347,400
Unassigned	(63,357)	-	-	-
Total fund balance (deficit)	(63,357)	376,632	779,066	347,400
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 6,643	\$ 382,085	\$ 779,066	\$ 351,633

Capital Equipment Reserve	Equipment Certificates 2014A	Open Space Referendum Bonds 2010A	Totals	
			Nonmajor Capital Projects Funds	
			2015	2014
\$ 1,051,264	\$ 25,223	\$ 2,031	\$ 2,590,061	\$ 2,634,690
4,275	-	-	10,446	12,514
2,667	-	-	3,327	2,449
4,256	-	-	5,309	5,444
-	-	-	-	100,000
<u>1,062,462</u>	<u>25,223</u>	<u>2,031</u>	<u>2,609,143</u>	<u>2,755,097</u>
-	-	-	70,000	70,000
15	-	-	4,248	93,427
6,504	-	-	10,904	-
<u>6,519</u>	<u>-</u>	<u>-</u>	<u>85,152</u>	<u>163,427</u>
4,256	-	-	5,309	105,444
-	25,223	2,031	27,254	347,936
1,051,687	-	-	2,554,785	2,202,708
-	-	-	(63,357)	(64,418)
<u>1,051,687</u>	<u>25,223</u>	<u>2,031</u>	<u>2,518,682</u>	<u>2,486,226</u>
<u>\$ 1,062,462</u>	<u>\$ 25,223</u>	<u>\$ 2,031</u>	<u>\$ 2,609,143</u>	<u>\$ 2,755,097</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, 2015
With Comparative Totals For The Year Ended December 31, 2014

	Storm Sewer Project	Park Dedication	Building Fund	Trail & Transportation
Revenues:				
General property taxes	\$ -	\$ 61,918	\$ -	\$ -
Investment income	(807)	4,584	10,843	2,124
Miscellaneous:				
Park dedication fees	-	170,144	-	-
Other	1,868	21,289	135,003	39,433
Total revenues	<u>1,061</u>	<u>257,935</u>	<u>145,846</u>	<u>41,557</u>
Expenditures:				
Current:				
General government	-	-	16,472	-
Public safety	-	-	-	-
Public works	-	-	-	6,092
Parks and recreation	-	43,811	-	-
Economic development	-	-	-	-
Capital outlay:				
Public safety	-	-	-	-
Public works	-	-	-	23,028
Parks and recreation	-	172,058	-	-
Debt service:				
Principal retirement	-	-	196,719	-
Total expenditures	<u>-</u>	<u>215,869</u>	<u>213,191</u>	<u>29,120</u>
Revenues over (under) expenditures	<u>1,061</u>	<u>42,066</u>	<u>(67,345)</u>	<u>12,437</u>
Other financing sources (uses):				
Transfers in	-	-	-	200,000
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Net increase (decrease) in fund balance	1,061	42,066	(67,345)	212,437
Fund balance (deficit) - January 1	<u>(64,418)</u>	<u>334,566</u>	<u>846,411</u>	<u>134,963</u>
Fund balance (deficit) - December 31	<u>\$ (63,357)</u>	<u>\$ 376,632</u>	<u>\$ 779,066</u>	<u>\$ 347,400</u>

Capital Equipment Reserve	Equipment Certificates 2014A	Open Space Referendum Bonds 2010A	Totals	
			Nonmajor Capital Projects Funds	
			2015	2014
\$ 250,363	\$ -	\$ -	\$ 312,281	\$ 272,179
12,872	681	(1,731)	28,566	79,607
-	-	-	170,144	156,384
4,414	-	-	202,007	108,644
<u>267,649</u>	<u>681</u>	<u>(1,731)</u>	<u>712,998</u>	<u>616,814</u>
87,507	-	-	103,979	103,331
17,802	-	-	17,802	38,340
-	-	-	6,092	8,173
37,105	-	-	80,916	101,486
-	-	-	-	43,409
-	74,934	-	74,934	1,089,037
-	-	-	23,028	339,497
73,466	13,037	231,661	490,222	833,739
-	-	-	196,719	196,719
<u>215,880</u>	<u>87,971</u>	<u>231,661</u>	<u>993,692</u>	<u>2,753,731</u>
<u>51,769</u>	<u>(87,290)</u>	<u>(233,392)</u>	<u>(280,694)</u>	<u>(2,136,917)</u>
-	-	-	200,000	9,951
-	-	-	-	1,555,000
-	-	-	-	44,278
<u>113,150</u>	<u>-</u>	<u>-</u>	<u>113,150</u>	<u>25,133</u>
<u>113,150</u>	<u>-</u>	<u>-</u>	<u>313,150</u>	<u>1,634,362</u>
164,919	(87,290)	(233,392)	32,456	(502,555)
<u>886,768</u>	<u>112,513</u>	<u>235,423</u>	<u>2,486,226</u>	<u>2,988,781</u>
<u>\$ 1,051,687</u>	<u>\$ 25,223</u>	<u>\$ 2,031</u>	<u>\$ 2,518,682</u>	<u>\$ 2,486,226</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, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 24

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Revenues:					
Charges for services	\$ 15,600	\$ 15,600	\$ 20,895	\$ 5,295	\$ 36,622
Investment income	5,000	5,000	3,831	(1,169)	10,677
Miscellaneous	-	-	930	930	5,868
Total revenues	20,600	20,600	25,656	5,056	53,167
Expenditures:					
Current:					
Economic development	164,949	164,949	71,997	92,952	78,213
Net increase (decrease) in fund balance	\$ (144,349)	\$ (144,349)	(46,341)	\$ 98,008	(25,046)
Fund balance (deficit) - January 1			380,792		405,838
Fund balance (deficit) - December 31			\$ 334,451		\$ 380,792

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, 2015
 With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 25

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Revenues:					
Charges for services	\$ 577,200	\$ 577,200	\$ 637,921	\$ 60,721	\$ 616,835
Investment income	-	-	(1,079)	(1,079)	(6,582)
Miscellaneous:					
Rent	635,000	635,000	638,220	3,220	639,000
Other	169,400	169,400	174,789	5,389	212,916
Total revenues	<u>1,381,600</u>	<u>1,381,600</u>	<u>1,449,851</u>	<u>68,251</u>	<u>1,462,169</u>
Expenditures:					
Current:					
Parks and recreation	995,355	990,855	1,045,347	(54,492)	1,028,693
Capital outlay:					
Parks and recreation	14,000	14,000	-	14,000	29,774
Total expenditures	<u>1,009,355</u>	<u>1,004,855</u>	<u>1,045,347</u>	<u>(40,492)</u>	<u>1,058,467</u>
Revenue over (under) expenditures	372,245	376,745	404,504	27,759	403,702
Other financing sources (uses)					
Transfers out	<u>(371,598)</u>	<u>(371,598)</u>	<u>(300,000)</u>	<u>71,598</u>	<u>(241,493)</u>
Net increase (decrease) in fund balance	<u>\$ 647</u>	<u>\$ 5,147</u>	104,504	<u>\$ 99,357</u>	162,209
Fund balance (deficit) - January 1			<u>(48,364)</u>		<u>(210,573)</u>
Fund balance (deficit) - December 31			<u>\$ 56,140</u>		<u>\$ (48,364)</u>

CITY OF ANDOVER, MINNESOTA

SPECIAL REVENUE FUND - DRAINAGE AND MAPPING

Statement 26

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2015

With Comparative Actual Amounts For The Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Revenues:					
Charges for services	\$ 8,000	\$ 8,000	\$ 317	\$ (7,683)	\$ 28,097
Investment income	<u>1,200</u>	<u>1,200</u>	<u>1,768</u>	<u>568</u>	<u>4,157</u>
Total Revenues	9,200	9,200	2,085	(7,115)	32,254
Expenditures:					
Current:					
Public works	<u>16,300</u>	<u>16,300</u>	<u>12,152</u>	<u>4,148</u>	<u>9,869</u>
Net increase (decrease) in fund balance	<u>\$ (7,100)</u>	<u>\$ (7,100)</u>	(10,067)	<u>\$ (2,967)</u>	22,385
Fund balance (deficit) - January 1			<u>154,838</u>		<u>132,453</u>
Fund balance (deficit) - December 31			<u>\$ 144,771</u>		<u>\$ 154,838</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, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 27

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Revenues:					
General property taxes	\$ 40,000	\$ 40,000	\$ 39,927	\$ (73)	\$ 40,066
Investment income	100	100	(204)	(304)	(281)
Total revenues	40,100	40,100	39,723	(377)	39,785
Expenditures:					
Current:					
Public works	41,083	41,083	40,633	450	41,579
Net increase (decrease) in fund balance	<u>\$ (983)</u>	<u>\$ (983)</u>	(910)	<u>\$ 73</u>	(1,794)
Fund balance (deficit) - January 1			<u>2,295</u>		<u>4,089</u>
Fund balance (deficit) - December 31			<u>\$ 1,385</u>		<u>\$ 2,295</u>

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, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 28

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 12,500	\$ 12,500	\$ -	\$ (12,500)	\$ 4,909
Investment income	100	100	88	(12)	146
Miscellaneous	<u>6,500</u>	<u>6,500</u>	<u>-</u>	<u>(6,500)</u>	<u>8,967</u>
Total revenues	19,100	19,100	88	(19,012)	14,022
Expenditures:					
Current:					
Public works	<u>19,000</u>	<u>19,000</u>	<u>500</u>	<u>18,500</u>	<u>10,338</u>
Net increase (decrease) in fund balance	<u>\$ 100</u>	<u>\$ 100</u>	(412)	<u>\$ (512)</u>	3,684
Fund balance (deficit) - January 1			<u>7,243</u>		<u>3,559</u>
Fund balance (deficit) - December 31			<u>\$ 6,831</u>		<u>\$ 7,243</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, 2015
With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 29

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Revenues:					
Charges for services	\$ 12,000	\$ 12,000	\$ 27,135	\$ 15,135	\$ 38,320
Investment income	<u>500</u>	<u>500</u>	<u>727</u>	<u>227</u>	<u>975</u>
Total revenues	12,500	12,500	27,862	15,362	39,295
Expenditures:					
Current:					
Public works	<u>32,589</u>	<u>32,589</u>	<u>29,951</u>	<u>2,638</u>	<u>28,805</u>
Revenue over (under) expenditures	(20,089)	(20,089)	(2,089)	18,000	10,490
Other financing sources (uses):					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,500)</u>
Net increase (decrease) in fund balance	<u>\$ (20,089)</u>	<u>\$ (20,089)</u>	(2,089)	<u>\$ 18,000</u>	4,990
Fund balance (deficit) - January 1			<u>49,998</u>		<u>45,008</u>
Fund balance (deficit) - December 31			<u>\$ 47,909</u>		<u>\$ 49,998</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, 2015
 With Comparative Actual Amounts For The Year Ended December 31, 2014

Statement 30

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Revenues:					
Investment income	\$ 300	\$ 300	\$ 921	\$ 621	\$ 1,262
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>40,457</u>	<u>30,457</u>	<u>33,579</u>
Total revenues	10,300	10,300	41,378	31,078	34,841
Expenditures:					
Current:					
General government	<u>26,000</u>	<u>26,000</u>	<u>23,872</u>	<u>2,128</u>	<u>3,690</u>
Net increase (decrease) in fund balance	<u>\$ (15,700)</u>	<u>\$ (15,700)</u>	17,506	<u>\$ 33,206</u>	31,151
Fund balance (deficit) - January 1			<u>57,236</u>		<u>26,085</u>
Fund balance (deficit) - December 31			<u>\$ 74,742</u>		<u>\$ 57,236</u>

CITY OF ANDOVER, MINNESOTA

SPECIAL REVENUE FUND - CONSTRUCTION SEAL COATING

Statement 31

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For The Year Ended December 31, 2015

With Comparative Actual Amounts For The Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual	Variance with Final Budget - Positive (Negative)	2014 Actual
	Original	Final			
Revenues:					
Charges for services	\$ 5,000	\$ 5,000	\$ 9,413	\$ 4,413	\$ 2,588
Investment income	300	300	1,481	1,181	2,238
Total revenues	5,300	5,300	10,894	5,594	4,826
Expenditures:					
Current:					
Public works	5,000	5,000	11,047	(6,047)	2,588
Net increase (decrease) in fund balance	\$ 300	\$ 300	(153)	\$ (453)	2,238
Fund balance (deficit) - January 1			3,366		1,128
Fund balance (deficit) - December 31			\$ 3,213		\$ 3,366

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, 2015
With Comparative Totals for December 31, 2014

Statement 32

	Central	Risk	Totals	
	Equipment Maintenance	Management	2015	2014
Assets:				
Current assets:				
Cash and cash equivalents	\$ 320,611	\$ 332,263	\$ 652,874	\$ 545,350
Accrued interest	1,548	1,125	2,673	2,082
Inventories - at cost	105,909	-	105,909	119,907
Total assets	<u>428,068</u>	<u>333,388</u>	<u>761,456</u>	<u>667,339</u>
Liabilities:				
Current liabilities:				
Accounts payable	4,876	64	4,940	17,640
Contracts payable	-	-	-	24,000
Salaries payable	11,013	699	11,712	12,015
Total liabilities	<u>15,889</u>	<u>763</u>	<u>16,652</u>	<u>53,655</u>
Net position:				
Unrestricted	<u>\$ 412,179</u>	<u>\$ 332,625</u>	<u>\$ 744,804</u>	<u>\$ 613,684</u>

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

Statement 33

	Central Equipment Maintenance	Risk Management	Totals	
			2015	2014
Operating revenues:				
User charges	\$ 720,592	\$ 391,986	\$ 1,112,578	\$ 1,078,928
Other	910	96,946	97,856	123,144
Total operating revenues	<u>721,502</u>	<u>488,932</u>	<u>1,210,434</u>	<u>1,202,072</u>
Operating expenses:				
Personal services	253,142	168,522	421,664	376,250
Supplies	275,674	21,574	297,248	397,664
Other service charges	108,048	259,847	367,895	503,962
Total operating expenses	<u>636,864</u>	<u>449,943</u>	<u>1,086,807</u>	<u>1,277,876</u>
Operating income (loss)	84,638	38,989	123,627	(75,804)
Nonoperating revenues (expenses):				
Investment income	4,849	2,644	7,493	12,296
Change in net position	89,487	41,633	131,120	(63,508)
Net position - January 1	<u>322,692</u>	<u>290,992</u>	<u>613,684</u>	<u>677,192</u>
Net position - December 31	<u>\$ 412,179</u>	<u>\$ 332,625</u>	<u>\$ 744,804</u>	<u>\$ 613,684</u>

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For The Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

Statement 34

	Central	Risk	Totals	
	Equipment Maintenance	Management	2015	2014
Cash flows from operating activities:				
Receipts from customers and users	\$ 721,502	\$ 488,932	\$ 1,210,434	\$ 1,202,072
Payment to suppliers	(381,739)	(306,106)	(687,845)	(915,518)
Payment to employees	(253,463)	(168,504)	(421,967)	(374,357)
Net cash flows from operating activities	86,300	14,322	100,622	(87,803)
Cash flows from investing activities:				
Investment income	4,323	2,579	6,902	13,240
Net increase (decrease) in cash and cash equivalents	90,623	16,901	107,524	(74,563)
Cash and cash equivalents - January 1	229,988	315,362	545,350	619,913
Cash and cash equivalents - December 31	\$ 320,611	\$ 332,263	\$ 652,874	\$ 545,350
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 84,638	\$ 38,989	\$ 123,627	\$ (75,804)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Changes in assets and liabilities:				
Decrease (increase) in inventory	13,998	-	13,998	(19,313)
Increase (decrease) in accounts payable	(12,015)	(685)	(12,700)	(18,579)
Increase (decrease) in contracts payable	-	(24,000)	(24,000)	24,000
Increase (decrease) in salaries payable	(321)	18	(303)	1,893
Total adjustments	1,662	(24,667)	(23,005)	(11,999)
Net cash provided (used) by operating activities	\$ 86,300	\$ 14,322	\$ 100,622	\$ (87,803)

AGENCY FUNDS

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. The City of Andover had the following Agency Funds during the year:

General Escrow – This fund is used to account for distribution of funds for insurance premiums of retirees.

General Agency – This fund is used to account for the collection and distribution of funds relating to building and land development activities.

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS
 December 31, 2015

Statement 35

	<u>General Escrow</u>	<u>General Agency</u>	<u>Total</u>
Assets:			
Cash and investments	<u>\$ 37,890</u>	<u>\$ 249,518</u>	<u>\$ 287,408</u>
Liabilities:			
Accounts payable	16	10,881	10,897
Deposits payable	<u>37,874</u>	<u>238,637</u>	<u>276,511</u>
Total liabilities	<u>\$ 37,890</u>	<u>\$ 249,518</u>	<u>\$ 287,408</u>

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2015

Statement 36

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
General Escrow Fund				
Assets:				
Cash and investments	\$ 54,727	\$ 23,422	\$ (40,259)	\$ 37,890
Liabilities:				
Accounts payable	97	19,751	(19,832)	16
Deposits payable	54,630	3,671	(20,427)	37,874
Total liabilities	\$ 54,727	\$ 23,422	\$ (40,259)	\$ 37,890
General Agency Fund				
Assets:				
Cash and investments	\$ 196,664	\$ 1,319,509	\$ (1,266,655)	\$ 249,518
Liabilities:				
Accounts payable	13,375	530,603	(533,097)	10,881
Deposits payable	183,289	788,906	(733,558)	238,637
Total liabilities	\$ 196,664	\$ 1,319,509	\$ (1,266,655)	\$ 249,518
Total Fiduciary Funds				
Assets:				
Cash and investments	\$ 251,391	\$ 1,342,931	\$ (1,306,914)	\$ 287,408
Liabilities:				
Accounts payable	13,472	550,354	(552,929)	10,897
Deposits payable	237,919	792,577	(753,985)	276,511
Total liabilities	\$ 251,391	\$ 1,342,931	\$ (1,306,914)	\$ 287,408

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.	128
<u>Revenue Capacity</u> These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	138
<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.	144
<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.	152
<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.	155

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities				
Net investment in capital assets	\$ 64,114,553	\$ 77,285,905	\$ 79,644,769	\$ 83,394,872
Restricted	14,838,788	7,763,716	8,345,185	8,252,691
Unrestricted	<u>19,808,248</u>	<u>21,294,876</u>	<u>19,904,063</u>	<u>19,442,008</u>
Total governmental activities net position	<u>98,761,589</u>	<u>106,344,497</u>	<u>107,894,017</u>	<u>111,089,571</u>
Business-Type Activities				
Net investment in capital assets	38,249,916	38,580,630	37,606,052	36,939,962
Unrestricted	<u>3,451,261</u>	<u>3,659,887</u>	<u>4,005,471</u>	<u>4,875,384</u>
Total business-type activities net position	<u>41,701,177</u>	<u>42,240,517</u>	<u>41,611,523</u>	<u>41,815,346</u>
Primary Government				
Net investment in capital assets	102,468,182	115,866,535	117,250,821	120,334,834
Restricted	14,838,788	7,763,716	8,345,185	8,252,691
Unrestricted	<u>23,259,509</u>	<u>24,954,763</u>	<u>23,909,534</u>	<u>24,317,392</u>
Total primary government net position	<u>\$ 140,566,479</u>	<u>\$ 148,585,014</u>	<u>\$ 149,505,540</u>	<u>\$ 152,904,917</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

2010	2011	2012	2013	2014	2015
\$ 87,206,607	\$ 90,859,970	\$ 89,592,661	\$ 93,393,474	\$ 94,533,473	\$ 95,998,027
6,364,714	3,107,253	4,461,020	3,792,323	4,776,047	5,755,162
21,071,212	23,353,009	25,589,728	22,936,032	23,175,077	24,457,253
114,642,533	117,320,232	119,643,409	120,121,829	122,484,597	126,210,442
36,140,050	36,031,319	34,922,691	34,864,659	34,787,382	35,507,385
4,912,822	5,100,628	5,784,313	6,310,830	6,292,850	7,004,563
41,052,872	41,131,947	40,707,004	41,175,489	41,080,232	42,511,948
123,346,657	126,891,289	124,515,352	128,258,133	129,320,855	131,505,412
6,364,714	3,107,253	4,461,020	3,792,323	4,776,047	5,755,162
25,984,034	28,453,637	31,374,041	29,246,862	29,467,927	31,461,816
\$ 155,695,405	\$ 158,452,179	\$ 160,350,413	\$ 161,297,318	\$ 163,564,829	\$ 168,722,390

CITY OF ANDOVER, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses				
Governmental activities:				
General government	\$ 2,637,584	\$ 2,509,011	\$ 2,505,105	\$ 2,413,916
Public safety	3,443,285	3,851,086	4,035,884	4,237,401
Public works	3,031,459	3,783,509	5,144,197	3,776,367
Parks and recreation	2,442,305	2,954,753	2,963,218	2,880,595
Recycling	91,378	94,929	85,397	86,949
Economic development	626,103	2,265,605	540,285	481,632
Interest on long-term debt	1,668,444	2,303,567	2,219,130	2,146,960
Total governmental activities expenses	<u>13,940,558</u>	<u>17,762,460</u>	<u>17,493,216</u>	<u>16,023,820</u>
Business-type activities:				
Water	2,232,144	2,587,847	2,563,781	2,594,713
Sewer	1,585,548	1,631,224	1,794,891	1,831,505
Storm sewer	408,003	537,151	521,975	536,619
Total business-type activities expenses	<u>4,225,695</u>	<u>4,756,222</u>	<u>4,880,647</u>	<u>4,962,837</u>
Total primary government expenses	<u>18,166,253</u>	<u>22,518,682</u>	<u>22,373,863</u>	<u>20,986,657</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	471,573	785,600	647,081	483,639
Public safety	804,447	662,299	721,289	412,113
Public works	325,672	408,656	427,043	316,451
Parks and recreation	749,407	859,531	1,049,032	1,495,779
Recycling	35,379	33,158	35,897	29,479
Economic development	218,605	182,535	199,840	185,539
Operating grants and contributions	959,286	1,129,099	917,618	966,635
Capital grants and contributions	4,920,694	8,794,164	1,069,607	1,631,929
Total governmental activities program revenue	<u>8,485,063</u>	<u>12,855,042</u>	<u>5,067,407</u>	<u>5,521,564</u>
Business-type activities:				
Charges for services:				
Water	1,768,388	2,025,452	1,987,432	2,127,676
Sewer	1,691,728	1,771,670	1,869,327	1,967,997
Storm sewer	287,397	288,372	297,125	325,392
Operating grants and contributions	-	-	-	-
Capital grants and contributions	2,761,282	158,113	142,133	793,589
Total business-type activities program revenue	<u>6,508,795</u>	<u>4,243,607</u>	<u>4,296,017</u>	<u>5,214,654</u>
Total primary government program revenues	<u>14,993,858</u>	<u>17,098,649</u>	<u>9,363,424</u>	<u>10,736,218</u>
Net (Expense)/Revenue				
Governmental activities	(5,455,495)	(4,907,418)	(12,425,809)	(10,502,256)
Business-type activities	2,283,100	(512,615)	(584,630)	251,817
Total primary government net expense	<u>\$ (3,172,395)</u>	<u>\$ (5,420,033)</u>	<u>\$ (13,010,439)</u>	<u>\$ (10,250,439)</u>

Table 2

2010	2011	2012	2013	2014	2015
\$ 2,398,007	\$ 2,406,750	\$ 2,453,801	\$ 3,061,867	\$ 2,791,507	\$ 2,823,408
4,157,050	4,214,316	4,325,531	4,495,447	4,747,142	4,774,033
3,445,403	4,029,164	5,623,942	4,465,153	4,430,295	2,967,957
3,447,730	2,945,742	3,102,534	3,029,917	3,229,894	3,340,561
108,785	109,293	94,319	124,515	111,760	98,016
654,961	777,298	1,396,466	318,646	676,039	192,265
1,936,731	1,796,782	2,497,344	1,399,172	542,139	454,808
16,148,667	16,279,345	19,493,937	16,894,717	16,528,776	14,651,048
2,585,469	2,655,926	2,782,948	2,275,363	2,308,552	2,316,651
1,915,072	1,914,113	1,842,473	1,964,911	1,951,785	2,002,623
532,168	614,958	531,103	561,807	848,745	595,902
5,032,709	5,184,997	5,156,524	4,802,081	5,109,082	4,915,176
21,181,376	21,464,342	24,650,461	21,696,798	21,637,858	19,566,224
454,419	532,764	690,875	843,304	801,458	1,381,113
479,516	540,089	607,715	704,119	492,665	624,430
337,360	309,066	308,583	321,114	318,018	298,143
1,432,672	1,498,847	1,495,872	1,463,579	1,545,794	1,514,900
40,504	48,339	39,530	42,544	41,440	32,976
211,121	235,134	170,391	239,570	96,772	50,628
1,214,066	977,553	1,358,424	1,119,778	946,540	965,986
1,461,834	1,356,091	2,774,126	1,425,815	4,677,704	863,155
5,631,492	5,497,883	7,445,516	6,159,823	8,920,391	5,731,331
2,077,305	2,119,954	2,572,560	2,495,561	2,347,763	2,593,303
1,964,117	1,990,218	2,063,177	2,065,467	2,117,624	2,129,201
338,823	358,708	379,262	399,417	421,056	444,335
9,380	-	-	-	9,506	-
-	-	-	-	990,412	1,524,088
4,389,625	4,468,880	5,014,999	4,960,445	5,886,361	6,690,927
10,021,117	9,966,763	12,460,515	11,120,268	14,806,752	12,422,258
(10,517,175)	(10,781,462)	(12,048,421)	(10,734,894)	(7,608,385)	(8,919,717)
(643,084)	(716,117)	(141,525)	158,364	777,279	1,775,751
\$ (11,160,259)	\$ (11,497,579)	\$ (12,189,946)	\$ (10,576,530)	\$ (6,831,106)	\$ (7,143,966)

(Continued)

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General property taxes	\$ 8,084,559	\$ 8,897,755	\$ 9,752,701	\$ 10,175,519
Tax increment collections	1,562,131	1,661,204	1,783,270	1,930,669
Grants and contributions not restricted to specific programs	77,642	486,626	274,402	131,084
Unrestricted investment earnings	1,019,304	1,967,583	1,514,012	1,032,507
Gain on sale of capital assets	219,910	191,735	234,070	6,144
Transfers	<u>(704,042)</u>	<u>(714,577)</u>	<u>416,874</u>	<u>421,887</u>
Total governmental activities	<u>10,259,504</u>	<u>12,490,326</u>	<u>13,975,329</u>	<u>13,697,810</u>
Business-type activities:				
Unrestricted investment earnings	87,376	337,378	372,510	373,893
Gain on sale of capital assets	5,900	-	-	-
Transfers	<u>704,042</u>	<u>714,577</u>	<u>(416,874)</u>	<u>(421,887)</u>
Total business-type activities	<u>797,318</u>	<u>1,051,955</u>	<u>(44,364)</u>	<u>(47,994)</u>
Total primary government	<u>11,056,822</u>	<u>13,542,281</u>	<u>13,930,965</u>	<u>13,649,816</u>
Change in Net Position				
Governmental activities	4,804,009	7,582,908	1,549,520	3,195,554
Business-type activities	<u>3,080,418</u>	<u>539,340</u>	<u>(628,994)</u>	<u>203,823</u>
Total primary government	<u>\$ 7,884,427</u>	<u>\$ 8,122,248</u>	<u>\$ 920,526</u>	<u>\$ 3,399,377</u>

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

Table 2
(Continued)

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 10,336,536	\$ 10,292,674	\$ 10,594,940	\$ 10,608,678	\$ 10,863,912	\$ 11,120,449
2,074,589	2,005,056	2,033,932	320,822	353,773	210,625
84,875	86,802	14,360	12,511	87,179	15,327
1,114,451	1,399,987	1,201,995	571,307	747,621	348,885
22,500	91,693	16,625	23,650	228,639	548,950
<u>437,186</u>	<u>(417,051)</u>	<u>509,746</u>	<u>(323,654)</u>	<u>606,793</u>	<u>401,326</u>
<u>14,070,137</u>	<u>13,459,161</u>	<u>14,371,598</u>	<u>11,213,314</u>	<u>12,887,917</u>	<u>12,645,562</u>
317,796	370,641	226,328	(21,533)	115,425	57,291
-	7,500	-	8,000	-	-
<u>(437,186)</u>	<u>417,051</u>	<u>(509,746)</u>	<u>323,654</u>	<u>(606,793)</u>	<u>(401,326)</u>
<u>(119,390)</u>	<u>795,192</u>	<u>(283,418)</u>	<u>310,121</u>	<u>(491,368)</u>	<u>(344,035)</u>
<u>13,950,747</u>	<u>14,254,353</u>	<u>14,088,180</u>	<u>11,523,435</u>	<u>12,396,549</u>	<u>12,301,527</u>
3,552,962	2,677,699	2,323,177	478,420	5,279,532	3,725,845
<u>(762,474)</u>	<u>79,075</u>	<u>(424,943)</u>	<u>468,485</u>	<u>285,911</u>	<u>1,431,716</u>
<u>\$ 2,790,488</u>	<u>\$ 2,756,774</u>	<u>\$ 1,898,234</u>	<u>\$ 946,905</u>	<u>\$ 5,565,443</u>	<u>\$ 5,157,561</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund				
Reserved	\$ 144,496	\$ 208,216	\$ 193,805	\$ 207,515
Unreserved	3,248,317	3,682,244	3,981,230	4,120,897
Nonspendable	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>3,392,813</u>	<u>3,890,460</u>	<u>4,175,035</u>	<u>4,328,412</u>
All Other Governmental Funds				
Reserved	12,022,454 ⁽¹⁾	22,106,660 ⁽²⁾	20,754,303	20,756,195
Unreserved reported in:				
Special revenue funds	1,246,388	1,204,453	941,259	1,233,202
Capital project funds	14,379,760	11,955,138	13,416,129	14,170,266
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>27,648,602</u>	<u>35,266,251</u>	<u>35,111,691</u>	<u>36,159,663</u>
Total governmental funds	<u>\$ 31,041,415</u>	<u>\$ 39,156,711</u>	<u>\$ 39,286,726</u>	<u>\$ 40,488,075</u>

Note: ⁽¹⁾ In 2006, the EDA issued \$10,000,000 of Public Facility Lease Revenue Refunding Bonds to refund a portion of the 2004 EDA's \$19,580,000 Public Facility Lease Revenue Bonds, Series 2004.

⁽²⁾ In 2007, the EDA issued \$6,865,000 of Public Facility Lease Revenue Refunding Bonds to refund a portion of the 2004 EDA's \$19,580,000 Public Facility Lease Revenue Bonds, Series 2004.

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

2010	2011	2012	2013	2014	2015
\$ 206,666	\$ -	\$ -	\$ -	\$ -	\$ -
4,904,239	-	-	-	-	-
-	222,641	160,177	106,445	137,001	131,813
-	5,665,496	6,227,664	6,853,791	7,065,133	7,136,091
5,110,905	5,888,137	6,387,841	6,960,236	7,202,134	7,267,904
19,258,490	-	-	-	-	-
1,135,919	-	-	-	-	-
14,714,140	-	-	-	-	-
-	16,074	1,471	1,316	1,562	1,800
-	19,741,214	21,307,923	21,274,444	5,022,967	5,674,417
-	650,766	681,413	588,516	591,289	531,729
-	14,451,306	16,420,228	13,481,786	16,095,395	17,907,929
-	(517,251)	(314,734)	(276,829)	(114,344)	(63,357)
35,108,549	34,342,109	38,096,301	35,069,233	21,596,869	24,052,518
\$ 40,219,454	\$ 40,230,246	\$ 44,484,142	\$ 42,029,469	\$ 28,799,003	\$ 31,320,422

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

	2006	2007	2008	2009
Revenues				
General property taxes	\$ 8,057,592	\$ 8,833,249	\$ 9,695,103	\$ 10,168,143
Tax increment collections	1,546,394	1,659,222	1,762,119	1,951,343
Licenses and permits	598,094	475,893	525,339	291,903
Intergovernmental	2,661,726	1,644,914	1,175,205	1,654,614
Special assessments	1,289,590	3,342,039	1,638,006	1,421,591
Charges for services	1,770,156	2,035,735	1,724,052	1,579,659
Fines	91,490	101,445	104,930	110,779
Investment income	1,014,801	1,962,379	1,508,265	1,029,683
Miscellaneous:				
Park dedication fees	626,567	113,013	133,585	41,216
Connection charges	372,133	829,624	254,903	20,119
Rent	-	-	-	637,305
Other	395,789	621,798	800,857	381,548
Total revenues	18,424,332	21,619,311	19,322,364	19,287,903
Expenditures				
General government	2,343,332	2,399,297	2,366,574	2,242,662
Public safety	3,268,236	3,580,240	3,796,965	4,015,410
Public works	2,817,475	3,491,353	4,843,288	3,545,132
Parks and recreation	1,599,885	1,825,706	1,953,822	1,891,125
Recycling	90,590	94,669	86,631	85,527
Economic development	626,103	2,265,605	538,293	477,648
Unallocated	8,454	6,915	17,999	19,540
Capital outlay	987,075	2,803,485	1,460,662	1,519,944
Debt service:				
Principal retirement	5,254,000	3,275,000	3,460,000	3,865,000
Interest	1,683,599	2,089,857	2,253,223	2,178,233
Other	253,134	167,187	15,645	39,265
Construction/acquisition costs	4,579,910	360,742	-	-
Total expenditures	23,511,793	22,360,056	20,793,102	19,879,486
Revenues over (under) expenditures	(5,087,461)	(740,745)	(1,470,738)	(591,583)
Other Financing Sources (Uses)				
Transfers in	522,000	578,925	580,343	587,530
Transfers out	(167,424)	(57,671)	(163,469)	(165,643)
Bonds issued	2,910,000	760,000	630,000	385,000
Refunding bonds issued	10,000,000	6,865,000	-	955,000
Redemption of refunded bonds	-	-	-	-
Bond premium	-	3,401	-	18,781
Proceeds from the sale of capital assets	603,959	706,386	553,879	12,264
Total other financing sources (uses)	13,868,535	8,856,041	1,600,753	1,792,932
Net increase (decrease) in fund balance	\$ 8,781,074	\$ 8,115,296	\$ 130,015	\$ 1,201,349
Debt service as a percentage of noncapital expenditures	38.66%	27.95%	29.55%	32.92%

Table 4

2010	2011	2012	2013	2014	2015
\$ 10,267,085	\$ 10,279,967	\$ 10,638,117	\$ 10,682,975	\$ 10,894,301	\$ 11,148,149
2,015,123	1,976,800	2,035,663	375,040	377,733	213,020
329,901	387,206	449,826	536,706	364,430	452,422
1,989,420	1,876,685	3,493,528	1,115,047	3,464,985	959,790
1,725,695	891,942	792,460	1,045,000	733,425	690,161
1,604,681	1,732,791	1,874,321	1,806,919	1,720,972	1,499,909
104,780	99,777	97,571	96,130	94,375	99,304
1,107,335	1,386,698	1,191,438	573,256	735,325	341,392
32,649	51,706	47,700	205,080	156,384	170,144
48,086	27,165	170,202	436,628	676,826	405,967
638,037	641,859	639,983	639,423	639,000	638,220
396,186	332,992	645,897	1,698,964	564,057	542,473
<u>20,258,978</u>	<u>19,685,588</u>	<u>22,076,706</u>	<u>19,211,168</u>	<u>20,421,813</u>	<u>17,160,951</u>
2,255,793	2,298,571	2,280,373	2,647,278	2,588,950	2,639,821
3,920,073	3,965,541	4,092,073	4,301,698	4,537,264	4,521,129
3,204,444	3,788,636	5,415,924	4,251,454	4,145,404	2,747,550
2,433,495	1,926,220	2,001,624	1,990,457	2,139,552	2,277,576
109,034	109,911	94,328	123,595	106,587	91,940
650,977	966,687	1,537,611	408,210	665,325	181,551
24,953	30,631	63,371	75,517	81,183	56,720
1,324,881	985,399	723,017	2,763,351	2,816,375	941,213
5,779,000	4,100,000	1,842,000	1,689,000	2,336,719	1,961,719
2,030,267	1,855,538	1,768,748	1,262,302	900,504	470,687
29,939	10,430	225,378	5,509	7,895	5,009
101,153	1,044,581	110,650	946,942	-	167,955
<u>21,864,009</u>	<u>21,082,145</u>	<u>20,155,097</u>	<u>20,465,313</u>	<u>20,325,758</u>	<u>16,062,870</u>
<u>(1,605,031)</u>	<u>(1,396,557)</u>	<u>1,921,609</u>	<u>(1,254,145)</u>	<u>96,055</u>	<u>1,098,081</u>
627,530	627,530	627,530	627,530	627,530	627,530
(89,191)	-	(7,134)	(4,242)	(20,737)	(58,249)
1,660,000	265,000	585,000	-	1,555,000	-
1,480,000	-	18,885,000	-	-	-
(2,416,834)	-	(17,907,898)	(1,900,000)	(16,455,000)	-
31,688	-	133,164	-	44,278	-
43,217	514,819	16,625	76,184	922,408	854,057
<u>1,336,410</u>	<u>1,407,349</u>	<u>2,332,287</u>	<u>(1,200,528)</u>	<u>(13,326,521)</u>	<u>1,423,338</u>
<u>\$ (268,621)</u>	<u>\$ 10,792</u>	<u>\$ 4,253,896</u>	<u>\$ (2,454,673)</u>	<u>\$ (13,230,466)</u>	<u>\$ 2,521,419</u>
38.21%	31.26%	18.69%	17.61%	18.49%	16.27%

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		
2006	\$ 2,521,587,700	\$ 26,204,279	\$ 22,003,500	\$ 439,356	\$ 2,543,591,200	\$ 26,643,635	31.894%	1.05%
2007	2,778,464,100	28,897,916	21,998,500	439,246	2,800,462,600	29,337,162	31.327%	1.05%
2008	2,948,801,500	30,749,076	20,837,800	416,000	2,969,639,300	31,165,076	31.603%	1.05%
2009	2,961,410,400	31,023,349	21,185,200	422,931	2,982,595,600	31,446,280	32.484%	1.05%
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%

Source: Anoka County Property Tax Division

CITY OF ANDOVER, MINNESOTA

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

Table 6

DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Taxes Payable	Direct City			Total	Overlapping Governments				Total
	General Oper Levy	Debt Service Levy	Lower Rum Watershed		School	County	Other	Total	
2007	24.948%	6.055%	0.324%	31.327%	19.337%	30.675%	3.671%	53.683%	85.010%
2008	24.962%	6.333%	0.308%	31.603%	16.962%	31.041%	4.604%	52.607%	84.210%
2009	25.755%	6.426%	0.303%	32.484%	18.247%	32.051%	3.251%	53.549%	86.033%
2010	30.507%	5.977%	0.330%	36.814%	20.236%	35.273%	3.436%	58.945%	95.759%
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%

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
2006	\$ 8,550,919	\$ 7,977,278	\$ 1,700 *	\$ 7,978,978	93.31%	\$ 108,615	\$ 8,087,593	94.58%
2007	9,316,427	8,738,606	410,519	9,149,125	98.20%	152,191	9,301,316	99.84%
2008	10,153,718	9,554,131	198,214 *	9,752,345	96.05%	182,692	9,935,037	97.85%
2009	10,593,520	9,992,240	54,629 *	10,046,869	94.84%	147,713	10,194,582	96.23%
2010	10,856,299	10,125,752	3,905 *	10,129,657	93.31%	171,005	10,300,662	94.88%
2011	10,856,299	10,119,681	853 *	10,120,534	93.22%	131,518	10,252,052	94.43%
2012	10,631,299	10,460,838	2,354	10,463,192	98.42%	105,764	10,568,956	99.41%
2013	10,631,299	10,535,521	1,246	10,536,767	99.11%	74,351	10,611,118	99.81%
2014	10,843,925	10,776,635	-	10,776,635	99.38%	54,570	10,831,205	99.88%
2015	11,143,925	11,054,157	-	11,054,157	99.19%	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 Nine Years Ago

Table 8

Taxpayers	2015			2006		
	Net Tax Capacity	Rank	Percentage of Total City Tax Capacity	Net Tax Capacity	Rank	Percentage of Total City Tax Capacity
Minnegasco, Inc.	\$ 211,244	1	0.96%	\$ 138,040	5	0.52%
Great River Energy	194,038	2	0.88%			-
Connexus Energy	193,140	3	0.88%	222,128	1	0.83%
Target Corporation	160,048	4	0.73%	212,312	2	0.80%
Presbyterian Homes of Andover	140,847	5	0.64%	155,680	4	0.58%
Andover Limited Partnership	117,528	6	0.53%	158,554	3	0.60%
Andover Station LLC	97,182	7	0.44%	99,624	7	0.37%
DST Properties LLC	81,678	8	0.37%			-
Fairbanks Properties LLC	65,926	9	0.30%			-
Columbia Park Properties 116 LLC	59,878	10	0.27%			-
United Power Association			-	128,338	6	0.48%
Grey Oaks Inc.			-	84,760	8	0.32%
Rademacher Family Ltd Partnership			-	73,692	9	0.28%
			-	64,440	10	0.24%
Total	\$ 1,321,509		6.00%	\$ 1,337,568		5.02%
Net Tax Capacity	\$ 21,978,322			\$ 26,643,635		

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
2006	\$ 191,931,800	\$ 2,433,776,200	\$ 2,625,708,000	8	\$ 1,791,896	153	\$ 25,236,120
2007	211,760,900	2,663,389,900	2,875,150,800	9	2,403,831	91	18,347,873
2008	233,801,700	2,813,037,200	3,046,838,900	11	16,878,603	49	11,116,400
2009	248,129,500	2,807,144,500	3,055,274,000	11	767,430	47	9,246,347
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

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>
2006	\$ 225,365	\$ 192,477	85.41%	\$ 4,790	\$ 197,267	87.53%	\$ 51,721	22.95%
2007	163,817	142,750	87.14%	12,460	155,210	94.75%	76,420	46.65%
2008	366,203	330,304	90.20%	1,479	331,783	90.60%	174,810	47.74%
2009	319,448	332,739	104.16%	36,693	369,432	115.65%	202,999	63.55%
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%

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	Less Debt Service Fund Cash and Investments	Net Bonded Debt		
2006	30,222	\$ 2,625,708,000	\$ 33,850,000	\$ (10,739,510)	\$ 23,110,490	0.88%	\$ 764.69
2007	30,263	2,875,150,800	40,880,000	(17,822,418)	23,057,582	0.80%	761.91
2008	31,023	3,046,838,900	40,565,000	(17,939,959)	22,625,041	0.74%	729.30
2009	31,298	3,055,274,000	39,690,000	(17,973,588)	21,716,412	0.71%	693.86
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	31,692	2,316,870,300	37,460,000	(17,415,812)	20,044,188	0.87%	632.47
2014	31,874	2,270,068,100	21,035,000	(942,607)	20,092,393	0.89%	630.37
2015	32,050	2,611,399,200	19,330,000	(1,191,519)	18,138,481	0.69%	565.94

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, 2015

Table 12

	Gross General Obligation Bonded Debt Outstanding		Percentage Applicable to City (2)	Net Amount Applicable to City
Direct:				
City of Andover	\$ 19,920,155		100.0000%	\$ 19,920,155
Overlapping:				
Anoka County	119,000,000	(1)	9.1422%	10,879,268
ISD No. 11 Anoka-Hennepin	72,239,061	(1)	13.0373%	9,418,013
ISD No. 15 St. Francis	27,600,000	(1)	6.5472%	1,807,015
Metropolitan Council	196,680,000	(1)	0.8275%	1,627,602
				<u>23,731,898</u>
Total overlapping debt				<u>23,731,898</u>
Total overlapping and direct debt				<u>\$ 43,652,053</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Estimated Taxable Market Value	<u>\$ 2,625,708,000</u>	<u>\$ 2,800,462,600</u>	<u>\$ 2,969,639,300</u>	<u>\$ 2,982,595,600</u>
Debt limitation:				
Debt limit percent	2%	2%	3%	3%
Debt limit in dollars	<u>52,514,160</u>	<u>56,009,252</u>	<u>89,089,179</u>	<u>89,477,868</u>
Debt applicable to limit:				
Total bonded debt	59,665,000	70,240,000	67,050,000	65,175,000
Less: Nonapplicable debt				
G.O. water revenue bonds	(8,815,000)	(15,040,000)	(14,680,000)	(15,330,000)
Special assessment bonds	(3,560,000)	(3,560,000)	(3,015,000)	(2,450,000)
Tax increment bonds	(4,715,000)	(4,010,000)	(3,275,000)	(2,515,000)
Permanent improvement revolving bonds	(6,660,000)	(4,835,000)	(3,755,000)	(2,635,000)
State aid bonds	(2,065,000)	(1,915,000)	(1,760,000)	(2,555,000)
Less: Cash and investments in related debt service funds	<u>(10,739,510)</u>	<u>(17,822,418)</u>	<u>(17,939,959)</u>	<u>(17,973,588)</u>
Total debt applicable to limitation	<u>23,110,490</u>	<u>23,057,582</u>	<u>22,625,041</u>	<u>21,716,412</u>
Legal debt margin	<u><u>\$ 29,403,670</u></u>	<u><u>\$ 32,951,670</u></u>	<u><u>\$ 66,464,138</u></u>	<u><u>\$ 67,761,456</u></u>
Total debt applicable to the limit as a percentage of debt limit	44.01%	41.17%	25.40%	24.27%

Table 13

2010	2011	2012	2013	2014	2015
<u>\$ 2,710,514,800</u>	<u>\$ 2,469,945,000</u>	<u>\$ 2,202,135,356</u>	<u>\$ 2,123,596,358</u>	<u>\$ 2,071,812,281</u>	<u>\$ 2,435,770,612</u>
3%	3%	3%	3%	3%	3%
<u>81,315,444</u>	<u>74,098,350</u>	<u>66,064,061</u>	<u>63,707,891</u>	<u>62,154,368</u>	<u>73,073,118</u>
59,671,000	55,361,000	49,144,000	45,010,000	27,405,000	25,050,000
(14,875,000)	(14,400,000)	(7,420,000)	(6,875,000)	(6,310,000)	(5,720,000)
(600,000)	-	-	-	-	-
(1,735,000)	-	-	-	-	-
(1,480,000)	(1,125,000)	(760,000)	(385,000)	-	-
(955,000)	(740,000)	(520,000)	(290,000)	(60,000)	-
<u>(17,768,743)</u>	<u>(17,779,964)</u>	<u>(18,497,679)</u>	<u>(17,415,812)</u>	<u>(942,607)</u>	<u>(1,191,519)</u>
<u>22,257,257</u>	<u>21,316,036</u>	<u>21,946,321</u>	<u>20,044,188</u>	<u>20,092,393</u>	<u>18,138,481</u>
<u>\$ 59,058,187</u>	<u>\$ 52,782,314</u>	<u>\$ 44,117,740</u>	<u>\$ 43,663,703</u>	<u>\$ 42,061,975</u>	<u>\$ 54,934,637</u>
27.37%	28.77%	33.22%	31.46%	32.33%	24.82%

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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	
	2006	\$ 1,935,812	\$ 1,139,500	\$ 167,424	\$ 796,312	\$ 335,000	
2007	2,025,452	1,264,370	57,671	818,753	345,000	395,775	1.11
2008	1,987,432	1,218,444	163,469	932,457	360,000	382,753	1.26
2009	2,127,676	1,264,398	165,643	1,028,921	375,000	393,828	1.34
2010	2,077,305	1,249,420	89,191	917,076	455,000	384,713	1.09
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

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	
	2006	\$ 741,241	\$ 748,146	\$ (6,905)	\$ 800,349	\$ 185,000	
2007	876,136	799,909	76,227	844,123	185,000	959,731	0.80
2008	998,287	900,228	98,059	890,709	190,000	954,381	0.86
2009	1,422,614	903,446	519,168	940,640	390,000	944,806	1.09
2010	1,351,069	882,364	468,705	885,349	405,000	930,684	1.01
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

Special Assessment and Permanent Improvement Revolving Bonds

Fiscal Year	Special Assessment Revenue	Debt Service		Coverage
		Principal	Interest	
2006	\$ 1,289,590	\$ 1,765,000	\$ 289,174	0.63
2007	2,966,380	1,825,000	314,152	1.39
2008	1,184,928	1,625,000	243,340	0.63
2009	993,703	1,685,000	198,232	0.53
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		

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
City of Andover's Outstanding Debt				
Governmental activities				
Revenue bonds	\$ 29,395,000	\$ 36,075,000	\$ 35,885,000	\$ 35,495,000
Abatement bonds	-	-	-	-
Special assessment bonds	3,560,000	3,560,000	3,015,000	2,450,000
Tax increment bonds	4,715,000	4,010,000	3,275,000	2,515,000
Certificates of indebtedness	580,000	1,280,000	1,525,000	1,420,000
Capital improvement bonds	3,875,000	3,525,000	3,155,000	2,775,000
Permanent improvement revolving bonds	6,660,000	4,835,000	3,755,000	2,635,000
State aid bonds	2,065,000	1,915,000	1,760,000	2,555,000
Referendum bonds	-	-	-	-
Promissory note payable	-	-	-	-
Total governmental activities	50,850,000	55,200,000	52,370,000	49,845,000
Business-type activities				
G.O. revenue bonds	<u>8,815,000</u>	<u>15,040,000</u>	<u>14,680,000</u>	<u>15,330,000</u>
Total outstanding debt	<u>\$ 59,665,000</u>	<u>\$ 70,240,000</u>	<u>\$ 67,050,000</u>	<u>\$ 65,175,000</u>
Total outstanding debt as a percentage of personal income	6.98%	7.99%	7.62%	7.10%
Total outstanding debt per capita	\$ 1,969	\$ 2,321	\$ 2,161	\$ 2,082

Table 15

2010	2011	2012	2013	2014	2015
\$ 35,090,000	\$ 34,675,000	\$ 17,375,000	\$ 16,925,000	\$ -	\$ -
-	-	17,315,000	16,995,000	16,675,000	15,840,000
600,000	-	-	-	-	-
1,735,000	-	-	-	-	-
781,000	561,000	774,000	680,000	2,140,000	1,915,000
2,495,000	2,200,000	3,455,000	1,470,000	970,000	470,000
1,480,000	1,125,000	760,000	385,000	-	-
955,000	740,000	520,000	290,000	60,000	-
1,660,000	1,660,000	1,525,000	1,390,000	1,250,000	1,105,000
-	-	-	983,593	786,874	590,155
44,796,000	40,961,000	41,724,000	39,118,593	21,881,874	19,920,155
14,875,000	14,400,000	7,420,000	6,875,000	6,310,000	5,720,000
<u>\$ 59,671,000</u>	<u>\$ 55,361,000</u>	<u>\$ 49,144,000</u>	<u>\$ 45,993,593</u>	<u>\$ 28,191,874</u>	<u>\$ 25,640,155</u>
6.65%	6.17%	5.28%	4.79%	2.89%	2.54%
\$ 1,950	\$ 1,795	\$ 1,579	\$ 1,451	\$ 884	\$ 800

CITY OF ANDOVER, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

Table 16

Year	City of Andover		Anoka County			
	Population (1)	Personal Income (2)	Population (3)	Personal Income (2)	Per Capita Income (3)	Unemployment Percentage
2006	30,222	\$ 852,774,174	327,005	\$ 9,227,100,085	\$ 28,217	4.0%
2007	30,263	879,549,003	326,252	9,482,028,265	29,064	4.6%
2008	31,023	880,029,441	327,090	9,278,562,030	28,367	5.5%
2009	31,298	917,375,678	331,582	9,719,000,002	29,311	8.5%
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	5.1%
2014	31,874	976,842,478	341,864	10,477,106,008	30,647	4.3%
2015	32,050	1,008,741,700	342,500	10,779,845,000	31,474	3.6%

- 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 Nine Years Ago

Table 17

Taxpayer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Anoka Hennepin I.S.D. No. 11	760 ⁽¹⁾	1	31.8%	622	1	33.9%
Fairview Andover Clinic	300	2	12.6%			-
Anoka County Sheriff's Office	250	3	10.4%			-
Kottkes' Bus Service, Inc.	225	4	9.4%	200	3	10.9%
Wal-Mart	210	5	8.8%			-
YMCA	186	6	7.8%			-
Target	170	7	7.1%	182	4	9.9%
Anoka County Highway Department	103	8	4.3%	105	6	5.7%
Bunker Hills Regional Park/Activity Center	100	9	4.2%	245	2	13.3%
Andover County Market	85	10	3.6%			-
Festival Foods			-	102	7	5.6%
Columbia Park Medical Group			-	115	5	6.3%
Meadow Creek Christian School			-	92	8	5.0%
Tanners Steakhouse & Bar			-	83	10	4.5%
City of Andover			-	90	9	4.9%
Total	<u>2,389</u>		<u>100.0%</u>	<u>1,836</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.

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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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental:										
Administration	1.30	1.45	1.15	1.15	1.15	0.91	1.15	1.15	1.05	1.05
Human resources	0.07	0.02	0.01	0.02	0.02	0.02	0.02	0.02	0.03	0.03
City clerk	1.84	1.91	1.43	1.29	1.34	1.34	1.34	1.34	1.84	1.84
Elections	0.10	0.10	0.08	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Financial administration	3.95	2.35	1.97	1.85	1.85	1.84	1.85	1.85	1.91	1.91
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	4.75	4.75	4.25	3.70	3.70	3.76	3.70	3.70	3.90	3.90
Engineering	4.57	4.78	4.41	4.28	4.33	4.16	4.33	4.33	4.20	4.20
Facility Management	-	-	-	0.33	0.20	0.21	0.07	0.22	0.22	0.22
EDA general	0.70	0.70	0.85	0.90	0.85	0.78	0.85	0.85	0.35	0.35
LRRWMO	0.21	0.21	0.21	0.20	0.20	0.24	0.20	0.20	0.15	0.15
Risk management	0.18	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	3.10	3.10	3.10	3.10
Protective inspection	6.03	6.08	5.78	3.93	3.93	3.66	3.93	3.93	3.93	3.93
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	6.12	6.20	6.00	5.05	5.10	5.59	5.46	4.97	4.88	5.20
Snow and ice	3.27	3.49	3.21	2.45	2.45	2.57	2.03	3.44	3.95	2.65
Street signs	1.35	1.44	1.41	1.31	1.41	1.46	1.43	1.34	1.30	1.41
Forestry	0.10	-	-	-	-	-	-	-	-	-
ROW management/utility	0.85	0.60	0.65	0.50	0.20	0.16	0.20	0.20	0.20	0.20
Water	5.57	4.78	4.84	4.63	4.63	4.70	4.74	4.56	4.52	4.63
Sewer	2.97	3.18	3.24	3.38	3.38	3.23	3.17	3.49	3.06	3.38
Storm sewer	2.01	1.95	2.20	2.55	2.55	2.87	2.54	2.23	2.25	2.45
Central equipment	2.92	2.96	2.96	2.87	2.90	2.91	2.91	2.91	2.81	2.90
Park & Recreation:										
Park and recreation	7.33	7.05	6.85	6.66	6.71	6.69	6.77	7.14	7.33	8.51
Community center	2.12	2.12	2.23	2.96	3.11	3.04	3.25	3.10	3.10	3.10
Recycling	0.93	0.88	0.86	1.23	1.23	0.96	1.30	0.77	0.76	1.23
	<u>63.30</u>	<u>61.16</u>	<u>58.75</u>	<u>55.50</u>	<u>55.50</u>	<u>55.36</u>	<u>55.50</u>	<u>56.00</u>	<u>56.00</u>	<u>57.50</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	2006	2007	2008	2009	2010
General government:					
Registered voters	17,500	n/a	17,830	n/a	18,713
Number of precincts	10	n/a	10	n/a	10
Public safety:					
Police:					
Number of calls for services	14,500	12,150	11,617	11,075	11,441
Number of traffic citations	1,850	1,710	2,475	2,848	1,926
Number of patrol hours	30,858	30,240	30,240	30,240	30,240
Fire:					
Fire responses	460	366	326	305	323
Emergency medical responses	690	736	797	754	722
Protective inspections:					
Inspections	8,117	5,456	5,020	3,716	2,860
Residential permits	153	91	49	42	71
Other permits	3,128	2,095	1,862	1,543	1,773
Public works:					
Streets and highways:					
Asphalt streets maintained (miles)	182	189	189	189	190
Gravel roads maintained (miles)	7	8	8	8	8
Cul-de-sacs and dead ends maintained	324	330	336	338	338
Parks and recreation:					
Number of City parks	63	65	66	66	47
Total acreage mowed	273	297	297	293	293
Ballfields maintained	25	27	28	28	28
Number of playgrounds	36	37	37	37	38
Soccer fields maintained	19	16	19	19	19
Trail maintained (miles)	29	35	35	35	35
Community center bookings (hrs):					
Fieldhouse	7,450	8,514	8,282	9,718	11,099
Ice arena	2,405	2,497	2,393	2,640	2,583
Water:					
New connections	197	63	33	145	56
Total customers	5,854	5,917	5,950	6,095	6,151
Annual consumption (thousands of gallons)	911,712	1,046,789	993,626	1,000,971	905,561
Sanitary Sewer:					
New connections	186	120	23	183	75
Total customers	6,717	6,777	6,800	6,983	7,058
Storm Sewer:					
Total customers	9,744	9,785	9,800	9,950	10,042
Storm sewer lines maintained (miles)	47	65	66	69	69

Source: Various City Departments

Table 19

2011	2012	2013	2014	2015
n/a	18,366	n/a	19,772	n/a
n/a	10	n/a	10	n/a
11,650	10,963	10,659	10,319	10,400
2,000	2,202	2,480	2,536	2,016
29,200	29,200	29,200	29,200	29,200
265	320	308	257	262
764	816	863	838	336
3,074	3,872	3,766	2,840	3,100
58	81	98	52	74
1,755	1,714	1,716	1,898	2,744
191	191	192	195	200
7	7	7	7	6
338	338	328	332	345
50	49	50	51	52
302	302	318	332	332
28	28	28	28	29
38	38	39	38	38
21	17	20	16	16
35	33	35	33	16
11,461	11,426	11,831	12,182	11,919
2,575	2,805	2,543	2,593	2,643
78	38	108	43	57
6,229	6,267	6,375	6,418	6,475
854,672	1,050,378	947,201	827,574	885,886
77	38	108	43	57
7,135	7,173	7,281	7,324	7,381
10,126	10,164	10,583	10,626	10,700
69	69	73	75	76

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

Table 20

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety:										
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Fire vehicles	18	20	20	21	22	21	21	20	21	19
Protective inspections:										
Vehicles	3	3	3	3	3	4	4	4	4	4
Public Works:										
Streets and Highways:										
Streets (miles)	189	189	189	189	190	191	191	192	195	200
Street lights	8,101	1,204	1,212	1,215	1,218	1,225	1,231	1,231	1,240	1,248
Traffic signals	20	22	23	23	24	24	24	24	24	25
Parks and Recreation:										
Parks	63	65	66	66	47	50	49	50	51	52
Ball fields	28	27	28	28	28	28	28	28	28	29
Soccer fields	16	16	19	19	19	21	17	20	16	16
Playgrounds	36	37	37	37	38	38	38	39	38	38
Trails (miles)	29	35	35	35	35	35	33	35	33	33
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	3	3	3	3	2	2	2	2	2	2
Water main (miles)	84	108	108	108	108	109	111	112	115	116
Connections	5,760	5,917	5,950	6,095	6,151	6,229	6,267	6,375	6,418	6,475
Sanitary sewer:										
Sewer main (miles)	87	91	91	91	93	93	93	94	95	96
Connections	6,560	6,777	6,800	6,983	7,058	7,135	7,173	7,281	7,324	7,381
Number of lift stations	9	9	9	9	9	9	9	9	9	9
Storm sewer:										
Storm sewer lines (miles)	47	65	66	69	69	69	69	73	75	76

IV. OTHER FINANCIAL INFORMATION

CITY OF ANDOVER, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2015

	<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%	<u>\$ 17,315,000</u>
Certificates of Indebtedness:				
2012A G.O. Equipment Certificates	3/22/2012	2/1/2017	2.00%	585,000
2014A G.O. Equipment Certificates	5/29/2014	2/1/2020	1.50-2.00%	<u>1,555,000</u>
Total certificates of indebtedness				<u>2,140,000</u>
Capital Improvement Bonds:				
2012B G.O. Capital Improvement Refunding Bonds	3/22/2012	2/1/2016	2.00%	<u>1,570,000</u>
State Aid Bonds:				
2009A State Aid Street Refunding Bonds	3/26/2009	2/1/2015	2.25-2.80%	<u>955,000</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				23,640,000
Promissory note payable	12/17/2013	11/15/2018	n/a	983,593
Compensated absences payable				<u>-</u>
Total governmental activities indebtedness				<u>24,623,593</u>
BUSINESS-TYPE ACTIVITIES:				
General Obligation Revenue Bonds:				
2007B G.O. Water Revenue Refunding Bonds	3/13/2007	2/1/2023	4.00-4.25%	6,570,000
2009A G.O. Water Revenue Bonds	3/26/2009	2/1/2024	2.00-4.25%	<u>1,025,000</u>
Total general obligation revenue bonds				<u>7,595,000</u>
Compensated absences payable				<u>-</u>
Total business-type activities indebtedness				<u>7,595,000</u>
Total City indebtedness				<u><u>\$ 32,218,593</u></u>

Principal Payments		Outstanding 12/31/15	2016 Payment		Total
Prior Years	Current Year		Principal	Interest	
\$ 640,000	\$ 835,000	\$ 15,840,000	\$ 845,000	\$ 371,506	\$ 1,216,506
-	-	585,000	50,000	11,200	61,200
-	225,000	1,330,000	260,000	23,350	283,350
-	225,000	1,915,000	310,000	34,550	344,550
600,000	500,000	470,000	470,000	4,700	474,700
895,000	60,000	-	-	-	-
410,000	145,000	1,105,000	145,000	28,942	173,942
2,545,000	1,765,000	19,330,000	1,770,000	439,698	2,209,698
196,719	196,719	590,155	196,719	-	196,719
-	-	651,195	-	-	-
2,741,719	1,961,719	20,571,350	1,966,719	439,698	2,406,417
990,000	525,000	5,055,000	550,000	194,545	744,545
295,000	65,000	665,000	65,000	23,555	88,555
1,285,000	590,000	5,720,000	615,000	218,100	833,100
-	-	160,477	-	-	-
1,285,000	590,000	5,880,477	615,000	218,100	833,100
\$ 4,026,719	\$ 2,551,719	\$ 26,451,827	\$ 2,581,719	\$ 657,798	\$ 3,239,517

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

Exhibit 2

	Taxes Payable	
	2016	2015
Tax capacity values	\$ 26,870,365	\$ 25,705,350
Captured tax increment value	(248,400)	(210,936)
Fiscal disparities - contribution	<u>(1,055,278)</u>	<u>(998,390)</u>
Local taxable value	25,566,687	24,496,024
Fiscal disparities - distribution	<u>4,264,789</u>	<u>4,257,801</u>
Adjusted tax capacity	<u>\$ 29,831,476</u>	<u>\$ 28,753,825</u>

	2016		2015	
	Certified Levy	Tax Capacity Rate	Certified Levy	Tax Capacity Rate
General Revenue Levy:				
General Fund	\$ 8,037,528		\$ 7,630,892	
Capital Equipment/Projects	250,000		250,000	
Parks Projects	15,000		61,500	
Road and Bridge	1,089,146		967,197	
Pedestrian Trail Maintenance	<u>61,838</u>		<u>58,271</u>	
Total General Revenue Levy	<u>9,453,512</u>	31.898%	<u>8,967,860</u>	30.441%
Debt Service Levy:				
2012A G.O. Equipment Certificate	142,885		140,000	
2012B G.O. Capital Improv Refund Bonds	498,435		540,120	
2012C G.O. Abatement Bonds	977,332		975,652	
2014A G.O. Equipment Certificate	<u>295,470</u>		<u>296,055</u>	
Total Debt Service Levy	<u>1,914,122</u>	6.381%	<u>1,951,827</u>	6.628%
Lower Rum River Watershed	<u>40,000</u>	<u>0.388%</u>	<u>40,000</u>	<u>0.391%</u>
Total	11,407,634	<u>38.667%</u>	10,959,687	<u>37.460%</u>
Voter-Approved Open Space Referendum - MV	<u>186,291</u>	<u>0.00699%</u>	<u>184,238</u>	<u>0.00718%</u>
	<u>\$ 11,593,925</u>		<u>\$ 11,143,925</u>	

CITY OF ANDOVER, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
GENERAL OBLIGATION BONDS
December 31, 2015

Exhibit 3

<u>Taxes Payable</u>	<u>Certificates of Indebtedness 2012A</u>	<u>Certificates of Indebtedness 2014A</u>	<u>Capital Improvement Refunding Bonds 2012B</u>	<u>Abatement Bonds 2012C</u>	<u>Open Space Referendum Bonds 2010A</u>	<u>Total Deferred Tax Levies</u>
2016	\$ 142,885	\$ 295,470	\$ 498,435	\$ 977,332	\$ 186,291	\$ 2,100,413
2017	-	294,945	-	1,278,670	188,777	1,762,392
2018	-	294,525	-	1,286,335	183,989	1,764,849
2019	-	-	-	1,282,975	184,199	1,467,174
2020	-	-	-	1,284,550	184,078	1,468,628
2021	-	-	-	1,280,455	-	1,280,455
2022	-	-	-	1,285,285	-	1,285,285
2023	-	-	-	1,283,015	-	1,283,015
2024	-	-	-	1,282,883	-	1,282,883
2025	-	-	-	1,280,744	-	1,280,744
2026	-	-	-	1,281,781	-	1,281,781
2027	-	-	-	1,291,027	-	1,291,027
2028	-	-	-	1,292,340	-	1,292,340
2029	-	-	-	1,297,800	-	1,297,800
	<u>\$ 142,885</u>	<u>\$ 884,940</u>	<u>\$ 498,435</u>	<u>\$ 17,685,192</u>	<u>\$ 927,334</u>	<u>\$ 20,138,786</u>

CITY OF ANDOVER, MINNESOTA
 SCHEDULE OF FUND TRANSFERS
 December 31, 2015

Exhibit 4

	Transfer In	Transfer Out	
<u>General Fund</u>			
Water EF	\$ 150,250	\$ -	General Fund Admin Allocation
Sewer EF	46,680	-	General Fund Admin Allocation
Trail and Transportation CPF	-	200,000	Fund trail projects
Total General Fund	<u>196,930</u>	<u>200,000</u>	
<u>Special Revenue Funds (SRF)</u>			
Community Center SRF			
2012C GO Abatement Bonds DSF	-	300,000	Debt Service Allocation
<u>Debt Service Funds (DSF)</u>			
2009A GO State Aid Road Refunding Bonds DSF			
Road and Bridge CPF	-	48,902	Close Debt Service Fund
2012C GO Abatement Bonds DSF			
Community Center SRF	300,000	-	Debt Service Allocation
Total Debt Service Funds	<u>300,000</u>	<u>48,902</u>	
<u>Capital Projects Funds (CPF)</u>			
Water Trunk CPF			
Water EF	-	58,249	Debt Service Allocation
Sewer Trunk CPF			
Sewer EF	400,000	-	Replacement Reserve
Road and Bridge CPF			
2009A GO State Aid Road Refunding Bonds DSF	48,902	-	Close Debt Service Fund
Trail and Transportation CPF			
General Fund	200,000	-	Fund trail projects
Total Capital Projects Funds	<u>648,902</u>	<u>58,249</u>	
<u>Enterprise Funds (EF)</u>			
Water EF			
Water Trunk CPF	58,249	-	Debt Service Allocation
General Fund	-	150,250	General Fund Admin Allocation
	<u>58,249</u>	<u>150,250</u>	
Sewer EF			
General Fund	-	46,680	General Fund Admin Allocation
Sewer Trunk CPF	-	400,000	Replacement Reserve
	<u>-</u>	<u>446,680</u>	
Total Enterprise Funds	<u>58,249</u>	<u>596,930</u>	
Total All Funds	<u>\$ 1,204,081</u>	<u>\$ 1,204,081</u>	