

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT
YEAR ENDED DECEMBER 31, 2012**



**THE CITY OF
ANDOVER, KS**

EST. 1957

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF ANDOVER, KANSAS

FOR THE YEAR ENDED DECEMBER 31, 2012

Ben Lawrence, Mayor
Kris Estes, Council Member
Sheri Geisler, Council Member
Caroline Hale, Council Member
Clark Nelson, Council Member
Byron Stout IV, Council Member
Troy Tabor, Council Member

PREPARED BY CHIEF FINANCIAL OFFICER
DONNA K. DAVIS

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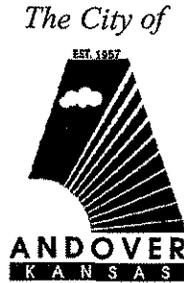
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INTRODUCTORY SECTION

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June 28, 2013

To the Citizens of ANDOVER

The Comprehensive Annual Financial Report of the City of Andover, Kansas for the fiscal year ended December 31, 2012 is submitted herewith. The reports were prepared through the efforts of the Chief Financial Officer and the City staff. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to, fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's Financial activity have been included.

This Comprehensive Annual Financial Report includes all the funds of the City and its component units. This report has been prepared in conformity with generally accepted accounting principles that are promulgated by the Government Accounting Standards Board and following the guidelines of Governmental Accounting, Auditing, and Financial Reporting.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Andover as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services consisting of highway and streets, wastewater treatment, public improvement, police, fire, recreation and leisure, planning and zoning and general administrative services. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Andover Public Building Commission is reported as a special revenue fund of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The Andover Public Library is reported as a discretely presented component unit.

Generally accepted accounting principles require 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 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.

PROFILE OF THE CITY

The City of Andover is located in western Butler County, which is in the south central portion of Kansas. Andover's western edge borders the City of Wichita and is 14 miles southwest of El Dorado, the county seat. The City was incorporated in 1957 with a population of 166, and covering less than 1 square mile. In the 50+ years since then the population had grown to 12,099 and the city currently covers 10 square miles.

The City of Andover operates under the form of government known as the Mayor-City Council model. Under this model, policy making and legislative authority are vested in a Governing Body consisting of the Mayor, who is a non-voting member, and six other Council members. The six Council members are elected at large, serving four-year staggered terms, with three Council members elected bi-annually. The Council members are responsible, among other things, for adopting ordinances and resolutions, adopting an annual budget, and confirming appointments of certain officials of boards and committees.

The Mayor is also elected at large and is responsible, among other things, to preside over Council meetings, formulate the council agenda, appoint the Municipal Court Judge, City Attorney, City Administrator, City Clerk, City Treasurer and Chief of Police, and to publicly represent the City. The City Administrator is responsible to the Mayor for the administration of all city affairs placed in his or her charge by the Mayor. All City department heads report directly to the City Administrator. The City Administrator works to insure that policies adopted by the governing body are implemented, and to facilitate communication among the Mayor, City Council members, and City staff.

ECONOMIC CONDITIONS AND OUTLOOK

The decline in housing starts over the last few years in the City of Andover began to turn around in 2012. For the previous ten-year period a yearly average of 132 new residential building permits were issued. During 2012 there were 91 new residential building permits, and no new build commercial permits, but there were several remodeling commercial permits with a total value in excess of \$2.7 million. To stimulate housing starts the City Council approved a Neighborhood Revitalization Program (NRP) with an implementation date of June 1, 2012. The NRP rebates property taxes (city, county and community college) for 5 years for new construction. Of the new residential permits in 2012, 53 qualified for the NRP program. Although the commercial development was down in 2012 it is looking strong for the next several years. For 2013 there is a new Medical Office Park and a hospital expansion planned. Due to the economic uncertainty, a number of new housing development projects had been put on hold until the housing market started to recover. Those developers have now expressed interest in starting their projects in the near future. Families are moving to the smaller communities around the Wichita area for the quiet lifestyle and quality schools.

The Wichita based aircraft industries' overall economic condition continues to face tough times. Due to the proximity to Wichita, this condition has a bearing on the economic condition in Andover. At the end of the year, the average unemployment rate was 5.3% for the State and 5.8% for Butler County, which is a decrease of .8% from 2011.

The City assisted in the development an industrial park where our three major industries, International Cold Storage, Vornado Air Circulation Systems, Inc., and Sherwin Williams (fka Pratt & Lambert) as well as other smaller companies have located. These businesses employ approximately 300 people. In July of 2012, upon the recommendation from the Andover Envisioning Group, the city council renamed this development the Andover Business Park. This park has the necessary infrastructure to provide access, water, sewer and fiber optic service for new companies wishing to locate in Andover. The number of small retail and service jobs held steady in 2012.

Based on current projections and activities, the City of Andover anticipates slight economic growth. The Andover Chamber of Commerce and the Convention and Visitors Bureau continue to promote all aspects of the community.

MAJOR INITIATIVES

Parks and Recreation Department

Improvements continue to be made at the City's parks. Fescue sod and a Rain Garden were installed at Andover Cornerstone Park, with more improvements to follow. A major park clean-up/public safety project took place in all the city parks. This entailed removing hazardous dead trees and poison ivy/oak plants from the parks. The water quality within Lake George located at Central Park improved by more than 1,000% as a result of clean-up efforts. In the 13th Street Sports Park plans for a new multipurpose playing field with stadium lights were set in motion, with the field being operational in the spring of 2014. Throughout the various parks 72 additional trees were planted to begin replacing those lost to the current drought and those that were lost during the clean-up project. There will be more plantings to follow.

Street Department

The Street Department sealed 81,896 square yards of streets. Paving improvement projects included Central Ave. from Andover Rd. to 159th St. E. Using funds from the City's 1% sales tax road improvement fund, Greenvalley Drive, Valleyview Court, Hillcrest Court, Countryside Court, Sunnyslope Court and Pineview Drive were rebuilt. The 21st Street improvement project between 159th Street and Andover Road was substantially completed, with the landscaping anticipated to be completed in 2013. The only major equipment purchase was an \$80,000 used wheel loader using money from the equipment reserve fund. Major projects this past year included improvements to gravel roads, ditch work, sidewalks and curb repairs, and the inventory of the City's 2,155 street signs.

Wastewater Department

Approximately 264,296,500 gallons of raw sewage were treated. Nearly 4,661,716 gallons of treated sludge were spread on City owned agricultural fields using a sludge sprinkler system. 87,591,960 gallons of treated wastewater effluent were sold to Flint Hills National Golf Club for irrigation of the golf course. A jetter and easement machine was used to clean 89,800 feet of sewer lines. As part of an ongoing maintenance program, 4,507' of sewer pipes, and 20 manholes and 220' of vertical pipe were rehabbed and/or lined. The rehabilitation of the sewer lines and manholes has allowed the average daily flows to remain steady, while the number of sewer connections continues to increase.

Fire Department

Andover Fire/Rescue responded to 1,354 requests for assistance in 2012, a decrease of 60 responses or 4.2% from 2011. Of the total alarms, 66% were medical/rescue in nature – mirroring the national trend of departments responding to emergencies that are medical responses and less in fire responses. Fire Department personnel conducted over 400 business inspections, hundreds of fire hydrant inspections and participated in over 2,500 hours of training. In 2012, a Light Rescue Vehicle was purchased, replacing the 11 year old rescue unit that was in service. The department was blessed with a surprise donation of \$29,384 from the Charles Leroy Tipton estate. These funds were used to partially equip the new rescue unit with the latest in rescue and life safety tools and equipment.

Police Department

During 2012, the Police Department was wrapping up an intensive three year initiative, seeking national accreditation through the Commission on Accreditation for Law Enforcement Agencies (CALEA) and becoming one of only six law enforcement agencies in the state of Kansas to be accredited. In 2012, the department responded to 19,329 calls for service, approximately a 7% increase from 2011. Overall major crime for the third year decreased from 415 reported incidents in 2011 to 388 incidents in 2012. Violent crimes increased significantly from 10 in 2011 to 19 in 2012, but property crimes decreased by 8.9% from 405 reported incidents in 2011 to 369 incidents in 2012. The continual reduction in crime is a direct reflection of the department's professionalism and commitment to provide quality service to the residents of Andover. Additionally in 2012, there were 2,504 traffic citations and 1,109 warning citations issued. However, motor vehicle accidents increased by 4%, from 352 total accidents in 2011 to 366 in 2012. A donation of \$29,384 was received from the Charles Leroy Tipton estate in 2012. These funds are being used to purchase equipment that will assist the police in performing their duties safely and effectively.

Storm Water Department

During 2012 work continued on the walking trail in Central Park along the creek. This project includes a mulched trail with great views of the creek lending an almost “middle of the country” feel in the heart of the City. The majority of this project is being completed by various scouting clubs. The construction of a large rain garden in Andover Cornerstone Park was implemented in 2011, but due to the extreme heat and drought it was replanted in 2012 by volunteer Girl Scouts. Once established, this will be the largest rain garden in the metro area and serve as a demonstration of the benefits of this type of environmental friendly garden. Storm water staff assisted the 5th grade class at Robert Martin Elementary with establishing an outdoor classroom. A food waste composter, guttering and the installation of gutter for a rainwater harvesting system on an outbuilding to supply water for the garden were all donated by the Storm Water Department. Assistance was also given in obtaining a \$2,000 grant from a local company for the outdoor classroom.

Recycling/Trash Department

The City's mandatory recycling program completed its second year in 2012. The recycling program serves almost 3,500 households, and diverts approximately 6 million pounds of material from the landfill. The City also has a contract with the recycling hauler to provide

trash service (a voluntary participation program) at a reduced rate. The residents who have chosen this hauler (approximately 75%) have realized tremendous savings. Prior to the change households were paying \$65-\$90 per calendar quarter, the new contracted rate is \$30 a calendar quarter. In addition to providing affordable trash and recycling services, the contract provider also sponsors, at no cost to the City, an annual city-wide cleanup event. In 2012, the money raised by recycling metal items turned in at this event was donated back to the park's department. The recycling and trash program was reviewed by staff and City Council, and it was decided to continue with the program for the remaining 3 years of the 5 year term with the current provider.

Building Inspection/Code Enforcement Department

Building permits and inspection requests are now processed through an internet based software service. In 2012 an automatic email notification was instituted. This allows contractors to receive an email containing inspection results as they are input by the inspector. Staff performs plan reviews and inspections, which includes the support and review of several hundred permits and projects that are currently active within the community. The number of new residential permits was up slightly from 2011, and represented 85% of the total value of all permits issued. While there were no new commercial projects in 2012, there was a significant increase in commercial remodeling projects. Approximately 3,000 scheduled inspections were performed in 2012.

Communications/Information Technology

In 2012, Communications/IT continued to support other departments City wide. Andover 911 worked fully staffed through the year and handled 19,329 calls for service, a 6.6% increase from 2011. Andover communications/IT 2012 projects included upgrades to existing mobile computers in emergency vehicles, preparing for body cameras and digital ticketing projects, and continued ongoing support of over 75 users and 100 user devices.

FINANCIAL PLANNING

The Governing Body realizes the importance of a long-term plan for capital expenditures for buildings, land and infrastructures of a municipality. In 2012, the process to update the Comprehensive Development Plan that the Governing Body adopted in 1990 which established the agenda for civic improvements, was started. The policies contain ideas the Council and staff want to consider for the future of Andover as the community continues to grow. The purpose of the plan is to keep the present and future governing bodies informed on the relative need for large expenditures at times when the immediate needs of the community receive the most attention. The plan forces the Governing Body to give forethought to the future of the community. In addition, the plan provides information to the citizens well in advance of the City's intent to acquire and/or develop capital facilities. The policy is to be reviewed annually between January 1 and March 31.

Under the laws of the State of Kansas, special assessment debt incurred constitutes a general obligation of the City. This debt is controlled and serviced through the Debt Service fund. The City of Andover, on October 13, 1998 adopted a resolution that approved a debt management and fiscal policy that became effective January 1, 1999. Included in the resolution is a measure of debt affordability, which provides that the amount of new general

obligation debt, including temporary notes, issued in any one fiscal year shall not exceed sixty percent of the amount of new growth in the prior year of the assessed valuation of the City.

The City's accounting system is organized and operated on a "fund basis". Each fund is a distinct self-balancing accounting entity.

In developing and altering the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurances regarding the safeguarding of assets against loss from unauthorized use or disposition. The internal accounting controls also insure the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The final evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations for accounting occur within the above framework. Internal control is exercised to the greatest extent conceivable for a city of our size with limited personnel.

During all regular City Council meetings the Governing Body approves appropriation ordinances listing all expenditures. The budget is reviewed continually in all activities for significant deviations from budget authorizations. The Kansas Cash Basis and Budget Laws require cash be on hand before an expenditure is authorized, that all expenditures be budgeted (unless specifically exempted), and that the budget cannot exceed anticipated revenues including carry forward cash balances. The Governing Body, management, and department heads receive a monthly financial report on status of budgetary conditions of all funds.

As demonstrated by the statements and schedules included in the Financial Section of this report, the government continues meeting its responsibility for sound financial management.

OTHER INFORMATION

Independent Audit. The City of Andover became a City of the second class on April 1, 1995. Kansas Statutes Annotated requires an annual audit of all accounts. The City of Andover's Governing Body, pursuant to Kansas State Law, contracts for an audit of accounts, transactions, and financial records. The City of Andover engages George, Bowerman, and Noel, P.A., to perform the audit. The auditor's report on the financial statements is included in the Financial Section of this report.

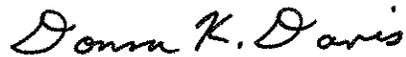
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Andover, Kansas, for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2011.

In order to be awarded a Certificate of Achievement, a governmental 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.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate Program requirements, and are submitting it to GFOA to determine its eligibility for another certificate. The City of Andover has received the Certificate of Achievement for the last 33 years.

Acknowledgments. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the City staff. I express my appreciation to all persons who assisted and contributed to the financial preparation of all reports. I would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

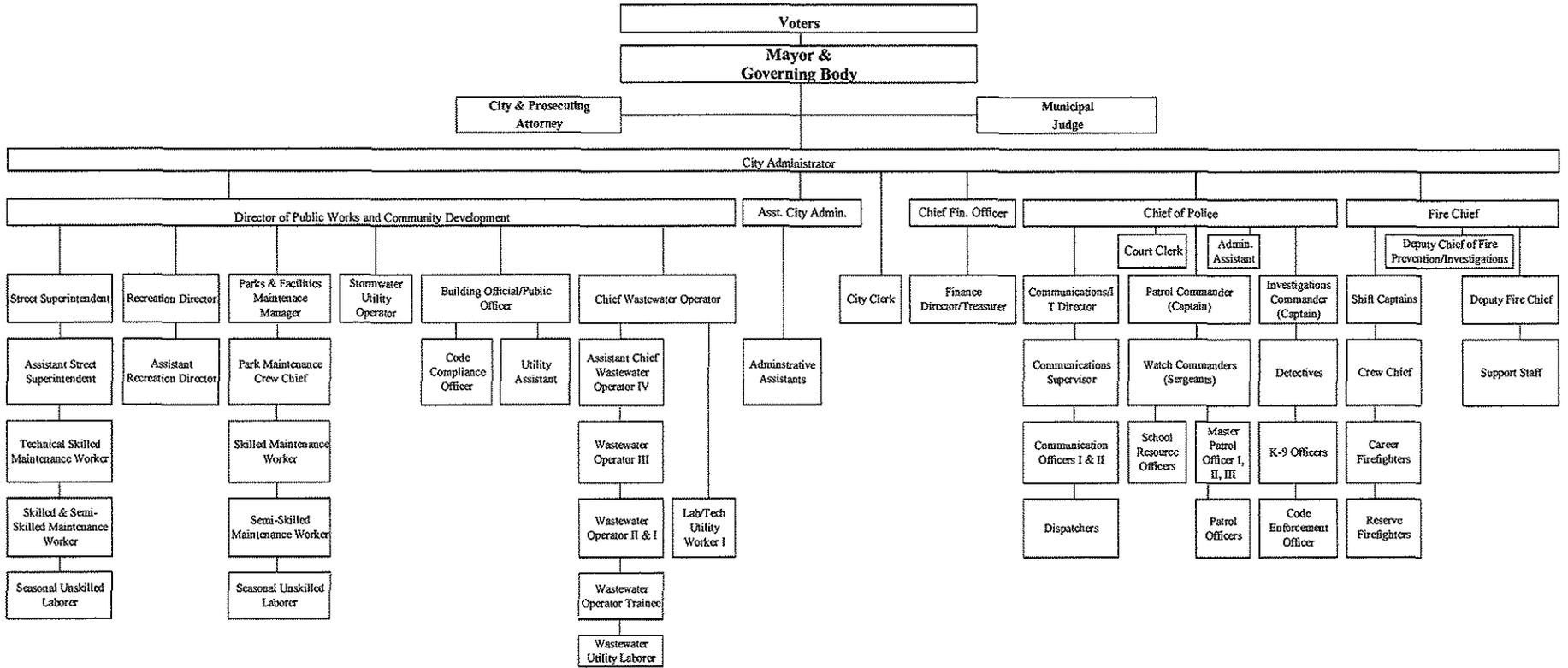
A handwritten signature in cursive script that reads "Donna K. Davis".

Donna K. Davis
Chief Financial Officer

CITY OF ANDOVER, KANSAS
LIST OF PRINCIPAL OFFICIALS
December 31, 2012

<u>Title</u>	<u>Name</u>
Mayor	Ben Lawrence
Council Member	Kris Estes
Council Member	Sheri Geisler
Council Member	Caroline Hale
Council Member	Clark Nelson
Council Member	Byron Stout IV
Council Member	Troy Tabor
City Administrator	Sasha Stiles
City Superintendent	Leslie Mangus
City Clerk	Susan Renner
Chief Financial Officer	Donna K. Davis
Financial Director/Treasurer	Julie Spyres
Chief of Police	Michael Keller
Chief of Fire	Jimmie Shaver
Wastewater Superintendent	Brian Walls
Street Superintendent	William Braitsch
Parks & Facilities Director	Robert Mayer
Recreation Director	Ralph Rust
City Consulting Engineer	Mike Thompson, POE & Associates
Municipal Judge	Eugene White
City Attorney	Norman Manley
Planning Consultant	Bickley Foster, Foster & Associates
Financial Advisor	Mark Detter, Central States Capital
Prosecuting Attorney	Cami Baker

CITY OF ANDOVER, KANSAS ORGANIZATIONAL CHART



6

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Andover
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Egan

Executive Director

FINANCIAL SECTION

George, Bowerman & Noel, P.A.

*Certified Public Accountants
Management Consultants
Tax Advisors*

Paul R. Bowerman
Gary L. George

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
Andover, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Andover, Kansas (City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. 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 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Andover, Kansas, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Street Improvement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections as listed in the table of contents 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 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.

George, Bowerman & Noel, P.A.

Wichita, Kansas
June 21, 2013

**CITY OF ANDOVER, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012**

As management of the City of Andover, Kansas, we offer readers of the City's Comprehensive Annual Financial report (CAFR) this narrative overview and analysis of the financial activities of the City of Andover for year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, and the CAFR transmittal letter in the preceding Introductory Section.

FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of resources of the City of Andover exceeded its liabilities and deferred inflows of resources at the close of 2012 by \$71,697,177. Of this amount, \$25,496,277 represents net position invested in capital assets, net of related debt. Also included is \$42,842,242 restricted for future debt service, various other functions and wastewater facility expansion.
- The City's total net position increased \$3,337,362 during the fiscal year.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balance of \$6,953,960. For 2011, there was a fund balance of \$3,507,916.
- At the end of 2012, the General Fund fund balance was \$1,905,178, a decrease of 12.2% from 2011. This was the result of a slight (3.2%) increase in expenses and revenue decreasing \$372,896, primarily from a decrease in charges for services.
- The City of Andover's total bonded debt decreased \$2,664,000 during 2012. The key factors were the issuance of new general obligation bonds for infrastructure of \$2,444,000. However, \$5,645,000 of general obligation bonds were advance refunded during 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Andover's Comprehensive Annual Financial Report, which includes the basic financial statements. The City's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the City of Andover's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Andover 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 of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including public safety, highways and streets, culture and recreation, environmental protection, economic development, health and sanitation and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- **Business type Activities** – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's sewer, water and recycling/trash utilities are reported here.
- **Component Unit** – A component unit is an entity that is legally separate, but for which the City is financially accountable. The Andover Public Library is reported under this heading.

Reporting the City's Most Significant Funds

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 fund financial statements provide detailed information about the most significant funds – not about the City of Andover as a whole. Some funds are required to be established by State law or by bond covenants. In addition, the City Council establishes other funds to help control and manage money for particular purposes, or to demonstrate that the City is complying with legal requirements for using certain taxes, grants or other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund Financial Statements

- Governmental funds – Most of the City’s basic services are reported in its governmental funds, which focus on how money flows into and out of these funds, and the balances left at year-end are available for future spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government’s near term financing decisions. The relationship or differences between the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Andover maintains twenty individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Street Improvement Fund, Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 27 through 36 of this report.

- Proprietary funds – When the City charges for certain services it provides, 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 Statements of Activities. In fact, the City’s enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary funds financial statements can be found at pages 37 through 41 of this report.

- Fiduciary funds – In these funds the City is the trustee, or fiduciary, for certain amounts held on behalf of parties outside the City. The City’s fiduciary activities are reported in the Statement of Fiduciary Net Position. We exclude these activities from the City’s other financial statements, because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The fiduciary funds financial statements can be found on page 42 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$71,697,177 at the close of 2012.

As shown on Table 1, the largest portion of the City’s assets, \$71,763,983, reflects its net investment in capital assets. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s net investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

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Table 1
City of Andover
Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 48,091,973	\$ 46,259,639	\$ 4,052,210	\$ 3,223,030	\$ 52,144,183	\$ 49,482,669
Capital assets	48,584,987	51,214,076	23,178,996	23,413,530	71,763,983	74,627,606
Total assets	<u>96,676,960</u>	<u>97,473,715</u>	<u>27,231,206</u>	<u>26,636,560</u>	<u>123,908,166</u>	<u>#####</u>
Deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>11,551</u>	<u>16,837</u>	<u>11,551</u>	<u>16,837</u>
Current and other liabilities	3,602,713	4,538,929	122,164	58,550	3,724,877	4,597,479
Long-term liabilities	42,649,425	44,957,866	1,480,870	1,786,525	44,130,295	46,744,391
Total liabilities	<u>46,252,138</u>	<u>49,496,795</u>	<u>1,603,034</u>	<u>1,845,075</u>	<u>47,855,172</u>	<u>51,341,870</u>
Deferred inflows of resources	<u>4,367,368</u>	<u>4,344,759</u>	<u>-0-</u>	<u>-0-</u>	<u>4,367,368</u>	<u>4,344,759</u>
Net position						
Net Investment in capital assets,	3,742,281	3,069,080	21,753,996	21,678,530	25,496,277	24,747,610
Restricted	39,920,413	39,086,258	2,921,829	2,402,826	42,842,242	41,489,084
Unrestricted	2,394,760	1,476,823	963,898	726,966	3,358,658	2,203,789
Prior year adjustment	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(80,668)</u>	<u>-0-</u>	<u>(80,668)</u>
Total net position	<u>\$ 46,057,454</u>	<u>\$ 43,632,161</u>	<u>\$ 25,639,723</u>	<u>\$ 24,727,654</u>	<u>\$ 71,697,177</u>	<u>\$ 68,359,815</u>

The city's net position increased \$3,337,362 during 2012

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Table 2
City of Andover
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue:						
Charges for services	\$ 2,689,635	\$ 2,359,179	\$ 2,548,492	\$ 1,986,106	\$ 5,238,127	\$ 4,345,285
Operating grants and contributions	364,185	341,771	-0-	-0-	364,185	341,771
Capital grants and contributions	3,735,910	10,502,266	-0-	-0-	3,735,910	10,502,266
General revenues:						
Sales tax	1,852,510	1,909,229	-0-	-0-	1,852,510	1,909,229
Property tax	7,158,713	6,653,922	-0-	-0-	7,158,713	6,653,922
Other taxes	721,312	764,593	-0-	-0-	721,312	764,593
Other general revenues	78,043	30,944	10,462	12,377	88,505	43,321
Total Revenues	16,600,308	22,561,904	2,558,954	1,998,483	19,159,262	24,560,387
Expenses						
General government	2,370,028	1,373,335	-0-	-0-	2,370,028	1,373,335
Public safety	3,980,400	3,843,380	-0-	-0-	3,980,400	3,843,380
Highways and street	3,895,179	3,424,155	-0-	-0-	3,895,179	3,424,155
Health and sanitation	125,110	170,363	-0-	-0-	125,110	170,363
Culture and recreation	1,590,511	1,996,474	-0-	-0-	1,590,511	1,996,474
Economic development	53,280	44,995	-0-	-0-	53,280	44,995
Environment protection	12,331	13,729	-0-	-0-	12,331	13,729
Interest on long-term debt	1,849,110	1,751,294	-0-	-0-	1,849,110	1,751,294
Water	-0-	-0-	213,041	208,667	213,041	208,667
Sewer	-0-	-0-	1,237,691	1,136,863	1,237,691	1,136,863
Recycling/Trash	-0-	-0-	495,219	411,880	495,219	411,880
Total Expenses	13,875,949	12,617,725	1,945,951	1,757,410	15,821,900	14,375,135
Excess (deficiency) of revenues over expenses before transfers						
	2,724,359	9,944,179	613,003	241,073	3,337,362	10,185,252
Transfers in (out)						
	(299,066)	(882,821)	299,066	882,821	-0-	-0-
Change in net position	\$ 2,425,293	\$ 9,061,358	\$ 912,069	\$ 1,123,894	\$ 3,337,362	\$ 10,185,252

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Governmental Activities. Governmental activities increased the City's net position by \$2,425,293 in 2012. This increase is the result of total revenue performing better than had been anticipated as well as expenses coming in lower than had been budgeted.

Total governmental activity expenses increased by \$1,258,224 for 2012. Salaries and benefits continue to be a significant portion of the operating expense for many functional areas and comprise approximately 41% of total operating costs, excluding debt service, for governmental activities. Total salaries, wages and benefit costs increased approximately 4.5% for 2012, which affects most all governmental activities. Public safety and street function activities continue to incur high petroleum product costs, which is a significant factor in their operations. Overall, inflation affected most all operating expenses such as supplies, utilities, insurance and other contractual services. The Midwest Region inflation rate for 2012 was about 1.8%.

Business-type Activities. Business-type activities increased the City's net position by \$912,069 in 2012. This increase can be attributed to an increase in revenue from charges for service. Operations of the Water and Trash Utilities remained relatively flat during 2012 with operations resulting in a combined operating loss for those two utilities of \$79,859. Transfers to other funds from Water Utility were \$28,644 during 2012 to assist in funding the City's portion of certain improvement projects. Due to an increase in fees in the Sewer Utility, this fund showed an operating profit of \$723,139. The revenue from the increase in fees is to be used for planned future expansion of the sewer plant.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial 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 2012, the City's governmental funds reported total fund balance of \$6,953,960 compared to fund balance of \$3,507,916 for the prior year, an increase of \$3,446,044.

General Fund

The General Fund is the primary operating fund of the City. At the end of 2012, \$201,425 of the fund balance was committed and \$1,703,753 was unassigned, for a total fund balance was \$1,905,178, which was \$265,088 or 12.2% less than the prior year's General Fund total fund balance. The reason for the decreased fund balance was a reduction in revenues from building permits and charges for services.

The City's management may also designate committed fund balance to a particular function, project or activity. Fund balance may also be designated for purposes beyond the current year. However, unassigned fund balance is available for appropriation at any

time. Of the total General Fund balance, 89.4% is unassigned. The committed amount is for current resources which were included in the subsequent year's budget to be used to finance operations for the ensuing year.

Street Improvement Fund

The Street Improvement Fund had an increase in the fund balance of \$901,835 or 47.7%. The decrease of \$602,916 in expenses was from lower expenditures on street construction due to slower activity in new housing developments.

Debt Service Fund

In the Debt Service Fund, the fund balance decreased \$78,307 or 9.4%, as a result of slightly lower debt service payments due to bond refundings in recent years.

Capital Projects Fund

During 2012, the Capital Projects Fund incurred \$3,425,814 less in expenditures than in 2011. With the completion of two final housing development projects, and no new projects starting in 2012, expenses dropped dramatically.

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 total net position of the enterprise funds increased \$912,069. This was due primarily to the contribution of water and sewer capital assets from developers and the municipality totaling \$374,397 and an increase in sales of service. Sewer utility rates increased approximately 19% effective January 1, 2012 and trash rates increased approximately 2.9% effective August 1, 2012.

Water Utility Fund

The total net position of the Water Utility Fund increased by \$50,635, due to the increase in new infrastructure built and contributed in 2012.

Sewer Utility Fund

The total net position of the Sewer Utility Fund increased by \$855,474. Due to the utility user fee rate increase, and collection of delinquent charges, fees collected increased \$476,045 from the prior year. The net cost of infrastructure built in 2012 accounted for \$209,557 of the increase.

Recycling/Trash Utility Fund

In the third year for the Recycling/Trash Utility Fund, expenses and revenues were fairly equal. The net position showed a modest increase of \$5,960.

General Fund Budgetary Highlights

Actual General Fund revenues were higher than the final budget by \$236,624, of which \$137,338 can be attributed to a higher than projected volume of construction permits. The remainder is primarily due to an increase in taxes collected of \$81,550. The expenditures from the General Fund at year-end were \$292,821 less than the final budget. The budget to actual variance was principally due to contractual service expenditures coming in \$85,894 less than projected, personal services was under budget \$143,293 and \$78,094 less spent on capital outlay than estimated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of December 31, 2012, amounted to \$71,763,983 (net of accumulated depreciation). This investment, detailed in Table 3, in a broad range of capital assets includes land, infrastructure, buildings and improvements, equipment, and construction in progress. This amount represents a net decrease of \$2,863,623, or 3.8%, for 2012.

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Table 3
City of Andover
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,364,841	\$ 1,364,841	\$ 123,946	\$ 123,946	\$ 1,488,787	\$ 1,488,787
Building and improvements	9,302,293	9,438,211	3,626,164	3,737,761	12,928,457	13,175,972
Impr. other than buildings	373,352	389,339	19,390,001	19,488,866	19,763,353	19,878,205
Machinery and equipment	1,791,272	2,025,957	38,885	62,957	1,830,157	2,088,914
Infrastructure	32,633,425	31,667,106	-0-	-0-	32,633,425	31,667,106
Construction in progress	3,119,804	6,328,622	-0-	-0-	3,119,804	6,328,622
Capital assets, net	<u>\$ 48,584,987</u>	<u>\$ 51,214,076</u>	<u>\$ 23,178,996</u>	<u>\$ 23,413,530</u>	<u>\$ 71,763,983</u>	<u>\$ 74,627,606</u>

Some of the City's major capital asset events in 2012 were:

- * In the capital projects there was a net infrastructure increase of \$966,319, resulting from street, water line and sewer line improvements.
- * The decrease in construction in progress of \$3,208,818, which was the completion of streets and drainage systems being constructed in a new commercial development, and an adjustment to valuation of projects in process.
- * The primary purchases in machinery and equipment were vehicles for police and fire departments and a \$80,000 front end loader for the street department.

Additional information regarding the City's capital assets can be found at note 3 of the Notes to the Financial Statements.

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Debt

At December 31, 2012, the City had total bonded debt outstanding of \$37,218,000. Of this amount, \$35,793,000 comprises debt backed by the full faith and credit of the government. The remainder of the City debt represents revenue bonds for the sewer utility. In addition, the City is obligated for \$2,945,000 of temporary notes for capital projects. The City's total debt decreased \$2,614,096 or 5.6% in 2012 due to principal payments made on outstanding debt.

Additional information regarding the City's long-term debt can be found at note 4 of the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for Butler County, in which Andover is located, is currently 5.8%, which is a decrease from the rate of 6.6% a year ago. This compares to the state's average unemployment rate of 5.3% and the national average of 7.8%. Inflationary trends in the region compare favorably to national indices. Assessed valuation increased 1.61% between the 2012 and 2013 budgets. These and other factors were considered in preparing the City of Andover's budget for the 2013 fiscal year.

During 2012, the budgetary fund balance in the General Fund increased to \$1,949,362. The City anticipated a carry forward fund balance of \$1,200,319 when it adopted its 2013 operating budget.

The rates for the sewer utility increased 19% in 2012, and there is a 16% increase planned for January 2013.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's Finance Department at the City of Andover, 1609 E. Central, Andover, Kansas 67002, or at (316)733-1303.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ANDOVER, KANSAS
STATEMENT OF NET POSITION

December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Cash and investments	\$ 9,699,900	\$ 390,568	\$ 10,090,468	\$ 310,011
Receivables:				
Property taxes	4,367,368	-	4,367,368	-
Special assessment taxes	33,599,316	-	33,599,316	-
Sales taxes	289,922	-	289,922	-
Franchise fees	86,770	-	86,770	-
Trade accounts, net	23,230	250,338	273,568	-
Prepaid items	25,467	-	25,467	-
Restricted assets	-	3,411,304	3,411,304	-
Capital assets:				
Land	1,364,841	123,946	1,488,787	-
Buildings	11,095,124	5,613,756	16,708,880	-
Improvements other than buildings	682,142	26,194,142	26,876,284	-
Infrastructure	50,889,342	-	50,889,342	-
Machinery and equipment	6,738,516	610,305	7,348,821	313,941
Less accumulated depreciation	(25,304,782)	(9,363,153)	(34,667,935)	(216,998)
Construction work in progress	3,119,804	-	3,119,804	-
	96,676,960	27,231,206	123,908,166	406,954
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources:				
Unamortized deferred costs on refunding	-	11,551	11,551	-
<u>LIABILITIES</u>				
Accounts payable	199,545	108,522	308,067	749
Accrued interest payable	458,168	13,642	471,810	-
Temporary notes payable	2,945,000	-	2,945,000	-
Noncurrent liabilities:				
Due within one year	5,655,896	502,410	6,158,306	-
Due in more than one year	36,993,529	978,460	37,971,989	-
	46,252,138	1,603,034	47,855,172	749
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources:				
Property taxes receivable	4,367,368	-	4,367,368	-
<u>NET POSITION</u>				
Net investment in capital assets	3,742,281	21,753,996	25,496,277	96,943
Restricted for:				
Debt service	34,352,428	2,096,876	36,449,304	-
Street improvements	2,970,735	-	2,970,735	-
General government	1,866,865	-	1,866,865	-
Recreation	448,205	-	448,205	-
Economic development	207,551	-	207,551	-
Public safety	74,629	-	74,629	-
Wastewater expansion and equipment	-	824,953	824,953	-
Unrestricted	2,394,760	963,898	3,358,658	309,262
	\$ 46,057,454	\$ 25,639,723	\$ 71,697,177	\$ 406,205

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

CITY OF ANDOVER, KANSAS

STATEMENT OF ACTIVITIES

Year ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
General government	\$ 2,370,028	\$ 1,591,067	\$ --	\$ --	\$ (778,961)	\$ --	\$ (778,961)	\$ --
Public safety	3,980,400	482,306	--	29,384	(3,468,710)	--	(3,468,710)	--
Highways and streets	3,895,179	187,229	364,185	207,778	(3,135,987)	--	(3,135,987)	--
Health and sanitation	125,110	--	--	--	(125,110)	--	(125,110)	--
Culture and recreation	1,590,511	429,033	--	--	(1,161,478)	--	(1,161,478)	--
Economic development	53,280	--	--	--	(53,280)	--	(53,280)	--
Environmental protection	12,331	--	--	--	(12,331)	--	(12,331)	--
Interest on long-term debt	1,849,110	--	--	3,498,748	1,649,638	--	1,649,638	--
Total Governmental Activities	<u>\$13,875,949</u>	<u>\$ 2,689,635</u>	<u>\$ 364,185</u>	<u>\$ 3,735,910</u>	<u>(7,086,219)</u>	<u>--</u>	<u>(7,086,219)</u>	<u>--</u>
Business-Type Activities:								
Water Utility	\$ 213,041	\$ 127,247	\$ --	\$ --	--	(85,794)	(85,794)	--
Sewer Utility	1,237,691	1,920,091	--	--	--	682,400	682,400	--
Recycling/Trash Utility	495,219	501,154	--	--	--	5,935	5,935	--
Total Business-Type Activities	<u>\$ 1,945,951</u>	<u>\$ 2,548,492</u>	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>602,541</u>	<u>602,541</u>	<u>--</u>
Component Unit:								
Andover Public Library	<u>\$ 474,153</u>	<u>\$ 61,954</u>	<u>\$ 45,263</u>	<u>\$ 413</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(366,523)</u>
General Revenues and Transfers:								
Property taxes levied for:								
General purposes					4,764,896	--	4,764,896	--
Debt service					2,393,817	--	2,393,817	--
Sales taxes					1,852,510	--	1,852,510	--
Franchise taxes					631,758	--	631,758	--
Tourism taxes					89,554	--	89,554	--
Payment from City of Andover					--	--	--	388,746
Investment earnings					78,043	10,462	88,505	956
Transfers in (out)					(299,066)	299,066	--	--
Total general revenues and transfers					<u>9,511,512</u>	<u>309,528</u>	<u>9,821,040</u>	<u>389,702</u>
Change in net position					<u>2,425,293</u>	<u>912,069</u>	<u>3,337,362</u>	<u>23,179</u>
Net position at beginning of year:								
As previously reported					43,632,161	24,808,322	68,440,483	383,026
Adjustment for change in accounting principle					--	(80,668)	(80,668)	--
As restated					<u>43,632,161</u>	<u>24,727,654</u>	<u>68,359,815</u>	<u>--</u>
Net position at end of year					<u>\$ 46,057,454</u>	<u>\$ 25,639,723</u>	<u>\$ 71,697,177</u>	<u>\$ 406,205</u>

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

FUND FINANCIAL STATEMENTS

CITY OF ANDOVER, KANSAS
BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2012

	<u>General</u>	<u>Street Improvement</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and investments	\$1,899,882	\$ 2,702,912	\$ 753,112	\$ 1,677	\$ 4,342,317	\$ 9,699,900
Property taxes receivable	2,541,389	-	122,837	-	1,703,142	4,367,368
Special assessment taxes receivable	-	-	33,599,316	-	-	33,599,316
Franchise fees receivable	86,770	-	-	-	-	86,770
Sales taxes receivable	-	144,961	-	-	144,961	289,922
Accounts receivable	-	-	-	-	23,230	23,230
	<u>-\$4,528,041</u>	<u>\$ 2,847,873</u>	<u>\$ 34,475,265</u>	<u>\$ 1,677</u>	<u>\$ 6,213,650</u>	<u>\$ 48,066,506</u>
Total assets						
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 81,474	\$ 54,000	\$ -	\$ 45,000	\$ 19,071	\$ 199,545
Accrued interest payable	-	-	-	1,317	-	1,317
Temporary notes payable	-	-	-	2,945,000	-	2,945,000
	<u>81,474</u>	<u>54,000</u>	<u>-</u>	<u>2,991,317</u>	<u>19,071</u>	<u>3,145,862</u>
Total liabilities						
Deferred inflows of resources:						
Property taxes receivable	2,541,389	-	122,837	-	1,703,142	4,367,368
Special assessment taxes receivable	-	-	33,599,316	-	-	33,599,316
	<u>2,541,389</u>	<u>-</u>	<u>33,722,153</u>	<u>-</u>	<u>1,703,142</u>	<u>37,966,684</u>
Fund balances (deficit):						
Restricted:						
General government	-	-	-	-	1,866,865	1,866,865
Debt service	-	-	753,112	-	-	753,112
Street improvements	-	2,793,873	-	-	176,862	2,970,735
Recreation	-	-	-	-	448,205	448,205
Economic development	-	-	-	-	207,551	207,551
Public safety	-	-	-	-	74,629	74,629
Committed:						
General government	201,425	-	-	-	-	201,425
Street improvements	-	-	-	-	804,246	804,246
Parks and recreation	-	-	-	-	361,685	361,685
Assigned:						
Recreation	-	-	-	-	44,253	44,253
Capital outlay	-	-	-	-	507,141	507,141
Unassigned	<u>1,703,753</u>	<u>-</u>	<u>-</u>	<u>(2,989,640)</u>	<u>-</u>	<u>(1,285,887)</u>
Total fund balances (deficit)	<u>1,905,178</u>	<u>2,793,873</u>	<u>753,112</u>	<u>(2,989,640)</u>	<u>4,491,437</u>	<u>6,953,960</u>
Total liabilities, deferred inflows and fund balances	<u>\$4,528,041</u>	<u>\$ 2,847,873</u>	<u>\$ 34,475,265</u>	<u>\$ 1,677</u>	<u>\$ 6,213,650</u>	<u>\$ 48,066,506</u>

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

CITY OF ANDOVER, KANSAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

December 31, 2012

Total Governmental Fund Balances \$ 6,953,960

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 (capital assets net of accumulated
depreciation):

Cost	\$ 73,889,769	
Accumulated depreciation	<u>(25,304,782)</u>	48,584,987

Other assets not available to pay for current period
expenditures and therefore are not reported in
the governmental funds:

Special assessments receivable	33,599,316
Prepaid expenses	25,467

Long-term liabilities are not due and payable in the
current period and therefore are not reported
in the funds:

Accrued interest payable on general obligation bonds	416,791	
Accrued interest payable on Andover Public Building Commission revenue bonds payable	40,060	
Compensated absences payable	655,562	
General obligation bonds payable	35,793,000	
Andover Public Building Commission Revenue bonds payable	5,850,000	
Capital lease obligations payable	254,706	
Unamortized premium on refunding bonds	<u>96,157</u>	
		<u>(43,106,276)</u>

Net Position of Governmental Activities \$ 46,057,454

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

CITY OF ANDOVER, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

Year ended December 31, 2012

	General	Street Improvement	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and sales taxes	\$ 2,963,762	\$ 1,852,510	\$ 64,631	\$ -	\$ 4,081,021	\$ 8,961,924
Special assessment taxes	-	-	4,536,930	48,575	-	4,585,505
Intergovernmental	-	159,203	-	-	393,569	552,772
Licenses and permits	808,737	-	-	-	196,205	1,004,942
Charges for services	56,981	-	-	-	107,094	164,075
Fines and forfeitures	233,615	-	-	-	-	233,615
Use of money and property	18,355	4,203	7,144	-	1,729,175	1,758,877
Miscellaneous	69,065	-	-	-	72,505	141,570
Total revenues	<u>4,150,515</u>	<u>2,015,916</u>	<u>4,608,705</u>	<u>48,575</u>	<u>6,579,569</u>	<u>17,403,280</u>
Expenditures:						
Current:						
General government	722,897	-	87,463	-	1,370,190	2,180,550
Public safety	2,704,581	-	-	-	1,030,995	3,735,576
Highways and streets	270,030	870,930	-	-	557,057	1,698,017
Health and sanitation	-	-	-	-	125,110	125,110
Culture and recreation	541,050	-	-	-	832,051	1,373,101
Environmental protection	3,242	-	-	-	9,089	12,331
Economic development	-	-	-	-	49,205	49,205
Capital improvements	-	-	-	298,523	272,590	571,113
Debt Service	76,598	-	4,984,776	73,494	1,685,874	6,820,742
Total expenditures	<u>4,318,398</u>	<u>870,930</u>	<u>5,072,239</u>	<u>372,017</u>	<u>5,932,161</u>	<u>16,565,745</u>
Revenues over (under) expenditures	<u>(167,883)</u>	<u>1,144,986</u>	<u>(463,534)</u>	<u>(323,442)</u>	<u>647,408</u>	<u>837,535</u>
Other financing sources (uses):						
Issuance of General Obligation Refunding bonds	-	-	5,960,000	-	-	5,960,000
Issuance of General Obligation Bonds	-	-	-	2,444,000	-	2,444,000
Premium on refunding bonds issued	-	-	111,751	-	-	111,751
Payment to refunded bonds escrow agent	-	-	(5,982,573)	-	-	(5,982,573)
Transfers in	-	-	296,049	72,433	211,923	580,405
Transfers out	(97,205)	(243,151)	-	-	(164,718)	(505,074)
Total other financing sources (uses)	<u>(97,205)</u>	<u>(243,151)</u>	<u>385,227</u>	<u>2,516,433</u>	<u>47,205</u>	<u>2,608,509</u>
Net change in fund balances	(265,088)	901,835	(78,307)	2,192,991	694,613	3,446,044
Fund balances (deficit), beginning of year	<u>2,170,266</u>	<u>1,892,038</u>	<u>831,419</u>	<u>(5,182,631)</u>	<u>3,796,824</u>	<u>3,507,916</u>
Fund balances (deficit), end of year	<u>\$ 1,905,178</u>	<u>\$ 2,793,873</u>	<u>\$ 753,112</u>	<u>\$ (2,989,640)</u>	<u>\$ 4,491,437</u>	<u>\$ 6,953,960</u>

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

CITY OF ANDOVER, KANSAS

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

Year Ended December 31, 2012

Net Change in Fund Balances -- Total Governmental Funds		\$ 3,446,044
Amounts reported for governmental activities in the statement of activities are different because:		
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 as depreciation expense. In the current period, these amounts are:		
Capital outlays	\$ 693,731	
Depreciation	<u>(3,322,820)</u>	
Excess of capital outlays over depreciation expense and asset dispositions		(2,629,089)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position for:		
General obligation bonds	2,444,000	
General obligation refunding bonds	<u>5,960,000</u>	
Total issuance of long-term debt		(8,404,000)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		104,875
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
General obligation bond payment	3,608,000	
General obligation refunded bonds payment	5,645,000	
Andover Public Building Commission revenue bond payment	1,505,000	
Capital lease obligations	<u>75,736</u>	
Total payments on long-term liabilities		10,833,736
Premium on the sale of refunding bonds provides current financial resources to government funds, but is amortized over the life of the refunding bonds in the statement of activities		(96,157)
Special assessments are not considered available to liquidate liabilities of the current period. However, they are recognized as revenue in the statement of activities as soon as the related improvement is completed and the special assessments are levied		(802,972)
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 the funds:		
Prepaid items	(2,006)	
Compensated absences payable	<u>(25,138)</u>	
Total		<u>(27,144)</u>
Change in Net Position of Governmental Activities		\$ <u>2,425,293</u>

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

CITY OF ANDOVER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

Year ended December 31, 2012

(continued on next page)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 2,882,212	\$ 2,882,212	\$ 2,963,762	\$ 81,550
Licenses, fees and permits	675,500	675,500	812,838	137,338
Charges for services	75,280	75,280	56,981	(18,299)
Fines and forfeitures	200,000	200,000	233,615	33,615
Use of money and property	25,000	25,000	18,355	(6,645)
Miscellaneous	–	–	2,200	2,200
Transfers in	60,000	60,000	–	(60,000)
Cancellation of prior year encumbrances	–	–	66,865	66,865
	<u>–</u>	<u>–</u>	<u>66,865</u>	<u>66,865</u>
Total revenues and other sources	<u>3,917,992</u>	<u>3,917,992</u>	<u>4,154,616</u>	<u>236,624</u>
Expenditures, encumbrances and other uses:				
General government:				
General department:				
Personal services	450,919	450,919	442,564	8,355
Contractual services	287,221	287,221	266,721	20,500
Commodities	25,300	25,300	19,823	5,477
Contingency reserve	12,000	12,000	–	12,000
Transfers out	9,000	9,000	9,000	–
	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>–</u>
Total general government	<u>784,440</u>	<u>784,440</u>	<u>738,108</u>	<u>46,332</u>

CITY OF ANDOVER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

**Year ended December 31, 2012
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Police department:				
Personal services	\$ 963,131	\$ 963,131	\$ 944,595	\$ 18,536
Contractual services	189,460	189,460	149,436	40,024
Commodities	100,400	100,400	114,031	(13,631)
Capital outlay	103,200	103,200	81,322	21,878
Debt service	–	–	35,760	(35,760)
Transfers out	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>–</u>
Total police department	<u>1,361,191</u>	<u>1,361,191</u>	<u>1,330,144</u>	<u>31,047</u>
Fire department:				
Personal services	624,843	624,843	612,741	12,102
Contractual services	49,414	49,414	34,713	14,701
Commodities	52,124	52,124	58,757	(6,633)
Capital outlay	83,072	83,072	–	83,072
Debt service	–	–	40,838	(40,838)
Transfers out	<u>11,205</u>	<u>11,205</u>	<u>11,205</u>	<u>–</u>
Total fire department	<u>820,658</u>	<u>820,658</u>	<u>758,254</u>	<u>62,404</u>
Municipal Court department:				
Personal services	73,494	73,494	74,874	(1,380)
Contractual services	19,350	19,350	10,941	8,409
Commodities	700	700	3,723	(3,023)
Transfers out	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>–</u>
Total Municipal Court department	<u>95,544</u>	<u>95,544</u>	<u>91,538</u>	<u>4,006</u>
Total public safety	<u>2,277,393</u>	<u>2,277,393</u>	<u>2,179,936</u>	<u>97,457</u>

CITY OF ANDOVER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

**Year ended December 31, 2012
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Highways and streets:				
Street department:				
Personal services	\$ 238,309	\$ 238,309	\$ 212,953	\$ 25,356
Contractual services	79,800	79,800	102,078	(22,278)
Commodities	15,750	15,750	7,001	8,749
Transfers out	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>—</u>
Total highways and streets	<u>378,859</u>	<u>378,859</u>	<u>367,032</u>	<u>11,827</u>
Recreation:				
Park department:				
Personal services	357,820	357,820	299,464	58,356
Contractual services	102,950	102,950	89,390	13,560
Commodities	90,750	90,750	71,685	19,065
Capital outlay	<u>18,000</u>	<u>18,000</u>	<u>39,151</u>	<u>(21,151)</u>
Total park department	<u>569,520</u>	<u>569,520</u>	<u>499,690</u>	<u>69,830</u>
Recreation Programs:				
Contractual services	32,135	32,135	21,157	10,978
Commodities	<u>43,045</u>	<u>43,045</u>	<u>13,080</u>	<u>29,965</u>
Total recreation programs	<u>75,180</u>	<u>75,180</u>	<u>34,237</u>	<u>40,943</u>
Total recreation	<u>644,700</u>	<u>644,700</u>	<u>533,927</u>	<u>110,773</u>
Environmental Protection:				
Composting Program:				
Personal services	<u>10,621</u>	<u>10,621</u>	<u>3,242</u>	<u>7,379</u>

CITY OF ANDOVER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

**Year ended December 31, 2012
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Dispatch/IT Department:				
Personal services	\$ 269,080	\$ 269,080	\$ 254,371	\$ 14,709
Contractual services	149,437	149,437	144,729	4,708
Commodities	16,100	16,100	10,805	5,295
Capital outlay	55,200	55,200	60,905	(5,705)
Transfers out	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>—</u>
Total Dispatch/IT Department	<u>499,817</u>	<u>499,817</u>	<u>480,810</u>	<u>19,007</u>
Building Inspection Department:				
Personal services	133,232	133,232	133,352	(120)
Contractual services	18,675	18,675	19,765	(1,090)
Commodities	8,200	8,200	6,944	1,256
Transfer out	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>—</u>
Total Building Inspection Department	<u>175,107</u>	<u>175,107</u>	<u>175,061</u>	<u>46</u>
Total expenditures, encumbrances and other uses	<u>4,770,937</u>	<u>4,770,937</u>	<u>4,478,116</u>	<u>292,821</u>
Revenues and other sources over (under) expenditures, encumbrances and other uses	(852,945)	(852,945)	(323,500)	529,445

CITY OF ANDOVER, KANSAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

**Year ended December 31, 2012
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fund balance, beginning of year	<u>\$ 1,002,945</u>	<u>\$ 1,002,945</u>	<u>\$ 1,940,483</u>	<u>\$ 937,538</u>
Fund balance, end of year	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 1,616,983</u>	<u>\$ 1,466,983</u>

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

CITY OF ANDOVER, KANSAS

STREET IMPROVEMENT FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales tax	\$1,750,000	\$1,500,000	\$1,848,599	\$ 348,599
Intergovernmental	–	159,000	159,203	203
Use of money and property	2,750	2,500	4,203	1,703
Cancellation of prior year encumbrances	<u>–</u>	<u>–</u>	<u>585,100</u>	<u>585,100</u>
Total revenues	<u>1,752,750</u>	<u>1,661,500</u>	<u>2,597,105</u>	<u>935,605</u>
Expenditures:				
Contractual services	40,000	29,000	814,857	(785,857)
Capital outlay	1,514,044	1,575,941	614,573	961,368
Transfers out	<u>257,776</u>	<u>220,718</u>	<u>243,151</u>	<u>(22,433)</u>
Total expenditures	<u>1,811,820</u>	<u>1,825,659</u>	<u>1,672,581</u>	<u>153,078</u>
Revenues over (under) expenditures	(59,070)	(164,159)	924,524	1,088,683
Fund balance, beginning of year	<u>766,741</u>	<u>1,024,838</u>	<u>1,024,838</u>	<u>–</u>
Fund balance, end of year	<u>\$ 707,671</u>	<u>\$ 860,679</u>	<u>\$1,949,362</u>	<u>\$1,088,683</u>

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

CITY OF ANDOVER, KANSAS

STATEMENT OF NET POSITION – ALL ENTERPRISE FUNDS

December 31, 2012

	Business-type Activities Enterprise Funds			Total Enterprise Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Recycling/ Trash Utility</u>	
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Current assets:				
Cash including investments	\$ 125,927	\$ 207,629	\$ 57,012	\$ 390,568
Trade accounts receivable	9,281	190,756	50,301	250,338
Restricted assets:				
Cash and investments restricted for:				
Revenue bond requirements	<u>–</u>	<u>489,475</u>	<u>–</u>	<u>489,475</u>
Total current assets	<u>135,208</u>	<u>887,860</u>	<u>107,313</u>	<u>1,130,381</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments restricted for:				
Sewage revenue bond requirements	–	2,096,876	–	2,096,876
Sewage equipment	–	227,549	–	227,549
Sewage treatment expansion	<u>–</u>	<u>597,404</u>	<u>–</u>	<u>597,404</u>
Total restricted assets	<u>–</u>	<u>2,921,829</u>	<u>–</u>	<u>2,921,829</u>
Capital assets:				
Land	–	123,946	–	123,946
Water mains and distribution lines	9,340,128	–	–	9,340,128
Sewage mains and distribution lines	–	16,854,014	–	16,854,014
Sewage disposal plant	–	5,613,756	–	5,613,756
Machinery and equipment	<u>13,515</u>	<u>595,493</u>	<u>1,297</u>	<u>610,305</u>
	9,353,643	23,187,209	1,297	32,542,149
Less accumulated depreciation	<u>(2,522,085)</u>	<u>(6,839,771)</u>	<u>(1,297)</u>	<u>(9,363,153)</u>
Capital assets, net	<u>6,831,558</u>	<u>16,347,438</u>	<u>–</u>	<u>23,178,996</u>
Total assets	<u>6,966,766</u>	<u>20,157,127</u>	<u>107,313</u>	<u>27,231,206</u>
Deferred outflows of resources:				
Deferred amount on refunding, net	<u>–</u>	<u>11,551</u>	<u>–</u>	<u>11,551</u>
Total assets and deferred outflows of resources	<u>6,966,766</u>	<u>20,168,678</u>	<u>107,313</u>	<u>27,242,757</u>

	Business-type Activities Enterprise Funds			Total Enterprise Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Recycling/ Trash Utility</u>	
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ -	\$ 20,172	\$ 88,350	\$ 108,522
Current portion of accrued compensated absences payable	-	26,577	-	26,577
Current liabilities payable from restricted assets:				
Accrued revenue bond interest payable	-	13,642	-	13,642
Current portion of revenue bonds payable	<u>-</u>	<u>475,833</u>	<u>-</u>	<u>475,833</u>
Total current liabilities	<u>-</u>	<u>536,224</u>	<u>88,350</u>	<u>624,574</u>
Noncurrent liabilities:				
Long-term portion of accrued compensated absences payable	-	29,293	-	29,293
Long-term portion of revenue bonds payable	<u>-</u>	<u>949,167</u>	<u>-</u>	<u>949,167</u>
Total noncurrent liabilities	<u>-</u>	<u>978,460</u>	<u>-</u>	<u>978,460</u>
Total liabilities	<u>-</u>	<u>1,514,684</u>	<u>88,350</u>	<u>1,603,034</u>
<u>NET POSITION</u>				
Net position:				
Net investment in capital assets	6,831,558	14,922,438	-	21,753,996
Restricted for:				
Sewer revenue bond requirements	-	2,096,876	-	2,096,876
Sewage equipment	-	227,549	-	227,549
Sewage treatment expansion	-	597,404	-	597,404
Unrestricted	<u>135,208</u>	<u>809,727</u>	<u>18,963</u>	<u>963,898</u>
	<u>\$ 6,966,766</u>	<u>\$ 18,653,994</u>	<u>\$ 18,963</u>	<u>\$ 25,639,723</u>

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

CITY OF ANDOVER, KANSAS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – ALL ENTERPRISE FUNDS**

Year ended December 31, 2012

	Business-type Activities –Enterprise Funds			Total Enterprise Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Recycling/ Trash Utility</u>	
Operating revenues:				
Sales of services	\$ 127,247	\$ 1,873,997	\$ 501,154	\$ 2,502,398
Other	<u>–</u>	<u>46,094</u>	<u>–</u>	<u>46,094</u>
Total operating revenues	<u>127,247</u>	<u>1,920,091</u>	<u>501,154</u>	<u>2,548,492</u>
Operating expenses:				
Personal services	21,146	383,745	29,568	434,459
Contractual services	3,979	274,004	464,360	742,343
Commodities	–	70,046	858	70,904
Depreciation	<u>187,916</u>	<u>469,157</u>	<u>433</u>	<u>657,506</u>
Total operating expenses	<u>213,041</u>	<u>1,196,952</u>	<u>495,219</u>	<u>1,905,212</u>
Operating income (loss)	<u>(85,794)</u>	<u>723,139</u>	<u>5,935</u>	<u>643,280</u>
Nonoperating revenues and expenses:				
Interest income	233	10,204	25	10,462
Interest expense	–	(35,453)	–	(35,453)
Amortization of deferred refunding costs	<u>–</u>	<u>(5,286)</u>	<u>–</u>	<u>(5,286)</u>
Net nonoperating revenues (expenses)	<u>233</u>	<u>(30,535)</u>	<u>25</u>	<u>(30,277)</u>
Income (loss) before contributions and transfers	(85,561)	692,604	5,960	613,003
Contribution from municipality	164,840	209,557	–	374,397
Transfers out	<u>(28,644)</u>	<u>(46,687)</u>	<u>–</u>	<u>(75,331)</u>
Change in net position	<u>50,635</u>	<u>855,474</u>	<u>5,960</u>	<u>912,069</u>
Net position, beginning of year:				
As previously reported	6,916,131	17,879,188	13,003	24,808,322
Adjustment for change in accounting principle	<u>–</u>	<u>(80,668)</u>	<u>–</u>	<u>(80,668)</u>
As restated	<u>6,916,131</u>	<u>17,798,520</u>	<u>13,003</u>	<u>24,727,654</u>
Net position, end of year	<u>\$6,966,766</u>	<u>\$ 18,653,994</u>	<u>\$ 18,963</u>	<u>\$25,639,723</u>

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

CITY OF ANDOVER, KANSAS
STATEMENT OF CASH FLOWS –
ALL ENTERPRISE FUNDS

Year ended December 31, 2012

(continued on next page)

	Business-type Activities Enterprise Funds			Total Enterprise Funds
	Water Utility	Sewer Utility	Recycling/ Trash Utility	
Cash flows from operating activities:				
Cash received from customers	\$ 126,629	\$ 1,824,255	\$ 496,803	\$ 2,447,687
Cash payments to vendors for materials and supplies	(3,979)	(324,319)	(419,398)	(747,696)
Cash paid to employees	(21,146)	(379,400)	(29,568)	(430,114)
Other cash receipts	<u>–</u>	<u>46,094</u>	<u>–</u>	<u>46,094</u>
Net cash provided by operating activities	<u>101,504</u>	<u>1,166,630</u>	<u>47,837</u>	<u>1,315,971</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(48,575)	–	–	(48,575)
Principal paid on revenue bonds	–	(310,000)	–	(310,000)
Interest paid on revenue bonds	<u>–</u>	<u>(37,390)</u>	<u>–</u>	<u>(37,390)</u>
Net cash used by financing activities	<u>(48,575)</u>	<u>(347,390)</u>	<u>–</u>	<u>(395,965)</u>
Cash flows from noncapital Financing activities – transfers out	<u>(28,644)</u>	<u>(46,687)</u>	<u>–</u>	<u>(75,331)</u>
Cash flows from investing Activities - interest received	<u>233</u>	<u>10,204</u>	<u>25</u>	<u>10,462</u>
Net increase in cash and cash equivalents	24,518	782,757	47,862	855,137
Cash and cash equivalents at beginning of year	<u>101,409</u>	<u>2,836,176</u>	<u>9,150</u>	<u>2,946,735</u>
Cash and cash equivalents at end of year	<u>\$ 125,927</u>	<u>\$ 3,618,933</u>	<u>\$ 57,012</u>	<u>\$ 3,801,872</u>
Cash and cash equivalents	\$ 125,927	\$ 207,629	\$ 57,012	\$ 390,568
Restricted cash and cash equivalents included in restricted cash and investments	<u>–</u>	<u>3,411,304</u>	<u>–</u>	<u>3,411,304</u>
Cash and cash equivalents, end of year	<u>\$ 125,927</u>	<u>\$ 3,618,933</u>	<u>\$ 57,012</u>	<u>\$ 3,801,872</u>

CITY OF ANDOVER, KANSAS
STATEMENT OF CASH FLOWS –
ALL ENTERPRISE FUNDS

Year ended December 31, 2012

(continued from previous page)

	Business-type Activities –Enterprise Funds			Total Enterprise Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Recycling/ Trash Utility</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Cash flows from operating activities:				
Operating income (loss)	\$ (85,794)	\$ 723,139	\$ 5,935	\$ 643,280
Adjustments to reconcile net cash provided by operating income (loss) to net cash provided by operating activities:				
Depreciation	187,916	469,157	433	657,506
Decrease (increase) in accounts receivable	(618)	(49,742)	(4,351)	(54,711)
Increase in accounts payable	–	19,731	45,820	65,551
Increase in compensated absences payable	–	4,345	–	4,345
Net cash provided by operating activities	<u>\$ 101,504</u>	<u>\$ 1,166,630</u>	<u>\$ 47,837</u>	<u>\$ 1,315,971</u>

Noncash capital and related financing activities:

During 2012, the Water Utility and Sewer Utility funds received assets contributed from the municipality and developers in the amount of \$164,840 and \$209,557, respectively.

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

CITY OF ANDOVER, KANSAS

**STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS**

December 31, 2012

	<u>Agency Funds</u>
Assets:	
Cash including investments	<u>\$ 9,754</u>
Liabilities:	
Accrued liabilities payable	6,381
Appearance bonds payable	<u>3,373</u>
Total liabilities	<u>9,754</u>
Net position	<u><u>\$ –</u></u>

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

CITY OF ANDOVER, KANSAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The City of Andover (City) was incorporated in 1957 under the laws of the State of Kansas as a municipal corporation governed under a Mayor-Council form of government consisting of an elected mayor and six council members. The City provides a full range of municipal services to its citizens in the areas of highways and streets, wastewater treatment, public improvement, public safety, planning and zoning, recreation, and general administrative services. As required by generally accepted accounting principles, these financial statements present the City of Andover, Kansas (primary government) and its component units, entities for which the City is considered to be financially accountable. The component unit discussed in the following paragraph is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely presented component unit

The component unit columns in the financial statements include the financial data of the City's component unit, the Andover Public Library (the Library). It is reported in a separate column to emphasize that it is legally separate from the City, however, the governing body of the component unit is appointed by the City Council. The City's component unit is accounted for using the same principles as the governmental fund types of the City.

The Andover Public Library operates the public library in the City. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs, charges for services and donations from the public. The Library Board does not issue separate audited financial statements.

Blended component units

The Andover Public Building Commission is governed by a seven-member board that shall be the same persons as those persons then serving on the Governing Body of the City of Andover. Although it is legally separate from the City, the Andover Public Building Commission is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The financial activities of the Andover Public Building Commission are reflected in the Andover Public Building Commission special revenue fund type.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Boards

The Park Board, Health Board, Planning Board and Board of Zoning Appeals are appointive boards that serve in an advisory capacity to the City Council. These advisory boards do not receive appropriations from the City Council. The financial activities related to these boards are reflected in the General and Park Improvement Funds.

Basis of presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. *The Governmental Accounting Standards Board (GASB)* is the accepted standard-setting body for establishing governmental accounting and financial principles.

The City's basic financial statements include both government-wide, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements

The government-wide financial statements, consisting of the statement of net position and the statement of activities, display all the nonfiduciary activities of the primary government and its component unit. Generally, 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. In addition, the primary government is reported discretely from the legally separate component unit for which the primary government is financially accountable. The statement of net position presents the financial condition of the City and its component unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which a given function or segment is self-financing or draws from the general revenues of the City.

Fund financial statements

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as do the proprietary funds financial statements. Fiduciary funds do not have a measurement focus but they do use the accrual basis of accounting to recognize receivables and payables. 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 are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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 property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days 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, charges for services and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Agency funds are custodial in nature and report only assets and liabilities. Accordingly, agency funds do not measure results of operations however, they use the accrual basis of accounting to recognize assets and payables.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for and report all financial resources not accounted for in another fund.

Street Improvement Fund – The Street Improvement Fund is used to account for and report the local sales tax revenues committed to construction or improvement of City streets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, except for those financed by proprietary funds.

The City reports the following major proprietary funds:

Water Utility Fund – The Water Utility fund is used to account for the maintenance of the municipal water utility system. The supply, treatment and distribution of water for the City's water utility are provided by the City of Wichita, Kansas.

Sewer Utility Fund – The Sewer Utility fund is used to account for the operation of the municipal sewer utility including the collection and treatment of wastewater.

Recycling/Trash Utility Fund – The Recycling/Trash Utility fund is used to account for the operation of the recycling and trash service collection of solid waste. A third-party service provider provides the collection and disposal of trash to the City.

The City also reports the following fund types:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

Agency Funds – The agency funds are used to report resources held by the City in a custodial capacity for remittance of fiduciary resources to individuals, private organizations or other governments. The City maintains agency funds for Payroll withholdings and for Municipal Court Appearance Bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for franchise fees and other charges between the City's enterprise funds and various other functions of government. 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. Internally dedicated resources are reported as general revenues rather than as program revenues. In addition, general revenues include all taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary 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 these criteria are reported as nonoperating revenues and expenses.

Property taxes are not susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, fees, fines, forfeitures and other revenue are generally not susceptible to accrual and are recorded when received in cash.

Cash and investments

The City invests all idle cash aggregately. Investments are carried at fair value. Cash deposits are reported at a carrying amount that approximates fair value. Investments in external investment pools are valued at fair value representing the same value as the pool shares. For purposes of the statement of cash flows, the Water Utility, Sewer Utility and Recycling/Trash Utility Funds consider all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased to be cash equivalents. Interest income is credited to the investing funds based on their average monthly balances.

Property taxes receivable

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. At December 31st such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred inflows of resources on the balance sheets of the appropriate funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Special assessments receivable

As required by State statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's debt service fund. Further, State statutes permit levying additional general ad valorem property taxes in the City's debt service fund to finance delinquent special assessments receivable. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate construction project. Special assessments received after the issuance of bonds are recorded as revenue in the debt service fund. Special assessment taxes are levied for various debt issues over ten, fifteen or twenty-year periods and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the debt service fund and as revenues in the statement of net position. Since they are not considered available spendable resources for the funds statement, the special assessments receivable are reported as deferred inflows of resources in the funds statements.

Other taxes and revenues

Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and, consequently, for revenue recognition purposes, amounts collected and held by the state on behalf of the City at year-end are not due and receivable until the ensuing year.

Current year revenue from federal and state grants receivable has been recognized on the basis of current year expenditures applicable to such grants. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, permits, fines, forfeitures, charges for services and other revenues are generally not susceptible to accrual and are recorded when received in cash.

Utility accounts receivable

The City records water revenues billed to its customers when meters are read on a bimonthly basis. Charges for sewage treatment and solid waste services are billed quarterly. Unbilled service accounts receivable have been estimated at December 31, 2012, and are appropriately recorded as revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and prepaid expenses

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenses when purchased. The inventory of consumable supplies is not considered significant to the City's financial statements.

Prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase in the fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$5,000 or greater. Capital assets are valued at historical cost, or estimated historical cost (if actual historical cost is not available). The historical cost, or estimates of historical cost, for the City's infrastructure assets include all assets acquired subsequent to January 1, 1980. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Property, plant and equipment of the primary government and its component unit is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	50 years
Infrastructure	20 to 30 years
Machinery	4 to 10 years
Sewage treatment plant	50 years
Water and sewer mains	50 years

Amortization of capital leases is included in depreciation expense.

The deferred amount on refunding in the Sewer Utility Fund is amortized utilizing the bonds outstanding method over the life of the revenue bonds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences

The City's policy regarding vacation pay permits all regular employees with one year of service to earn 40 hours vacation pay, two to five years of service to earn 80 hours vacation pay, six to ten years of service to earn 96 hours vacation pay, eleven to fifteen years of service to earn 120 hours vacation pay, sixteen to twenty years of service to earn 160 hours vacation pay, twenty-one to twenty-five years of service to earn 176 hours vacation pay and twenty-six or more years of service to earn 200 hours vacation pay. Employees may accumulate a maximum of 40 to 300 hours of vacation pay depending on the employee's years of service with the City. Upon resignation, employees who have vacation hours in excess of the maximum vacation balance, per their years of service, will receive their current rate of pay for hours up to the maximum vacation balance level. Vacation hours in excess of this level will be paid at the rate of pay on December 31, 2011. The City's policy regarding sick leave permits all regular full-time and probationary employees to earn 8 hours of sick leave for every month of service. Sick leave is allowed to accumulate up to a maximum of 480 hours. After the maximum hours are reached, employees, based on their monthly or hourly salary, will be paid 5/12 of the unused hours over the maximum as of December 31st. Policies require the cancellation of accumulated sick leave upon termination. The liabilities for accrued compensated absences are based on current salary rates and the vested portion of accumulated benefits. The liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

Accrued liabilities and long-term debt

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, general obligation bonds and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

For governmental funds, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Long-term liabilities for revenue bonds payable are recorded as liabilities in the enterprise funds. Principal payments are deducted from the liability as made.

The present value of net minimum capitalized lease payments is recorded as expenditures in the applicable governmental fund and subsequent lease payments are accounted for as debt service expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement plans

Substantially all full-time City employees, other than police and fire employees, are members of a single employer defined contribution pension plan administered by AXA Financial, Inc. The City's policy is to fund all pension costs accrued. The police and fire employees of the City are members of the State of Kansas Police and Firemen's Retirement System, which is a cost-sharing multi-employer statewide pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the System's actuary.

Concentration of credit risk

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, generally all of which are located within the environs of the City. This credit is unsecured by the City however, annually the City certifies any unpaid utility billings to the County Clerk for property tax levy against the respective property owners.

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 carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Deferred Inflows of Resources/Deferred Outflows of Resources

Effective January 1, 2012, the City implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 provides guidance for reporting deferred outflows and deferred inflows of resources and GASB Statement No. 65 provided additional guidance on reclassifying, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The City identified certain financial balances that meet the definition of a deferred outflow of resources or a deferred inflow of resources. These items were reclassified as deferred outflows of resources or deferred inflows of resources, as applicable. Additionally, the term "net assets" was replaced with the term "net position".

Prior Period Adjustment

In addition, to the reclassifications described above, GASB Statement No. 65 requires bond issuance costs to be expensed when incurred rather than being reported as deferred charges and amortized over the term of the related debt. This adjustment resulted in an \$80,668

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

decrease to net position as of January 1, 2012. In addition, \$87,463 of debt issuance costs incurred for the year ended December 31, 2012 was recorded as expense rather than being deferred.

Equity Classifications

In the government-wide financial statements, equity is reflected as net position and classified into three components:

- Net investment in capital assets – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction or improvements of those assets.
- Restricted net position – consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.
- Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

As prescribed by Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental fund balance classifications are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be expended. In the governmental funds financial statements, equity is classified into potentially five components:

- Nonspendable – Assets that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.
- Restricted – Assets with externally imposed constraints such as those mandated by creditors, grantors, and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws, or regulations.
- Committed – Assets with a purpose formally imposed by resolution or ordinance by the City Council, binding unless modified or rescinded by the City Council.
- Assigned – Comprised of amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Council or (2) a body or official to whom the City Council has delegated the authority to assign amounts to be used for specific purposes as prescribed by the City’s policies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Unassigned – All amounts not included in the other fund balance classifications. The General Fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

In circumstances when expenditure is made for a purpose which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary principles

The City is required by State statute to adopt annual budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service funds and enterprise funds on or before August 25 for the ensuing year. Specific special revenue funds exempted from legally adopted budgetary requirements include the Andover Public Building Commission fund. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

Controls over spending in funds which are not subject to legal budgets are maintained by the use of internal spending limits established by management. Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management has the authority to exceed line item budgets however, total fund expenditures cannot exceed the adopted budget of expenditures of individual funds.

Kansas statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The original budgets for the following funds were amended during 2012:

<u>Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
Street Improvement	\$ 1,811,820	\$ 1,825,659
Special Building	1,856,222	2,614,861
Street Impact Fee	75,000	90,000
Municipal Golf Course	–	1,500
Storm Water Utility	88,411	91,411
Debt Service	5,297,358	11,392,858
Water Utility	54,456	103,156
Recycling/Trash Utility	458,207	500,207

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year, except for capital project funds, which are carried forward until such time as the project is completed or terminated. Accordingly, the actual data presented in the budgetary comparison statements include encumbrances and, consequently, can differ from the expenditure data presented in the financial statements prepared in accordance with generally accepted accounting principles. For budget purposes, fund balances are determined by deducting liabilities and encumbrances from cash.

2. DEPOSITS AND INVESTMENTS

Deposits

Kansas Statutes Annotated (K.S.A.) 9-1401 establishes the depositories that may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

2. DEPOSITS AND INVESTMENTS (continued)

Investments

At December 31, 2012 the City had the following investments:

<u>Investment Type</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Weighted Average Months to Maturity</u>	<u>Standard & Poor's Rating</u>
Municipal Investment Pool – Overnight	\$ 105,264	\$ 105,264	.03	AAAf/S1+

The Kansas State Treasurer under the oversight of the Pooled Money Investment Board manages the Municipal Investment Pool. The Pooled Money Investment Board is comprised of five members, four being appointed by the Governor of the State of Kansas, subject to confirmation by the State Senate, and the fifth member is the State Treasurer. Investments by the State Treasurer of pooled moneys are limited to those investments defined by State statute and each participant's fair value of their position in the pool is the same as their value of the pool shares. The investments with the Kansas Municipal Investment Pool are not subject to pledged security statutes.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2012, is as follows:

Kansas Municipal Investment Pool	100%
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Custodial credit risk – deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy follows applicable State Statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State Statutes define the allowable pledged securities.

The City and its component unit's cash and investments at December 31, 2012 consisted of demand deposit accounts, money market savings accounts, certificates of deposits and investments in the Kansas State Treasurer's Municipal Investment Pool and investments held by the Security Bank of Kansas. At year-end, the carrying amount of the City's deposits was \$13,403,497 with the bank balances of such accounts being \$13,544,044. Of the bank balances, \$253,623 was covered by federal depository insurance and the remaining balance of \$13,290,421 was covered by collateral held by the City's custodial bank in joint custody in the name of the City and its bank. The fair value of those pledged securities held by the City's custodial bank was \$16,919,904 at December 31, 2012.

2. DEPOSITS AND INVESTMENTS (continued)

The City's discretely presented component unit's cash and investments at December 31, 2012 consisted of checking and savings accounts. At year-end, the carrying amount of the City's component unit's deposits was \$310,011 and the bank balances were \$317,560. The bank balances were entirely covered by federal depository insurance coverage at December 31, 2012.

A reconciliation of cash and investments as reported in the financial statements at December 31, 2012 is as follows:

Cash on hand	\$ 2,765
Carrying amount of deposits – City	13,403,497
Carrying amount of deposits – component unit	310,011
Carrying amount of investments	<u>105,264</u>
 Total	 <u>\$ 13,821,537</u>
 Amounts per statement of net position:	
Cash including investments	\$ 10,090,468
Component unit cash and investments	310,011
Cash held in fiduciary funds	9,754
Restricted cash and investments	<u>3,411,304</u>
 Total	 <u>\$ 13,821,537</u>

3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2012 is as follows:

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2012</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,364,841	\$ –	\$ –	\$ 1,364,841
Construction Work in Progress	<u>6,328,622</u>	<u>1,117,302</u>	<u>4,326,120</u>	<u>3,119,804</u>
	<u>7,693,463</u>	<u>1,117,302</u>	<u>4,326,120</u>	<u>4,484,645</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2012</u>
Capital assets being depreciated:				
Buildings	\$ 10,970,215	\$ 124,909	\$ —	\$ 11,095,124
Improvements other than buildings	659,196	22,946	—	682,142
Infrastructure	47,488,148	3,401,194	—	50,889,342
Machinery and equipment	<u>6,430,511</u>	<u>353,500</u>	<u>45,495</u>	<u>6,738,516</u>
Total capital assets being depreciated	<u>65,548,070</u>	<u>3,902,549</u>	<u>45,495</u>	<u>69,405,124</u>
Less accumulated depreciation for:				
Buildings	1,532,004	260,827	—	1,792,831
Improvements other than buildings	269,857	38,933	—	308,790
Infrastructure	15,821,042	2,434,875	—	18,255,917
Machinery and equipment	<u>4,404,554</u>	<u>588,185</u>	<u>45,495</u>	<u>4,947,244</u>
Total accumulated depreciation	<u>22,027,457</u>	<u>3,322,820</u>	<u>45,495</u>	<u>25,304,782</u>
Total capital assets being depreciated, net	<u>43,520,613</u>	<u>579,729</u>	<u>—</u>	<u>44,100,342</u>
Governmental activities capital assets, net	<u>\$ 51,214,076</u>	<u>\$ 1,697,031</u>	<u>\$ 4,326,120</u>	<u>\$ 48,584,987</u>
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated				
Land	<u>\$ 123,946</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 123,946</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, <u>2012</u>	Additions	Deletions	Balance December 31, <u>2012</u>
Capital assets being depreciated:				
Buildings	\$ 5,613,756	\$ -	\$ -	\$ 5,613,756
Improvements other than buildings	25,771,170	422,972	-	26,194,142
Machinery and equipment	<u>610,305</u>	<u>-</u>	<u>-</u>	<u>610,305</u>
Total capital assets being depreciated	<u>31,995,231</u>	<u>422,972</u>	<u>-</u>	<u>32,418,203</u>
Less accumulated depreciation for:				
Buildings	1,875,995	111,597	-	1,987,592
Improvements other than buildings	6,282,304	521,837	-	6,804,141
Machinery and equipment	<u>547,348</u>	<u>24,072</u>	<u>-</u>	<u>571,420</u>
Total accumulated depreciation	<u>8,705,647</u>	<u>657,506</u>	<u>-</u>	<u>9,363,153</u>
Total capital assets being depreciated, net	<u>23,289,584</u>	<u>(234,534)</u>	<u>-</u>	<u>23,055,050</u>
Business-type activities capital assets, net	<u>\$ 23,413,530</u>	<u>\$ (234,534)</u>	<u>\$ -</u>	<u>\$ 23,178,996</u>

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

Governmental activities:	
General government	\$ 181,336
Public safety	354,947

3. CAPITAL ASSETS (continued)

Highways and streets (including depreciation of infrastructure assets)	\$ 2,550,693
Culture and recreation	<u>235,844</u>
Total depreciation expense – governmental activities	<u>\$ 3,322,820</u>
Business-type activities:	
Water utility	\$ 187,916
Sewer utility	469,157
Recycling/Trash utility	<u>433</u>
Tot depreciation expense – business-type activities	<u>\$ 657,506</u>

4. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions of the City for the year ended December 31, 2012:

	Outstanding January 1, Within <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding December <u>2012</u>	Due 31, <u>One Year</u>
<u>Governmental activities</u>					
General obligation bonds	\$36,642,000	\$ 8,404,000	\$ 9,253,000	\$ 35,793,000	\$ 3,773,000
Andover Public Building Commission revenue bonds	7,355,000	–	1,505,000	5,850,000	1,539,000
Certificates of participation	40,000	–	40,000	–	–
Capital lease obligations	290,442	–	35,736	254,706	37,502
Compensated absences	630,424	319,734	294,596	655,562	306,394
Premium on refunding Bonds	–	<u>111,751</u>	<u>15,594</u>	<u>96,157</u>	–
Total long-term liabilities – Governmental activities	<u>\$44,957,866</u>	<u>\$ 8,835,485</u>	<u>\$ 11,143,926</u>	<u>\$ 42,649,425</u>	<u>\$ 5,655,896</u>
<u>Business-type activities</u>					
Revenue bonds	\$ 1,735,000	\$ –	\$ 310,000	\$ 1,425,000	\$ 475,833
Compensated absences	<u>51,525</u>	<u>28,855</u>	<u>24,510</u>	<u>55,870</u>	<u>26,577</u>
Total long-term liabilities – Business-Type activities	<u>\$ 1,786,525</u>	<u>\$ 28,855</u>	<u>\$ 334,510</u>	<u>\$ 1,480,870</u>	<u>\$ 502,410</u>

General obligation bonds

General obligation bonds payable are serial bonds to be retired through calendar year 2033. At December 31, 2012 the bonds consist of the following:

4. LONG-TERM DEBT (continued)

	<u>Interest rates</u>	<u>Bonds outstanding</u>
Internal Improvements, Series C 2004	4.03%	\$ 105,000
Internal Improvements, Series A 2005	3.65 – 4.50%	80,000
Taxable General Obligation Bonds, Series A 2006	5.50 – 5.75%	34,000
General Obligation Bonds, Series 2006	3.75 – 4.60%	2,325,000
General Obligation Bonds, Series A 2007	4.00 – 5.00%	4,010,000
General Obligation Bonds, Series A 2008	3.00 – 5.00%	335,000
General Obligation Bonds, Series B 2008	3.00 – 5.25%	1,800,000
General Obligation Refunding Bonds, Series A 2009	1.75 – 3.00%	2,235,000
General Obligation Refunding Bonds, Series B 2009	1.40 – 3.65%	2,815,000
General Obligation Bonds, Series A 2010	2.50 – 3.75%	3,540,000
General Obligation Bonds, Series B 2010	2.00 – 4.25%	2,810,000
General Obligation Bonds, Series A 2011	2.50 – 4.15%	5,795,000
General Obligation Refunding Bonds, Series B 2011	.60 – 2.25%	1,505,000
General Obligation Refunding Bonds, Series A 2012	2.00 – 3.00%	5,960,000
General Obligation Bonds, Series B 2012	2.00 – 2.60%	<u>2,444,000</u>
		<u>\$ 35,793,000</u>

Remaining debt service requirements for general obligation bonds will be paid from the debt service fund with future property tax revenues and special assessment taxes. Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,773,000	\$ 1,293,660	\$ 5,066,660
2014	3,557,000	1,038,882	4,595,882
2015	3,369,000	899,870	4,268,870
2016	2,984,000	801,170	3,785,170
2017	2,645,000	716,300	3,361,300
2018	2,455,000	640,555	3,095,555
2019	2,285,000	569,720	2,854,720
2020	2,355,000	499,961	2,854,961
2021	2,180,000	426,748	2,606,748
2022	2,250,000	353,681	2,603,681
2023	2,045,000	276,368	2,321,368
2024	1,185,000	205,155	1,390,155
2025	1,025,000	161,927	1,186,927

4. LONG-TERM DEBT (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 720,000	\$ 126,393	\$ 846,393
2027	490,000	101,268	591,268
2028	510,000	85,230	595,230
2029	525,000	67,905	592,905
2030	550,000	49,285	599,285
2031	575,000	29,273	604,273
2032	155,000	8,035	163,035
2033	<u>160,000</u>	<u>4,160</u>	<u>164,160</u>
	<u>\$ 35,793,000</u>	<u>\$ 8,355,546</u>	<u>\$ 44,148,546</u>

Capital lease obligation

During 2007 the City Council entered into a lease agreement for the purchase of a new fire truck. The lease agreement provides for annual payments, including interest, in the amount of \$50,086 through October 2018.

This lease qualifies as a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the minimum lease payments at the date of the lease inception. The annual requirements to amortize the capital lease obligation outstanding at December 31, 2012, including interest payments, is as follows:

<u>Year ending December 31,</u>	<u>Governmental Funds Fire Truck</u>
2013	\$ 50,086
2014	50,086
2015	50,086
2016	50,086
2017	50,086
2018	<u>50,086</u>
Total minimum lease payments	300,516
Less amounts representing interest	<u>(45,810)</u>
Present value of net minimum lease payments	<u>\$ 254,706</u>

The lease payments are being financed from the City's General Fund. The cost and accumulated amortization of the leased fire truck at December 31, 2012 is \$383,272 and \$198,024, respectively.

4. LONG-TERM DEBT (continued)

Andover Public Building Commission revenue bonds

Andover Public Building Commission revenue bonds payable are serial bonds to be retired through calendar year 2024. At December 31, 2012 the bonds consist of the following:

	<u>Interest rates</u>	<u>Bonds outstanding</u>
Park Facilities Revenue Bonds, Series A 2004	2.50 – 4.75%	\$ 5,000
Park Facilities Revenue Bonds, Series B 2004	4.00 – 6.50%	110,000
Public Safety Facility Revenue Bonds, Series C 2004	4.32%	2,175,000
Park Facilities Revenue Bonds, Series A, 2006	4.25 – 4.50%	40,000
City Hall Refunding Revenue Bonds, Series A 2011	.75 – 1.25%	2,650,000
Park Facilities Refunding Revenue Bonds, Series B 2011	.90 – 2.75%	<u>870,000</u>
		<u>\$ 5,850,000</u>

Remaining debt service requirements for the Andover Public Building Commission revenue bonds will be paid by the Andover Public Building Commission from the lease payments from the City, which are provided with future property tax revenues to be levied in the Special Building Fund and other resources available to the City. Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,539,000	\$ 149,455	\$ 1,688,455
2014	1,574,000	129,582	1,703,582
2015	284,000	107,121	391,121
2016	304,000	98,195	402,195
2017	324,000	88,093	412,093
2018	280,000	76,867	356,867
2019	295,000	65,872	360,872
2020	210,000	54,018	264,018
2021	230,000	44,937	274,937
2022	245,000	34,992	279,992
2023	270,000	24,408	294,408
2024	<u>295,000</u>	<u>12,744</u>	<u>307,744</u>
	<u>\$ 5,850,000</u>	<u>\$ 886,284</u>	<u>\$ 6,736,284</u>

4. LONG-TERM DEBT (continued)

Revenue Bonds

On June 15, 2010, the City issued \$2,275,000 of Sewer System Refunding Revenue Bonds Series 2010, bearing interest from .95% to 2.80% with a final maturity on August 1, 2016. The Series 2010 Bonds were issued to advance refund \$2,615,000 of outstanding Sewer System Refunding Revenue Bonds Series 2005. The Series 2005 Bonds were issued in the original amount of \$3,320,000 to advance refund \$3,180,000 of outstanding Sewer System Revenue Bonds, Series 1996.

The Series 2010 bonds maturing in the years 2010 to 2014, inclusive, shall become due without option of prior payment. The Series 2010 Bonds maturing in the years 2015 and thereafter may be called for redemption and payment prior to maturity on August 1, 2014, or at any time thereafter, in whole or in part at the redemption price equal to the principal amount thereof, plus accrued interest thereon to the date established for such redemption and payment.

Annual debt service requirements to maturity for the Sewer System Refunding Revenue Bonds, Series 2010, outstanding at December 31, 2012 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 330,000	\$ 32,740	\$ 362,740
2014	350,000	27,130	377,130
2015	360,000	19,780	379,780
2016	<u>385,000</u>	<u>10,780</u>	<u>395,780</u>
	<u>\$ 1,425,000</u>	<u>\$ 90,430</u>	<u>\$ 1,515,430</u>

The Sewer System Refunding Revenue Bond resolution provides for deposits to: (a) a debt service account each month to provide for the payment of principal and interest on the bonds as they become due and payable and (b) a surplus reserve account for all remaining moneys available after setting aside moneys for the debt service account and retaining amounts required for operation and maintenance of the system for a 60 day period in the operating account of the sewer system. The surplus reserve account may be used for any one or more of the following purposes as determined by the Governing Body: (1) to pay operating, maintenance and repair expenses of the system; (2) to pay the costs of repairs to or extending, enlarging or improving the system; (3) to prevent default in, anticipating payments into or increasing the amounts in the other reserve accounts, or any one of them, or establishing or increasing the amount of any principal and interest account or bond reserve account created by the City for the payment of any parity bonds; (4) to call, redeem and pay prior to maturity, or at the option of the City, purchasing in the open market at the best price obtainable the bonds or any parity bonds; (5) to make transfer to the revenue fund; or (6) to make lawful transfers to any fund of the City. The resolution also provides for user rates to be established at a level which will generate net income (as defined in the resolution) at an amount not less than 125% of the debt service requirements required to be

4. LONG-TERM DEBT (continued)

paid by the City in such fiscal year on all system revenue bonds at the time outstanding. At December 31, 2012, the City was in compliance with the reserve requirements of the revenue bond resolution.

Conduit Debt

The City has issued limited obligation bonds for the purpose of financing capital activities of unrelated third parties. Although conduit debt obligations bear the name of the City, they are payable solely from resources provided by leases with third parties on whose behalf they were issued. The total amount of these limited obligation bonds outstanding at December 31, 2012 was \$18,413,022. During 2012, there were \$12,457,371 of new bonds issued and \$19,379,458 of bonds retired. The bonds do not constitute an indebtedness or pledge of the faith or credit of the City of Andover, and accordingly, are not included as liabilities in the accompanying financial statements.

Compensated Absences

The governmental funds portion of outstanding compensated absence liabilities is principally liquidated from resources of the General Fund.

5. TEMPORARY NOTES

Kansas statutes permit the issuance of temporary notes to finance certain capital improvement projects that will be refinanced with general obligation bonds or paid through other resources available to the City. Prior to the issuance of the temporary notes, the governing body must take the necessary legal steps to authorize the issuance of general obligation bonds. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance. During 2012, the City issued \$2,945,000 and retired \$3,833,000 of temporary notes. At December 31, 2012 the City had the following outstanding temporary notes:

	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Maturity Date</u>
Construction Fund:			
Temporary Improvement Notes, Series A, 2012:			
Prairie Creek Addition	.35%	\$ 2,945,000	11-15-13

During 2012, the temporary note activity for the various capital improvement projects were as follows:

5. TEMPORARY NOTES (continued)

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
\$ 3,833,000	\$ 2,945,000	\$ 3,833,000	\$ 2,945,000

6. SEWAGE TREATMENT RESERVES

Sewage treatment expansion reserve

The City Council has, by ordinance, established a new sewer connection surcharge at a fixed amount (currently \$1,500 for inside City residents). The funds collected from this surcharge are restricted for either: (a) the future expansion of the sewage treatment plant or (b) at the discretion of the governing body may be used to reduce the general tax levy in the debt service fund which is levied to fund past sewer expansion costs.

Sewage equipment reserve

Applicable state statutes permit the governing body to legally restrict a portion of operating revenue to be used for future acquisition of equipment. Net position has been reserved for the portion of assets legally restricted for future equipment acquisitions.

7. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2012, individual project authorizations compared with project expenditures from inception which are reported within the Capital Projects Fund are as follows:

	<u>Project authorizations</u>	<u>Expenditures project inception to December 31, 2012</u>
Industrial Park Improvement Project	\$ 50,000	\$ 4,544
Cornerstone Commercial/School Project	96,169	60
21 st Street Paving Project	402,362	402,362
Prairie Creek Addition Project	4,713,500	2,668,172
Andover Landing Improvement Project	2,561,825	2,375,459

8. PENSION PLANS

All full-time employees, except for police and fire employees, participate in the City's Simplified Employee Pension Plan ("Plan"), a single-employer defined contribution

8. PENSION PLANS (continued)

retirement plan. The payroll for employees covered by the Plan was \$1,696,516 and the City's total payroll was \$3,422,278 for the year ended December 31, 2012. All full-time employees are eligible to participate in the Plan after six months of continuous employment. Benefits are fully vested upon eligibility to participate in the Plan. The employer's contribution, as required by the Plan document, for 2012 was based upon 6% of gross compensation and was \$101,791. Employees are not required to make contributions to the Plan but are allowed to make elective contributions, however, the tax deferral of such contributions is dependent upon each individual's situation. The City matches the employee's elective contributions up to a maximum of 3%. During 2012, the employees elective contributions made through payroll deductions were \$36,275. All contributions are paid directly to the Plan Administrator, AXA Financial, Inc., in the name of the individual employees and the accounts are 100% vested at the time of contribution. The City retains no ownership rights to the accounts and, accordingly, the account balances are not included within the financial statements of the City. The City holds no investments of the Plan or any of its related parties. The City Council may amend or discontinue the Plan at any time. There were no changes to the Plan provisions during 2012.

The City began contributing to the Kansas Police and Firemen's Retirement System (KP&F) effective January 1, 2007. KP&F is a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KP&F provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KP&F issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KP&F (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

K.S.A. 74-4975 establishes KP&F member-employee contribution at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KP&F is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rate. The KP&F employer rate established for the calendar year ended December 31, 2012 was 16.54%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contributions to KP&F for the years ending December 31, 2012, 2011 and 2010 were \$268,418, \$231,500 and \$201,472, respectively, equal to the required contributions for each year.

9. INTERFUND TRANSFERS

Interfund transfers reflect the flow of resources from one fund to another fund, generally from the fund in which the resources are received or reside to the fund in which the resources will be expended. A summary of interfund transfers by individual fund is as follows:

9. INTERFUND TRANSFERS (continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ —	\$ 97,205
Street Improvement	—	243,151
Debt Service	296,049	—
Capital Projects	72,433	—
Water Utility	—	28,644
Sewer Utility	—	46,687
	<u>368,482</u>	<u>415,687</u>
Nonmajor Funds:		
Special Building	114,718	—
Park Improvement	—	114,718
Street Impact Fee	—	50,000
Street Machinery and Bridge Building	45,000	—
Capital Equipment Reserve	<u>52,205</u>	<u>—</u>
	<u>211,923</u>	<u>164,718</u>
Total transfers	<u>\$ 580,405</u>	<u>\$ 580,405</u>

Transfers from the General Fund to the Street Machinery and Bridge Building Fund and Capital Equipment Reserve Fund in the amounts of \$45,000 and \$52,205, respectively, are related to improvement and equipment replacement reserves.

The Special Building Fund received \$114,718 non-routine transfers from the Park Improvement Fund to assist in the lease payments from the City to the Public Building Commission.

The Debt Service Fund received non-routine transfers from the Street Improvement Fund, Water Utility Fund and Sewer Utility Fund in the amounts of \$220,718, \$28,644 and \$46,687, respectively, to forestall the need for a property tax increase in the Debt Service Fund. In addition, the Capital Projects Fund received \$50,000 from the Street Impact Fee Fund and \$22,433 from the Street Improvement Fund related to the City's contribution for certain project expenditures.

10. BUDGETARY DATA

As described in Note 1, the actual data presented in the budgetary comparison statements differ from the data presented in accordance with generally accepted accounting principles (GAAP). The following reconciliation's are presented to provide a correlation between the different basis of reporting for budgeted governmental fund types:

10. BUDGETARY DATA (continued)

	<u>General Fund</u>	<u>Street Improve- ment Fund</u>	<u>Debt Service Fund</u>	<u>Other Nonmajor Governmental Funds</u>
GAAP Fund Balances at December 31, 2012	\$ 1,905,178	\$ 2,793,873	\$ 753,112	\$ 4,491,437
Adjustments:				
Reserved for encumbrances (budgeted funds only)	(201,425)	(699,550)	-	(295,826)
Accrued sales tax revenues	-	(144,961)	-	(144,961)
Accrued franchise fee revenues	(86,770)	-	-	-
Accrued accounts receivable	-	-	-	(15,531)
Fund balances of funds not subject to Kansas budget law	-	-	-	(722,139)
Budgetary Fund Balances at December 31, 2012	<u>\$11,616,983</u>	<u>\$ 1,949,362</u>	<u>\$ 753,112</u>	<u>\$ 3,312,980</u>

11. FUND DEFICITS

At December 31, 2012, the Capital Projects Fund had incurred a fund deficit in the amount of \$2,989,640. This fund deficit will be financed through the sale of bonds authorized by the City Council, not yet sold at December 31, 2012, or through other revenue sources available to the City.

12. ADVANCE REFUNDING

On May 1, 2012, the City entered into an advance refunding transaction whereby it issued \$5,960,000 of General Obligation Refunding Bonds, Series A 2012 with interest rates from 2.00% to 2.10% to advance refund \$885,000 of outstanding General Obligation Internal Improvement Bonds, Series C 2004 with an interest rate of 4.03%, \$650,000 of General Obligation Internal Improvement Bonds, Series A 2005 with interest rates from 3.65% to 4.10%, and \$4,110,000 of General Obligation Bonds, Series A 2008 with interest rates from 3.25% to 4.60%. Proceeds from the Series A 2012 Refunding Bonds in the amount of \$5,982,573 were placed in an irrevocable escrow fund to provide for all debt service payments on the refunded Series C 2004 Bonds, Series A 2005 Bonds and Series A 2008 Bonds to their respective redemption dates. The outstanding Series C 2004 Bonds in the amount of \$885,000 will be called for redemption on September 1, 2013, the outstanding Series A 2005 Bonds in the amount of \$650,000 will be called for redemption on November 1, 2013 and the Series A 2008 Bonds in the amount of \$4,110,000 will be called for redemption on October 1, 2013.

The City advance refunded the Series C 2004, Series A 2005 and Series A 2008 Bonds to reduce its total debt service payments over the next 12 years by \$516,821 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$520,397.

13. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements. The City provides no other postemployment benefits, other than retirement plans, to former employees of the City.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the City under this program.

14. COMMITMENTS AND CONTINGENCIES

The City has certain projects for the construction of streets, water lines, sewer lines and storm drainage improvements related to new housing developments and other improvement projects. These improvement projects are included within the Capital Project fund types in the City's financial statements. At December 31, 2012, the City had outstanding construction and engineering commitments related to these projects in the amount of \$45,000. Funding for the improvement projects will be provided from long-term debt sources, reimbursements from the local developers and other resources available to the City. In addition, the City had outstanding commitments related to street improvements and park improvements in the amounts of \$204,720 and \$187,520, respectively.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2012, the City Council authorized the issuance and sale of General Obligation Refunding Bonds, Series A 2013, in the principal amount of \$6,610,000 with an interest rate of 2%. The proceeds of the bonds were utilized to advance refund the outstanding General Obligation Bonds, Series B 2006 maturing October 1, 2015 and thereafter, the General Obligation Bonds Series B 2008 maturing October 1, 2015 and thereafter, the General Obligation Refunding Bonds Series A 2009 maturing October 1, 2014 and thereafter, and the General Obligation Refunding Bonds Series B 2009 maturing October 1, 2015 and thereafter.

**COMBINING FINANCIAL STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES**

GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

The primary purpose of the Special Revenue Funds is to account for the proceeds of designated revenue sources which are used to finance specified activities as required by law or administrative regulation. The following nonmajor Special Revenue Funds are reported:

Special Highway - to account for street maintenance operations. Financing is provided through motor fuel taxes distributed from the State of Kansas special City and County highway fund.

Employee Benefits - to account for the City's portion of social security, retirement, workmen's compensation and unemployment insurance contributions applicable to governmental funds' payrolls. Financing is provided by taxes.

Library - to account for the City's tax levy funding of the operation of the municipal library. Financing is provided by a specific tax levy.

Special Building - to account for lease payments for public service, public safety and library facilities. Financing is provided for by a specific tax levy.

Hotel and Tourism - to account for the administration of the Transient Guest Tax. All moneys are to be expended for convention and tourism promotion per applicable State statutes.

Park Improvement - to account for the resources received for park improvement activities. Financing is principally provided by fireworks permits and alcohol tax.

Emergency 911 - to account for telephone tax revenue and other financing sources used to purchase and maintain emergency communication equipment and systems.

Street Impact Fee - to account for the assessments on new home construction for use in construction or improvement of arterial streets.

Municipal Golf Course - to account for the operations of the City owned golf course. Financing is provided through a lease arrangement for management of the course.

Park Impact Fee – to account for the assessments on new home construction for use in construction and maintenance of the City's park system.

Storm Water Utility – to account for resources made available for repair and improvement to the City's storm water system.

Festivals – to account for resources from local donations and fund raising efforts for the promotion and operation of the annual “Greater Andover Days” festival.

Andover Public Building Commission - the Andover Public Building Commission is a component unit of the City is to account for the acquisition and subsequent debt service of public buildings used by the City. Financing is provided through lease payments received from the City.

NONMAJOR CAPITAL PROJECT FUNDS

The primary purpose of the capital project funds is to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, except for those financed by proprietary funds. The following nonmajor Capital Project Funds are reported:

Highway Improvement - to account for street improvement and maintenance operations. Financing is provided by transfers from the special highway fund at the discretion of the City Council, with certain limitations as provided in applicable state statutes.

Street Machinery and Bridge Building - to account for acquisitions of street building machinery and equipment. Financing is provided for by transfers from the special highway fund at the discretion of the City Council with certain limitations as provided in applicable state statutes.

Capital Equipment Reserve - to accumulate resources to be used for new or replacement equipment. Financing is provided through annual transfers that must be budgeted and can be from any source which may be lawfully utilized for such purposes.

CITY OF ANDOVER, KANSAS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

December 31, 2012

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash including short-term investments	\$ 3,618,770	\$723,547	\$ 4,342,317
Property taxes receivable	1,703,142	–	1,703,142
Sales taxes receivable	144,961	–	144,961
Accounts receivable	<u>23,230</u>	<u>–</u>	<u>23,230</u>
 Total	 <u>\$ 5,490,103</u>	 <u>\$723,547</u>	 <u>\$ 6,213,650</u>
 <u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ <u>17,663</u>	\$ <u>1,408</u>	\$ <u>19,071</u>
Deferred inflows of resources:			
Property taxes receivable	<u>1,703,142</u>	<u>–</u>	<u>1,703,142</u>
Fund Balances:			
Restricted:			
General government	1,866,865	–	1,866,865
Street improvements	176,862	–	176,862
Recreation	448,205	–	448,205
Economic development	207,551	–	207,551
Public safety	74,629	–	74,629
Committed:			
Street improvements	589,248	214,998	804,246
Parks and recreation	361,685	–	361,685
Assigned:			
Recreation	44,253	–	44,253
Capital outlay	<u>–</u>	<u>507,141</u>	<u>507,141</u>
 Total fund balances	 <u>3,769,298</u>	 <u>722,139</u>	 <u>4,491,437</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 5,490,103</u>	 <u>\$723,547</u>	 <u>\$ 6,213,650</u>

CITY OF ANDOVER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year ended December 31, 2012

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues:			
Taxes	\$ 4,081,021	\$ -	\$ 4,081,021
Intergovernmental	364,185	29,384	393,569
Licenses, fee and permits	196,205	-	196,205
Charges for services	107,094	-	107,094
Use of money and property	1,727,938	1,237	1,729,175
Miscellaneous	<u>37,367</u>	<u>35,138</u>	<u>72,505</u>
 Total revenues	 <u>6,513,810</u>	 <u>65,759</u>	 <u>6,579,569</u>
Expenditures:			
Current:			
General government	1,370,190	-	1,370,190
Public Safety	1,030,995	-	1,030,995
Highways and streets	557,057	-	557,057
Health and sanitation	125,110	-	125,110
Culture and recreation	832,051	-	832,051
Environmental protection	9,089	-	9,089
Economic development	49,205	-	49,205
Capital improvements	-	272,590	272,590
Debt service:			
Principal	1,509,868	-	1,509,868
Interest and fiscal charges	<u>176,006</u>	<u>-</u>	<u>176,006</u>
 Total expenditures	 <u>5,659,571</u>	 <u>272,590</u>	 <u>5,932,161</u>
 Revenues over (under) expenditures	 <u>854,239</u>	 <u>(206,831)</u>	 <u>647,408</u>
Other financing sources (uses):			
Transfers in	114,718	97,205	211,923
Transfers out	<u>(164,718)</u>	<u>-</u>	<u>(164,718)</u>
 Total other financing sources (uses)	 <u>(50,000)</u>	 <u>97,205</u>	 <u>47,205</u>
 Net change in fund balances	 804,239	 (109,626)	 694,613
Fund balances, beginning of year	<u>2,965,059</u>	<u>831,765</u>	<u>3,796,824</u>
 Fund balances, end of year	 <u>\$ 3,769,298</u>	 <u>\$ 722,139</u>	 <u>\$ 4,491,437</u>

CITY OF ANDOVER, KANSAS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
(continued on next page)

December 31, 2012

	Special Highway	Employee Benefits	Library	Special Building	Hotel and Tourism	Park Improve- ment	Emergency 911	Street Impact Fee	Municipal Golf Course
ASSETS									
Cash and short-term investments	\$ 215,970	\$ 406,340	\$ 12,416	\$ 1,316,463	\$ 209,231	\$ 436,608	\$ 67,750	\$ 439,855	\$ 2,805
Accounts receivable	-	-	-	-	-	-	7,699	-	-
Sales taxes receivable	-	-	-	144,961	-	-	-	-	-
Property taxes receivable	-	1,185,755	343,557	173,830	-	-	-	-	-
Total assets	\$ 215,970	\$ 1,592,095	\$ 355,973	\$ 1,635,254	\$ 209,231	\$ 436,608	\$ 75,449	\$ 439,855	\$ 2,805
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 7,505	\$ 899	\$ -	\$ -	\$ 1,680	\$ 819	\$ 820	\$ 4,220	\$ -
Deferred inflows of resources:									
Property taxes receivable	-	1,185,755	343,557	173,830	-	-	-	-	-
Fund balances:									
Restricted:									
General government	-	405,441	-	1,461,424	-	-	-	-	-
Street improvements	176,862	-	-	-	-	-	-	-	-
Recreation	-	-	12,416	-	-	435,789	-	-	-
Economic development	-	-	-	-	207,551	-	-	-	-
Public safety	-	-	-	-	-	-	74,629	-	-
Committed:									
Street improvements	31,603	-	-	-	-	-	-	435,635	-
Parks and recreation	-	-	-	-	-	-	-	-	2,805
Assigned:									
Recreation	-	-	-	-	-	-	-	-	-
Total fund balances	208,465	405,441	12,416	1,461,424	207,551	435,789	74,629	435,635	2,805
Total liabilities, deferred inflows and fund balances	\$ 215,970	\$ 1,592,095	\$ 355,973	\$ 1,635,254	\$ 209,231	\$ 436,608	\$ 75,449	\$ 439,855	\$ 2,805

CITY OF ANDOVER, KANSAS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
(continued from previous page)

December 31, 2012

	Park Impact Fee	Storm Water Utility	Festivals	Andover Public Building Commission	Total Nonmajor Special Revenue Funds
<u>ASSETS</u>					
Cash and short-term investments	\$ 360,440	\$ 106,479	\$ 44,413	\$ –	\$ 3,618,770
Accounts receivable	–	15,531	–	–	23,230
Sales taxes receivable	–	–	–	–	144,961
Property taxes receivable	–	–	–	–	1,703,142
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,703,142</u>
Total assets	<u>\$ 360,440</u>	<u>\$ 122,010</u>	<u>\$ 44,413</u>	<u>\$ –</u>	<u>\$ 5,490,103</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 1,560	\$ –	\$ 160	\$ –	\$ 17,663
Deferred inflows of resources:					
Property taxes receivable	–	–	–	–	1,703,142
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,703,142</u>
Fund balances:					
Restricted:					
General government	–	–	–	–	1,866,865
Street improvements	–	–	–	–	176,862
Recreation	–	–	–	–	448,205
Economic development	–	–	–	–	207,551
Public safety	–	–	–	–	74,629
Committed:					
Street improvements	–	122,010	–	–	589,248
Parks and recreation	358,880	–	–	–	361,685
Assigned:					
Recreation	–	–	44,253	–	44,253
	<u>–</u>	<u>–</u>	<u>44,253</u>	<u>–</u>	<u>44,253</u>
Total fund balances	<u>358,880</u>	<u>122,010</u>	<u>44,253</u>	<u>–</u>	<u>3,769,298</u>
Total liabilities, deferred Inflows and fund balances	<u>\$ 360,440</u>	<u>\$ 122,010</u>	<u>\$ 44,413</u>	<u>\$ –</u>	<u>\$ 5,490,103</u>

CITY OF ANDOVER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
(continued on next page)

Year ended December 31, 2012

	Special Highway	Employee Benefits	Library	Special Building	Hotel and Tourism	Park Improve- ment	Emergency 911	Street Impact Fee	Municipal Golf Course
Revenues:									
Taxes	\$ -	\$1,409,628	\$ 391,506	\$ 2,093,976	\$ 89,554	\$ 49,233	\$ 47,124	\$ -	\$ -
Intergovernmental	364,185	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	52,500	-	79,580	-
Charges for services	1,382	-	-	-	-	-	-	-	-
Use of money and property	419	1,137	9	2,388	329	41,032	114	795	6
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	<u>365,986</u>	<u>1,410,765</u>	<u>391,515</u>	<u>2,096,364</u>	<u>89,883</u>	<u>142,765</u>	<u>47,238</u>	<u>80,375</u>	<u>6</u>
Expenditures:									
General government	-	169,084	-	1,201,106	-	-	-	-	-
Public Safety	-	822,298	-	166,984	-	-	41,713	-	-
Highways and streets	343,231	96,906	-	-	-	-	-	36,500	-
Health and sanitation	-	125,110	-	-	-	-	-	-	-
Culture and recreation	-	114,149	388,746	171,693	-	-	-	-	965
Environmental protection	-	9,089	-	-	-	-	-	-	-
Economic development	-	-	-	-	49,205	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Total expenditures	<u>343,231</u>	<u>1,336,636</u>	<u>388,746</u>	<u>1,539,783</u>	<u>49,205</u>	<u>-</u>	<u>41,713</u>	<u>36,500</u>	<u>965</u>
Revenues over (under) expenditures	<u>22,755</u>	<u>74,129</u>	<u>2,769</u>	<u>556,581</u>	<u>40,678</u>	<u>142,765</u>	<u>5,525</u>	<u>43,875</u>	<u>(959)</u>
Other financing sources (uses):									
Transfers in	-	-	-	114,718	-	-	-	-	-
Transfers out	-	-	-	-	-	(114,718)	-	(50,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,718</u>	<u>-</u>	<u>(114,718)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	22,755	74,129	2,769	671,299	40,678	28,047	5,525	(6,125)	(959)
Fund balances, beginning of year	<u>185,710</u>	<u>331,312</u>	<u>9,647</u>	<u>790,125</u>	<u>166,873</u>	<u>407,742</u>	<u>69,104</u>	<u>441,760</u>	<u>3,764</u>
Fund balances, end of year	<u>\$ 208,465</u>	<u>\$ 405,441</u>	<u>\$ 12,416</u>	<u>\$ 1,461,424</u>	<u>\$ 207,551</u>	<u>\$ 435,789</u>	<u>\$ 74,629</u>	<u>\$ 435,635</u>	<u>\$ 2,805</u>

CITY OF ANDOVER, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
 (continued from previous page)

Year ended December 31, 2012

	Park Impact Fee	Storm Water Utility	Festivals	Andover Public Building Commission	Total Nonmajor Special Revenue Funds
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$4,081,021
Intergovernmental	-	-	-	-	364,185
Licenses and permits	64,125	-	-	-	196,205
Charges for services	-	105,712	-	-	107,094
Use of money and property	642	171	62	1,680,834	1,727,938
Miscellaneous	-	-	37,367	-	37,367
Total revenues	<u>64,767</u>	<u>105,883</u>	<u>37,429</u>	<u>1,680,834</u>	<u>6,513,810</u>
Expenditures:					
General government	-	-	-	-	1,370,190
Public safety	-	-	-	-	1,030,995
Highways and streets	-	80,420	-	-	557,057
Health and sanitation	-	-	-	-	125,110
Culture and recreation	131,109	-	25,389	-	832,051
Environmental protection	-	-	-	-	9,089
Economic development	-	-	-	-	49,205
Debt service	-	5,040	-	1,680,834	1,685,874
Total expenditures	<u>131,109</u>	<u>85,460</u>	<u>25,389</u>	<u>1,680,834</u>	<u>5,659,571</u>
Revenues over (under) expenditures	<u>(66,342)</u>	<u>20,423</u>	<u>12,040</u>	<u>-</u>	<u>854,239</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	114,718
Transfers out	-	-	-	-	(164,718)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balances	(66,342)	20,423	12,040	-	804,239
Fund balances, beginning of year	<u>425,222</u>	<u>101,587</u>	<u>32,213</u>	<u>-</u>	<u>2,965,059</u>
Fund balances, end of year	<u>\$ 358,880</u>	<u>\$ 122,010</u>	<u>\$ 44,253</u>	<u>\$ -</u>	<u>\$ 3,769,298</u>

CITY OF ANDOVER, KANSAS

SPECIAL HIGHWAY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 327,680	\$ 327,680	\$ 364,185	\$ 36,505
Charges for services	–	–	1,382	1,382
Use of money and property	200	200	419	219
Miscellaneous	–	–	6,605	6,605
Total revenues	<u>327,880</u>	<u>327,880</u>	<u>372,591</u>	<u>44,711</u>
Expenditures and other uses:				
Personal services	50,000	50,000	50,000	–
Contractual services	107,335	107,335	92,906	14,429
Commodities	<u>232,100</u>	<u>232,100</u>	<u>226,033</u>	<u>6,067</u>
Total expenditures and other uses	<u>389,435</u>	<u>389,435</u>	<u>368,939</u>	<u>20,496</u>
Revenues over expenditures and other uses	(61,555)	(61,555)	3,652	65,207
Fund balance, beginning of year	<u>120,455</u>	<u>120,455</u>	<u>173,210</u>	<u>52,755</u>
Fund balance, end of year	<u>\$ 58,900</u>	<u>\$ 58,900</u>	<u>\$ 176,862</u>	<u>\$ 117,962</u>

CITY OF ANDOVER, KANSAS

EMPLOYEE BENEFITS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,367,242	\$1,367,242	\$ 1,409,628	\$ 42,386
Use of money and property	<u>750</u>	<u>750</u>	<u>1,137</u>	<u>387</u>
Total revenues	1,367,992	1,367,992	1,410,765	42,773
Expenditures:				
Personal services	<u>1,529,919</u>	<u>1,529,919</u>	<u>1,336,636</u>	<u>193,283</u>
Revenues over (under)				
expenditures	(161,927)	(161,927)	74,129	236,056
Fund balance,				
beginning of year	<u>171,927</u>	<u>171,927</u>	<u>331,312</u>	<u>159,385</u>
Fund balance, end of year	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 405,441</u>	<u>\$ 395,441</u>

CITY OF ANDOVER, KANSAS

LIBRARY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 377,740	\$ 377,740	\$ 391,506	\$ 13,766
Use of money and property	<u> –</u>	<u> –</u>	<u> 9</u>	<u> 9</u>
Total revenues	377,740	377,740	391,515	13,775
Expenditures and other uses:				
Appropriations to Library Board	<u>388,746</u>	<u>388,746</u>	<u>388,746</u>	<u> –</u>
Revenues over (under) expenditures and other uses	(11,006)	(11,006)	2,769	13,775
Fund balance, beginning of year	<u>11,006</u>	<u>11,006</u>	<u>9,647</u>	<u>(1,359)</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 12,416</u>	<u>\$ 12,416</u>

CITY OF ANDOVER, KANSAS

SPECIAL BUILDING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Property taxes	\$ 238,671	\$ 249,144	\$ 241,467	\$ (7,677)
Sales taxes	1,500,000	1,500,000	1,848,599	348,599
Use of money and property	300	300	2,388	2,088
Transfers in	<u>114,718</u>	<u>114,718</u>	<u>114,718</u>	<u>—</u>
 Total revenues and other sources	 1,853,689	 1,864,162	 2,207,172	 343,010
 Expenditures and other uses:				
Appropriation to Andover Public Building Commission	<u>1,856,222</u>	<u>2,614,861</u>	<u>1,680,834</u>	<u>934,027</u>
 Revenues and other sources over expenditures and other uses	 (2,533)	 (750,699)	 526,338	 1,277,037
Fund balance, Beginning of year	<u>17,533</u>	<u>790,125</u>	<u>790,125</u>	<u>—</u>
 Fund balance, end of year	 <u>\$ 15,000</u>	 <u>\$ 39,426</u>	 <u>\$ 1,316,463</u>	 <u>\$1,277,037</u>

CITY OF ANDOVER, KANSAS

HOTEL AND TOURISM FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Motel tax	\$ 70,000	\$ 70,000	\$ 89,554	\$ 19,554
Use of money and property	<u> –</u>	<u> –</u>	<u> 329</u>	<u> 329</u>
Total revenues	70,000	70,000	89,883	19,883
Expenditures:				
Contractual services	<u> 70,000</u>	<u> 70,000</u>	<u> 49,205</u>	<u> 20,795</u>
Revenues over (under)				
expenditures	–	–	40,678	40,678
Fund balance,				
beginning of year	<u> 132,612</u>	<u> 132,612</u>	<u> 166,873</u>	<u> 34,261</u>
Fund balance, end of year	<u>\$ 132,612</u>	<u>\$ 132,612</u>	<u>\$ 207,551</u>	<u>\$ 74,939</u>

CITY OF ANDOVER, KANSAS

PARK IMPROVEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Liquor tax	\$ 46,680	\$ 46,680	\$ 49,233	\$ 2,553
Licenses, permits and fees	37,500	37,500	52,500	15,000
Use of money and property	<u>36,416</u>	<u>36,416</u>	<u>41,032</u>	<u>4,616</u>
Total revenues	120,596	120,596	142,765	22,169
Expenditures:				
Debt Service	<u>114,718</u>	<u>114,718</u>	<u>114,718</u>	<u>—</u>
Revenues over (under)				
expenditures	5,878	5,878	28,047	22,169
Fund balance,				
beginning of year	<u>362,538</u>	<u>362,538</u>	<u>407,742</u>	<u>45,204</u>
Fund balance, end of year	<u>\$ 368,416</u>	<u>\$ 368,416</u>	<u>\$ 435,789</u>	<u>\$ 67,373</u>

CITY OF ANDOVER, KANSAS

EMERGENCY 911 FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Telephone tax	\$ 39,000	\$ 39,000	\$ 55,057	\$ 16,057
Use of money and property	<u>100</u>	<u>100</u>	<u>114</u>	<u>14</u>
Total revenues	<u>39,100</u>	<u>39,100</u>	<u>55,171</u>	<u>16,071</u>
Expenditures:				
Contractual services	23,700	23,700	41,713	(18,013)
Capital outlay	<u>18,016</u>	<u>18,016</u>	<u>–</u>	<u>18,016</u>
Total expenditures	<u>41,716</u>	<u>41,716</u>	<u>41,713</u>	<u>3</u>
Revenues over (under) expenditures	(2,616)	(2,616)	13,458	16,074
Fund balance, beginning of year	<u>40,314</u>	<u>40,314</u>	<u>61,171</u>	<u>20,857</u>
Fund balance, end of year	<u>\$ 37,698</u>	<u>\$ 37,698</u>	<u>\$ 74,629</u>	<u>\$ 36,931</u>

CITY OF ANDOVER, KANSAS

STREET IMPACT FEE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Impact fees	\$ 30,275	\$ 30,275	\$ 79,580	\$ 49,305
Use of money and property	<u>500</u>	<u>500</u>	<u>795</u>	<u>295</u>
Total revenues	30,775	30,775	80,375	49,600
Expenditures:				
Capital outlay	75,000	90,000	40,000	50,000
Transfers out	<u>–</u>	<u>–</u>	<u>50,000</u>	<u>(50,000)</u>
Total expenditures	<u>75,000</u>	<u>90,000</u>	<u>90,000</u>	<u>–</u>
Revenues over (under) expenditures	(44,225)	(59,225)	(9,625)	49,600
Fund balance, beginning of year	<u>378,796</u>	<u>330,260</u>	<u>330,260</u>	<u>–</u>
Fund balance, end of year	<u>\$334,571</u>	<u>\$271,035</u>	<u>\$ 320,635</u>	<u>\$ 49,600</u>

CITY OF ANDOVER, KANSAS

MUNICIPAL GOLF COURSE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ –	\$ –	\$ 6	\$ 6
Expenditures:				
Commodities	<u> –</u>	<u> 1,500</u>	<u> 965</u>	<u> 535</u>
Revenues over (under)				
expenditures	–	(1,500)	(959)	541
Fund balance,				
beginning of year	<u> 3,757</u>	<u> 3,764</u>	<u> 3,764</u>	<u> –</u>
Fund balance, end of year	<u>\$ 3,757</u>	<u>\$ 2,264</u>	<u>\$ 2,805</u>	<u>\$ 541</u>

CITY OF ANDOVER, KANSAS

PARK IMPACT FEE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Impact fees	\$ 20,250	\$ 20,250	\$ 64,125	\$ 43,875
Use of money and property	500	500	642	142
Miscellaneous	<u>–</u>	<u>–</u>	<u>50,942</u>	<u>50,942</u>
Total revenues	<u>20,750</u>	<u>20,750</u>	<u>115,709</u>	<u>94,959</u>
Expenditures:				
Contractual services	–	–	58,755	(58,755)
Capital outlay	<u>196,332</u>	<u>196,332</u>	<u>97,332</u>	<u>99,000</u>
Total expenditures	<u>196,332</u>	<u>196,332</u>	<u>156,087</u>	<u>40,245</u>
Revenues over (under) expenditures	(175,582)	(175,582)	(40,378)	135,204
Fund balance, beginning of year	<u>237,919</u>	<u>237,919</u>	<u>250,985</u>	<u>13,066</u>
Fund balance, end of year	<u>\$ 62,337</u>	<u>\$ 62,337</u>	<u>\$ 210,607</u>	<u>\$ 148,270</u>

CITY OF ANDOVER, KANSAS

STORM WATER UTILITY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees	\$ 110,000	\$ 110,000	\$ 101,368	\$ (8,632)
Use of money and property	<u>50</u>	<u>50</u>	<u>171</u>	<u>121</u>
Total revenues	<u>110,050</u>	<u>110,050</u>	<u>101,539</u>	<u>(8,511)</u>
Expenditures:				
Personal services	70,911	70,911	69,252	1,659
Contractual services	5,800	8,800	6,427	2,373
Commodities	3,700	3,700	5,691	(1,991)
Capital outlay	8,000	8,000	–	8,000
Debt service	<u>–</u>	<u>–</u>	<u>5,040</u>	<u>(5,040)</u>
Total expenditures	<u>88,411</u>	<u>91,411</u>	<u>86,410</u>	<u>5,001</u>
Revenues over (under) expenditures	21,639	18,639	15,129	(3,510)
Fund balance, beginning of year	<u>75,693</u>	<u>90,400</u>	<u>90,400</u>	<u>–</u>
Fund balance, end of year	<u>\$ 97,332</u>	<u>\$ 109,039</u>	<u>\$ 105,529</u>	<u>\$ (3,510)</u>

CITY OF ANDOVER, KANSAS

FESTIVALS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ –	\$ –	\$ 62	\$ 62
Miscellaneous	<u>40,000</u>	<u>40,000</u>	<u>37,367</u>	<u>(2,633)</u>
Total revenues and other sources	<u>40,000</u>	<u>40,000</u>	<u>37,429</u>	<u>(2,571)</u>
Expenditures:				
Contractual services	20,000	20,000	18,563	1,437
Commodities	<u>20,000</u>	<u>20,000</u>	<u>6,826</u>	<u>13,174</u>
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>25,389</u>	<u>14,611</u>
Revenues and other sources over expenditures	–	–	12,040	12,040
Fund balance, beginning of year	<u>26,800</u>	<u>26,800</u>	<u>32,213</u>	<u>5,413</u>
Fund balance, end of year	<u>\$ 26,800</u>	<u>\$ 26,800</u>	<u>\$ 44,253</u>	<u>\$ 17,453</u>

CITY OF ANDOVER, KANSAS

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 62,170	\$ 64,322	\$ 64,631	\$ 309
Special assessments	4,435,594	4,435,594	4,536,930	101,336
Use of money and property	4,000	-	3,996	3,996
Bond proceeds	-	6,075,000	6,074,898	(102)
Transfers in	<u>296,049</u>	<u>296,049</u>	<u>296,049</u>	<u>-</u>
 Total revenues and other sources	 <u>4,797,813</u>	 <u>10,870,965</u>	 <u>10,976,504</u>	 <u>105,539</u>
 Expenditures and other uses:				
Bond Principal	3,581,000	3,608,000	3,608,000	-
Bond interest and commission	1,426,973	1,512,473	1,337,454	175,019
Other debt Service	39,385	39,385	39,321	64
Payment to escrow agent	-	5,983,000	5,982,573	427
Bond issuance costs	-	-	87,463	(87,463)
Cash basis reserve	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
 Total expenditures and other uses	 <u>5,297,358</u>	 <u>11,392,858</u>	 <u>11,054,811</u>	 <u>338,047</u>
 Revenues and other sources over (under) expenditures and other uses	 (499,545)	 (521,893)	 (78,307)	 443,586
Fund balance, beginning of year	<u>564,545</u>	<u>831,419</u>	<u>831,419</u>	<u>-</u>
 Fund balance, end of year	 <u>\$ 65,000</u>	 <u>\$ 309,526</u>	 <u>\$ 753,112</u>	 <u>\$ 443,586</u>

CITY OF ANDOVER, KANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS

December 31, 2012

	<u>Highway Improve- ment</u>	<u>Street Machinery and Bridge Building</u>	<u>Capital Equipment Reserve</u>	<u>Total Nonmajor Capital Project Funds</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 79,880	\$ 136,526	\$ 507,141	\$ 723,547
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,408	\$ –	\$ –	\$ 1,408
Fund balances:				
Committed:				
Street improvements	78,472	136,526	–	214,998
Assigned:				
Capital outlay	<u>–</u>	<u>–</u>	<u>507,141</u>	<u>507,141</u>
Total fund balances	<u>78,472</u>	<u>136,526</u>	<u>507,141</u>	<u>722,139</u>
Total liabilities and fund balances	<u>\$ 79,880</u>	<u>\$ 136,526</u>	<u>\$ 507,141</u>	<u>\$ 723,547</u>

CITY OF ANDOVER, KANSAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS -
CAPITAL PROJECT FUNDS**

Year ended December 31, 2012

	<u>Highway Improve- ment</u>	<u>Street Machinery and Bridge Building</u>	<u>Capital Equipment Reserve</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 29,384	\$ 29,384
Use of money and property	136	297	804	1,237
Miscellaneous	<u>555</u>	<u>-</u>	<u>34,583</u>	<u>35,138</u>
Total revenues	691	297	64,771	65,759
Expenditures:				
Capital outlay	<u>1,408</u>	<u>219,839</u>	<u>51,343</u>	<u>272,590</u>
Revenues over (under) expenditures	(717)	(219,542)	13,428	(206,831)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>45,000</u>	<u>52,205</u>	<u>97,205</u>
Net change in fund balances	(717)	(174,542)	65,633	(109,626)
Fund balances, beginning of year	<u>79,189</u>	<u>311,068</u>	<u>441,508</u>	<u>831,765</u>
Fund balances, end of year	<u>\$ 78,472</u>	<u>\$ 136,526</u>	<u>\$ 507,141</u>	<u>\$ 722,139</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund measurement focus is upon determination of net income, financial position and change in financial position. The following major Enterprise Funds are reported:

Water Utility - to account for the maintenance of the water distribution system. Financing is provided by user charges.

Sewer Utility - to account for the operation and maintenance of the sewer system and sewage treatment plant. Financing is provided by user charges.

Recycling/Trash Utility – to account for the operations of the recycling/trash operations. Financing is provided by user charges. The City contracts with a third-party service provider for the collection and disposal activities and performs the billing and collection functions.

CITY OF ANDOVER, KANSAS

WATER UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 100,000	\$ 100,000	\$ 126,628	\$ 26,628
Use of money and property	<u>400</u>	<u>400</u>	<u>233</u>	<u>(167)</u>
 Total revenues	 <u>100,400</u>	 <u>100,400</u>	 <u>126,861</u>	 <u>26,461</u>
 Expenditures, encumbrances and other uses:				
Personal services	21,912	21,912	21,146	766
Contractual services	3,900	4,000	3,979	21
Capital Outlay	–	48,600	48,575	25
Transfers out	<u>28,644</u>	<u>28,644</u>	<u>28,644</u>	<u>–</u>
 Total expenditures, encumbrances and other uses	 <u>54,456</u>	 <u>103,156</u>	 <u>102,344</u>	 <u>812</u>
 Revenues over (under) expenditures, encumbrances and other uses	 45,944	 (2,756)	 24,517	 27,273
Fund balance, beginning of year	<u>29,116</u>	<u>101,410</u>	<u>101,410</u>	<u>–</u>
 Fund balance, end of year	 <u>\$ 75,060</u>	 <u>\$ 98,654</u>	 <u>\$ 125,927</u>	 <u>\$ 27,273</u>

CITY OF ANDOVER, KANSAS

SEWER UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$1,721,625	\$1,721,625	\$1,613,865	\$(107,760)
Use of money and property	10,104	10,104	6,598	(3,506)
Miscellaneous	–	–	44,720	44,720
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>–</u>
 Total revenues	 <u>1,831,729</u>	 <u>1,831,729</u>	 <u>1,765,183</u>	 <u>(66,546)</u>
 Expenditures, encumbrances and other uses:				
Personal services	411,995	411,995	379,400	32,595
Contractual services	317,775	317,775	275,853	41,922
Commodities	82,400	82,400	67,177	15,223
Capital outlay	204,600	204,600	53,824	150,776
Debt service	434,238	434,238	–	434,238
Transfers out	<u>450,000</u>	<u>450,000</u>	<u>884,238</u>	<u>(434,238)</u>
 Total expenditures, encumbrances and other uses	 <u>1,901,008</u>	 <u>1,901,008</u>	 <u>1,660,492</u>	 <u>240,516</u>
 Revenues over (under) expenditures, encumbrances and other uses	 (69,279)	 (69,279)	104,691	173,970
Fund balance, beginning of year	<u>532,349</u>	<u>532,349</u>	<u>902,820</u>	<u>370,471</u>
 Fund balance, end of year	 <u>\$ 463,070</u>	 <u>\$ 463,070</u>	 <u>\$1,007,511</u>	 <u>\$ 544,441</u>

CITY OF ANDOVER, KANSAS

RECYCLING/TRASH UTILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS**

Year Ended December 31, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 454,000	\$ 496,000	\$ 547,104	\$ 51,104
Use of money and property	<u>—</u>	<u>—</u>	<u>25</u>	<u>25</u>
Total revenues	<u>454,000</u>	<u>496,000</u>	<u>547,129</u>	<u>51,129</u>
Expenditures, encumbrances and other uses:				
Personal services	32,407	32,407	29,568	2,839
Contractual services	424,300	466,300	457,712	8,588
Commodities	<u>1,500</u>	<u>1,500</u>	<u>858</u>	<u>642</u>
Total expenditures, encumbrances and other uses	<u>458,207</u>	<u>500,207</u>	<u>488,138</u>	<u>12,069</u>
Revenues over (under) expenditures, encumbrances and other uses	(4,207)	(4,207)	58,991	63,198
Fund balance, beginning of year	<u>9,591</u>	<u>9,150</u>	<u>9,150</u>	<u>—</u>
Fund balance, end of year	<u>\$ 5,384</u>	<u>\$ 4,943</u>	<u>\$ 68,141</u>	<u>\$ 63,198</u>

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agent capacity for others and, therefore, are not used to support the government's own programs.

AGENCY FUNDS:

Payroll - to account for the payroll withholdings and City contributions held until disbursement.

Municipal Court Bond Deposits - to account for cash bail bond moneys posted by defendants until disposition of their case.

CITY OF ANDOVER, KANSAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS**

Year ended December 31, 2012

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2012</u>
<u>PAYROLL AGENCY FUND</u>				
<u>ASSETS</u>				
Cash and short-term investments	\$ <u>1,701</u>	\$ <u>1,055,433</u>	\$ <u>1,050,753</u>	\$ <u>6,381</u>
<u>LIABILITIES</u>				
Accrued liabilities	\$ <u>1,701</u>	\$ <u>1,055,433</u>	\$ <u>1,050,753</u>	\$ <u>6,381</u>
<u>MUNICIPAL COURT BOND DEPOSIT FUND</u>				
<u>ASSETS</u>				
Cash and short-term investments	\$ <u>4,123</u>	\$ <u>3,215</u>	\$ <u>3,965</u>	\$ <u>3,373</u>
<u>LIABILITIES</u>				
Appearance bonds payable	\$ <u>4,123</u>	\$ <u>3,215</u>	\$ <u>3,965</u>	\$ <u>3,373</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and short-term investments	\$ <u>5,824</u>	\$ <u>1,058,648</u>	\$ <u>1,054,718</u>	\$ <u>9,754</u>
<u>LIABILITIES</u>				
Accrued liabilities	\$ <u>1,701</u>	\$ <u>1,055,433</u>	\$ <u>1,050,753</u>	\$ <u>6,381</u>
Appearance bonds payable	<u>4,123</u>	<u>3,215</u>	<u>3,965</u>	<u>3,373</u>
	\$ <u>5,824</u>	\$ <u>1,058,648</u>	\$ <u>1,054,718</u>	\$ <u>9,754</u>

COMPONENT UNIT

The Andover Public Library is reported as a discretely presented component unit with the financial statements of the City of Andover (the reporting entity) to emphasize its separate legal status. The Andover Public Library Board is appointed by the City Council and operates the public library of the City. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs, fines and donations from the public. The following fund is used to account for the operations of the Andover Public Library:

General Fund – all operating activities of the Library Board are accounted for within this fund.

CITY OF ANDOVER, KANSAS

GENERAL FUND BALANCE SHEET – ANDOVER PUBLIC LIBRARY

December 31, 2012

ASSETS

Cash and investments \$ 310,011

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable \$ 749

Fund balance:

Committed:

Capital improvements 123,015

Unassigned 186,247

Total fund balance 309,262

Total liabilities and fund balance \$ 310,011

Reconciliation to total net position:

Total fund balance per above \$ 309,262

Add long-term capital assets 313,941

Less accumulated depreciation
on long-term capital assets (216,998)

Total net position \$ 406,205

CITY OF ANDOVER, KANSAS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GENERAL FUND – ANDOVER PUBLIC LIBRARY**

Year ended December 31, 2012

Revenues:	
Appropriation from City of Andover	\$ 388,746
South Central Kansas Library System grants	40,654
State aid	5,022
Interest earnings	956
Fines and fees	54,534
Memorial donations	4,641
Capital campaign donations	67
Other charges	<u>2,712</u>
 Total revenues	 <u>497,332</u>
 Expenditures:	
Salaries, wages and payroll taxes	271,816
Purchase of books, periodicals and other media	59,381
Advertising	628
Postage, supplies and equipment maintenance	20,847
Capital equipment outlays	37,856
Telephone and utilities	22,733
Building maintenance and supplies	35,301
Special programs	981
Workshops and training	170
Miscellaneous	<u>12,554</u>
 Total expenditures	 <u>462,267</u>
 Net change in fund balance	 35,065
Fund balance, beginning of year	<u>274,197</u>
 Fund balance, end of year	 <u>\$ 309,262</u>
 Reconciliation of change in net position:	
Net change in fund balance per above	\$ 35,065
Add assets capitalized	16,267
Less current year depreciation on capital assets	(26,160)
Less loss on disposal of capital assets	<u>(1,993)</u>
 Change in net position	 <u>\$ 23,179</u>

STATISTICAL SECTION

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 indicates about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	97
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source.	104
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	108
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	113
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	118

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.*

City of Andover
Net Position by Component
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities									
Net investment in capital assets	\$ (10,903,958)	\$ (6,077,010)	\$ (6,921,351)	\$ (2,687,674)	\$ 3,812,742	\$ 3,723,622	\$ 907,527	\$ 3,069,080	\$ 3,742,281
Restricted	20,171,629	20,850,099	22,332,361	25,008,711	30,640,036	28,160,493	29,429,901	39,086,258	39,920,413
Unrestricted	3,289,491	1,146,976	4,610,314	2,675,538	(3,324,809)	114,925	4,233,375	1,476,823	2,394,760
Total governmental activities net position	<u>\$ 12,557,162</u>	<u>\$ 15,920,065</u>	<u>\$ 20,021,324</u>	<u>\$ 24,996,575</u>	<u>\$ 31,127,969</u>	<u>\$ 31,999,040</u>	<u>\$ 34,570,803</u>	<u>\$ 43,632,161</u>	<u>\$ 46,057,454</u>
Business-type activities									
Net investment in capital assets	\$ 12,227,433	\$ 12,120,142	\$ 14,002,291	\$ 15,635,034	\$ 18,208,045	\$ 18,150,921	\$ 19,924,848	\$ 21,678,530	\$ 21,753,996
Restricted	2,410,441	2,590,787	2,684,147	3,195,999	3,278,991	3,266,458	3,318,137	2,402,826	2,921,829
Unrestricted	915,612	1,116,453	1,150,093	975,141	1,080,787	1,013,248	441,443	726,966	963,898
Total business-type activities net position	<u>\$ 15,553,486</u>	<u>\$ 15,827,382</u>	<u>\$ 17,836,531</u>	<u>\$ 19,806,174</u>	<u>\$ 22,567,823</u>	<u>\$ 22,430,627</u>	<u>\$ 23,684,428</u>	<u>\$ 24,808,322</u>	<u>\$ 25,639,723</u>
Primary government									
Net investment in capital assets	\$ 1,323,475	\$ 6,043,132	\$ 7,080,940	\$ 12,947,360	\$ 22,020,787	\$ 21,874,543	\$ 20,832,375	\$ 24,747,610	\$ 25,496,277
Restricted	22,582,070	23,440,886	25,016,508	28,204,710	33,919,027	31,426,951	32,748,038	41,489,084	42,842,242
Unrestricted	4,205,103	2,263,429	5,760,407	3,650,679	(2,244,022)	1,128,173	4,674,818	2,203,789	3,358,658
Total primary government net position	<u>\$ 28,110,648</u>	<u>\$ 31,747,447</u>	<u>\$ 37,857,855</u>	<u>\$ 44,802,749</u>	<u>\$ 53,695,792</u>	<u>\$ 54,429,667</u>	<u>\$ 58,255,231</u>	<u>\$ 68,440,483</u>	<u>\$ 71,697,177</u>

Data presented only since implementation of GASB Statement No. 34 in 2004.

City of Andover
Changes in Net Position
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities:									
General government	\$ 918,415	\$ 940,130	\$ 887,123	\$ 974,533	\$ 1,050,874	\$ 1,064,690	\$ 809,915	\$ 1,373,335	\$ 2,370,028
Public Safety	2,598,584	1,656,509	2,148,561	2,580,055	2,885,107	3,349,588	3,623,780	3,843,380	3,980,400
Highways and street	1,126,068	1,042,226	1,543,927	1,051,319	2,062,097	2,091,853	3,084,834	3,424,155	3,895,179
Health and sanitation	1,460,875	51,387	57,323	219,337	83,213	96,071	107,215	170,363	125,110
Culture and recreation	706,202	825,855	786,112	899,687	985,226	1,015,734	1,210,123	1,996,474	1,590,511
Economic development	10,309	6,938	67,903	20,632	69,185	67,333	23,974	44,995	53,280
Environment protection	8,433	10,431	11,673	13,412	13,077	9,995	10,601	13,729	12,331
Interest on long-term debt	1,367,959	1,295,025	1,541,389	1,599,603	1,859,286	1,590,175	1,602,859	1,751,294	1,849,110
Total governmental activities expenses	8,196,845	5,828,501	7,044,011	7,358,578	9,008,065	9,285,439	10,473,301	12,617,725	13,875,949
Business type activities:									
Water	112,209	116,412	253,712	266,156	168,405	191,202	197,173	208,667	213,041
Wastewater	1,085,450	1,094,785	1,052,190	1,100,239	1,151,411	1,243,054	1,260,543	1,136,863	1,237,691
Recycle/Trash Utility	-	-	-	-	-	-	234,422	411,880	495,219
Total business-type activities expenses	1,197,659	1,211,197	1,305,902	1,366,395	1,319,816	1,434,256	1,692,138	1,757,410	1,945,951
Total primary government expenses	\$ 9,394,504	\$ 7,039,698	\$ 8,349,913	\$ 8,724,973	\$ 10,327,881	\$ 10,719,695	\$ 12,165,439	\$ 14,375,135	\$ 15,821,900
Program Revenues									
Governmental activities:									
Charges for services:									
General Government	\$ 237,014	\$ 254,890	\$ 210,065	\$ 285,987	\$ 252,497	\$ 163,687	\$ 397,086	\$ 734,966	\$ 1,591,067
Public Safety	179,969	222,096	238,127	220,553	265,563	281,886	236,339	424,870	482,306
Highway and streets	184,955	69,875	193,922	225,653	189,213	145,137	151,010	179,709	187,229
Health and sanitation	-	21,800	-	-	-	-	-	-	-
Culture and recreation	347,676	261,636	227,988	314,919	233,101	264,351	286,418	1,019,634	429,033
Operating grants and contributions	410,497	311,280	334,967	391,271	323,982	344,869	330,462	341,771	364,185
Capital grants and contributions	1,612,663	3,134,274	6,267,874	5,476,892	9,705,795	1,999,911	5,721,800	10,502,266	3,735,910
Total governmental activities program revenue	2,972,774	4,275,851	7,472,943	6,915,275	10,970,151	3,199,841	7,123,115	13,203,216	6,789,730
Business-type activities:									
Charges for services:									
Water	92,234	104,630	124,576	105,404	108,528	112,236	113,690	128,631	127,247
Wastewater	1,193,471	1,132,288	1,215,850	1,274,074	1,275,241	1,215,218	1,205,873	1,452,342	1,920,091
Recycle/Trash Utility	-	-	-	-	-	-	254,149	405,133	501,154
Capital grants and contributions	457,200	366,410	-	-	-	-	-	-	-
Total business-type activities program revenues	1,742,905	1,603,328	1,340,426	1,379,478	1,383,769	1,327,454	1,573,712	1,986,106	2,548,492
Total primary government program revenues	\$ 4,715,679	\$ 5,879,179	\$ 8,813,369	\$ 8,294,753	\$ 12,353,920	\$ 4,527,295	\$ 8,696,827	\$ 15,189,322	\$ 9,338,222
Net (Expense) Revenue									
Governmental activities	\$ (5,224,071)	\$ (1,552,650)	\$ 428,932	\$ (443,303)	\$ 1,962,086	\$ (6,085,598)	\$ (3,350,186)	\$ 585,491	\$ (7,086,219)
Business-type activities	545,246	392,131	34,524	13,083	63,953	(106,802)	(118,426)	228,696	602,541
Total primary government net expenses	\$ (4,678,825)	\$ (1,160,519)	\$ 463,456	\$ (430,220)	\$ 2,026,039	\$ (6,192,400)	\$ (3,468,612)	\$ 814,187	\$ (6,483,678)

City of Andover
Changes in Net Position
Last Nine Fiscal Years
 (accrual basis of accounting)
 (Continued from previous page)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Position									
Governmental activities:									
Taxes									
Property taxes	\$ 2,677,772	\$ 2,930,964	\$ 3,240,873	\$ 3,586,613	\$ 4,131,474	\$ 4,573,036	\$ 4,927,084	\$ 6,653,922	\$ 7,158,713
Sales taxes	1,042,169	1,069,248	1,345,340	2,487,160	1,639,405	1,539,327	1,567,061	1,909,229	1,852,510
Franchise taxes	431,334	490,710	514,361	583,179	633,556	615,928	683,013	667,299	631,758
Other Taxes	8,433	6,938	2,903	22,394	92,085	130,221	76,391	97,294	89,554
Investment earnings	68,553	207,202	381,260	486,754	254,423	31,811	26,563	30,944	78,043
Transfers	110,235	210,491	(1,812,410)	(1,747,546)	(2,581,635)	66,346	(1,358,163)	(882,821)	(299,066)
Total governmental activities	<u>4,338,496</u>	<u>4,915,553</u>	<u>3,672,327</u>	<u>5,418,554</u>	<u>4,169,308</u>	<u>6,956,669</u>	<u>5,921,949</u>	<u>8,475,867</u>	<u>9,511,512</u>
Business-type activities									
Investment earnings	35,002	92,256	162,215	209,014	116,061	35,952	14,064	12,377	10,462
Transfers	(110,235)	(210,491)	1,812,410	1,747,546	2,581,635	(66,346)	1,358,163	882,821	299,066
Total business-type activities	<u>(75,233)</u>	<u>(118,235)</u>	<u>1,974,625</u>	<u>1,956,560</u>	<u>2,697,696</u>	<u>(30,394)</u>	<u>1,372,227</u>	<u>895,198</u>	<u>309,528</u>
Total primary government	<u>\$ 4,263,263</u>	<u>\$ 4,797,318</u>	<u>\$ 5,646,952</u>	<u>\$ 7,375,114</u>	<u>\$ 6,867,004</u>	<u>\$ 6,926,275</u>	<u>\$ 7,294,176</u>	<u>\$ 9,371,065</u>	<u>\$ 9,821,040</u>
Change in Net Position									
Governmental activities	\$ (885,575)	\$ 3,362,903	\$ 4,101,259	\$ 4,975,251	\$ 6,131,394	\$ 871,071	\$ 2,571,763	\$ 9,061,358	\$ 2,425,293
Business-type activities	470,013	273,896	2,009,149	1,969,643	2,761,649	(137,196)	1,253,801	1,123,894	912,069
Total primary government	<u>\$ (415,562)</u>	<u>\$ 3,636,799</u>	<u>\$ 6,110,408</u>	<u>\$ 6,944,894</u>	<u>\$ 8,893,043</u>	<u>\$ 733,875</u>	<u>\$ 3,825,564</u>	<u>\$ 10,185,252</u>	<u>\$ 3,337,362</u>

City of Andover
Program Revenues by Function/Program
Last Nine Fiscal Years

Function/Program	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:									
General government	\$ 337,610	\$ 256,015	\$ 210,065	\$ 365,466	\$ 264,497	\$ 182,883	\$ 400,513	\$ 734,966	\$ 1,591,067
Public Safety	459,453	552,394	633,326	583,581	656,880	604,940	271,508	684,937	511,690
Highways and streets	348,353	69,875	788,364	352,901	896,049	810,966	1,308,709	1,207,207	759,192
Health and sanitation	---	21,800	259,222	50,739	---	---	---	---	---
Culture and recreation	378,093	261,636	1,559,321	487,657	738,441	291,976	286,418	1,019,634	429,033
Environmental protection	---	---	---	---	---	---	---	---	---
Economic development	---	---	---	---	---	---	---	---	---
Interest on long term debt	1,406,334	3,084,311	4,022,645	5,074,931	8,414,284	1,309,076	4,855,967	9,556,472	3,498,748
Subtotal governmental activities	<u>2,929,843</u>	<u>4,246,031</u>	<u>7,472,943</u>	<u>6,915,275</u>	<u>10,970,151</u>	<u>3,199,841</u>	<u>7,123,115</u>	<u>13,203,216</u>	<u>6,789,730</u>
Business-type activities									
Water	300,634	298,180	124,576	105,404	108,528	112,236	113,690	128,631	127,247
Wastewater	1,442,271	1,305,148	1,215,850	1,274,074	1,275,241	1,215,218	1,205,873	1,452,342	1,920,091
Recycling/Trash Utility	---	---	---	---	---	---	254,149	405,133	501,154
Subtotal business-type activities	<u>1,742,905</u>	<u>1,603,328</u>	<u>1,340,426</u>	<u>1,379,478</u>	<u>1,383,769</u>	<u>1,327,454</u>	<u>1,573,712</u>	<u>1,986,106</u>	<u>2,548,492</u>
Total primary government	<u>\$ 4,672,748</u>	<u>\$ 5,849,359</u>	<u>\$ 8,813,369</u>	<u>\$ 8,294,753</u>	<u>\$ 12,353,920</u>	<u>\$ 4,527,295</u>	<u>\$ 8,696,827</u>	<u>\$ 15,189,322</u>	<u>\$ 9,338,222</u>

Data presented only since implementation of GASB Statement No. 34 in 2004.

City of Andover
Tax Revenues by Source, Governmental Funds
Last Nine Fiscal Years

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Other</u>	<u>Total</u>
2004	\$ 2,677,772	\$ 1,042,169	\$ 431,334	\$ 8,433	\$ 4,159,708
2005	2,930,964	1,069,248	490,710	6,938	4,497,860
2006	3,240,873	1,345,340	514,361	2,903	5,103,477
2007	3,586,613	2,487,160	583,179	22,394	6,679,346
2008	4,131,474	1,639,405	633,556	92,085	6,496,520
2009	4,573,036	1,539,327	615,928	130,221	6,858,512
2010	4,927,084	1,567,061	683,013	76,391	7,253,549
2011	6,653,922	1,909,229	667,299	97,294	9,327,744
2012	7,158,716	1,852,510	631,758	89,554	9,732,538
Change					
2004-2012	167.3%	77.8%	46.5%	961.9%	134.0%

Data presented only since implementation of GASB Statement No. 34 in 2004.

**City of Andover
Fund Balances
Governmental Funds
Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 41,412	\$ 30,832	\$ 19,364	\$ 27,383	\$ 166,847	\$ 167,325	\$ 90,130	\$ 78,039	\$ -	\$ -
Unreserved	674,441	936,015	1,141,843	1,535,623	1,825,409	2,194,699	1,842,643	1,840,011	-	-
Committed	-	-	-	-	-	-	-	-	1,002,945	201,425
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	1,167,321	1,703,753
Total General Fund	<u>\$ 715,853</u>	<u>\$ 966,847</u>	<u>\$ 1,161,207</u>	<u>\$ 1,563,006</u>	<u>\$ 1,992,256</u>	<u>\$ 2,362,024</u>	<u>\$ 1,932,773</u>	<u>\$ 1,918,050</u>	<u>\$ 2,170,266</u>	<u>\$ 1,905,178</u>
All Other Governmental Funds										
Reserved	\$ 1,658,046	\$ 1,995,089	\$ 1,635,443	\$ 1,167,324	\$ 4,465,591	\$ 1,809,311	\$ 5,679,912	\$ 2,459,314	\$ -	\$ -
Unreserved, Reported In:										
Special revenue funds	2,751,070	2,548,084	2,853,788	2,536,801	3,819,032	3,239,665	4,222,157	4,424,197	-	-
Capital projects funds	(4,827,889)	(5,469,998)	(10,224,624)	(9,009,906)	(12,407,143)	(9,557,490)	(17,376,276)	(10,126,128)	-	-
Debt service funds	866,006	1,044,210	885,845	855,836	1,026,816	943,582	656,850	1,029,435	-	-
Restricted									4,683,970	6,321,097
Committed	-	-	-	-	-	-	-	-	1,362,590	1,165,931
Assigned	-	-	-	-	-	-	-	-	473,721	551,394
Unassigned, Reported In:										
Capital projects funds	-	-	-	-	-	-	-	-	(5,182,631)	(2,989,640)
Total all other governmental funds	<u>\$ 447,233</u>	<u>\$ 117,385</u>	<u>\$ (4,849,548)</u>	<u>\$ (4,449,945)</u>	<u>\$ (3,095,704)</u>	<u>\$ (3,564,932)</u>	<u>\$ (6,817,357)</u>	<u>\$ (2,213,182)</u>	<u>\$ 1,337,650</u>	<u>\$ 5,048,782</u>

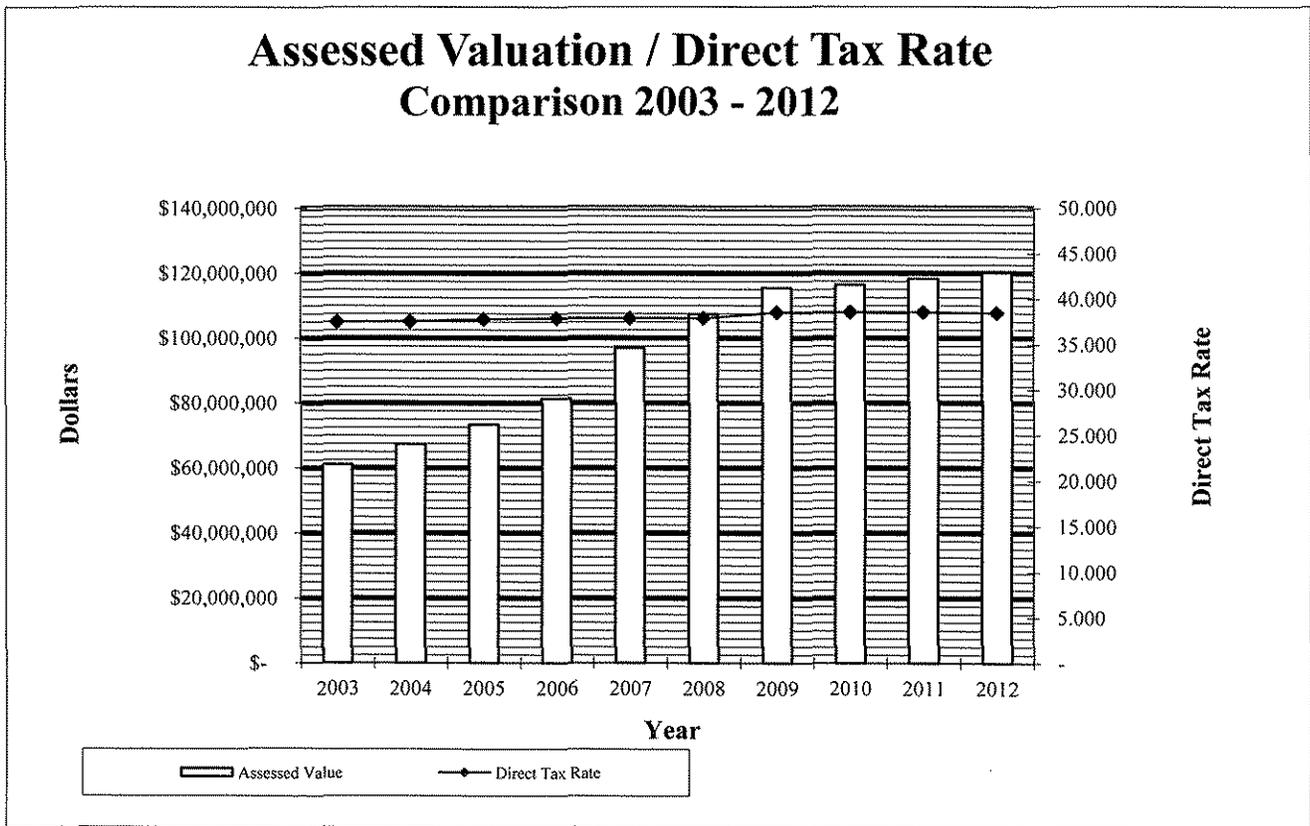
Fund balance classifications starting in 2011 are due to the implementation of Governmental Accounting Standards Board Statement No. 54.

City of Andover
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 3,664,734	\$ 4,197,402	\$ 4,544,475	\$ 5,160,771	\$ 6,173,551	\$ 5,914,419	\$ 6,292,335	\$ 6,611,832	\$ 8,561,022	\$ 8,961,924
Licenses and permits	515,599	674,506	569,759	558,202	1,288,837	1,208,174	1,003,377	1,069,365	1,089,780	1,004,942
Fines, forfeiture and other	129,930	139,900	172,771	169,395	174,673	213,502	230,394	195,043	217,806	233,615
Charges for service	2,778	6,205	5,638	82,666	85,376	93,670	96,376	335,330	561,423	164,075
Special assessments	2,301,940	2,250,961	2,269,276	4,079,705	2,702,071	3,406,561	3,556,849	4,468,964	3,864,630	4,585,505
Intergovernmental	592,310	594,588	359,118	1,009,865	587,955	703,639	956,999	708,740	1,165,934	552,772
Investment earnings	66,413	68,553	207,202	381,017	557,092	254,423	50,859	62,497	1,053,699	1,758,877
Other revenues	90,736	69,840	15,839	3,545	6,450	212,147	95,786	54,633	45,788	141,570
Total revenues	7,364,440	8,001,955	8,144,078	11,445,166	11,576,005	12,006,535	12,282,975	13,506,404	16,560,082	17,403,280
Expenditures										
General government	1,261,007	836,521	769,114	885,654	968,001	1,059,531	798,555	786,501	1,170,046	2,180,550
Public Safety	1,617,584	1,914,899	1,825,626	2,068,579	2,699,770	2,674,912	3,138,988	3,329,243	3,859,594	3,735,576
Highways and streets	1,087,422	1,513,900	1,713,338	2,303,060	1,227,505	2,460,374	2,229,491	2,053,746	2,252,666	1,698,017
Health and sanitation	---	48,903	51,387	65,248	82,805	82,196	96,071	106,043	112,767	125,110
Culture and recreation	385,305	592,023	809,552	697,807	753,049	913,568	1,165,620	1,030,539	1,879,487	1,373,101
Environmental protection	7,530	10,309	10,431	11,673	12,753	13,077	9,995	10,601	13,729	12,331
Economic development	---	8,433	6,938	2,903	20,632	69,185	67,333	22,178	63,327	49,205
Capital improvements	3,076,064	4,938,158	5,718,469	4,614,470	5,717,674	8,977,921	3,769,137	8,325,641	3,915,453	571,113
Debt Service										
Interest	1,256,339	1,264,901	1,368,175	1,591,814	1,512,799	1,513,207	1,849,905	3,419,695	1,661,155	1,632,006
Principal	1,575,826	1,897,787	2,109,955	2,200,052	2,238,153	2,415,228	2,437,347	1,557,935	5,421,754	5,188,736
Total expenditures	10,267,077	13,025,834	14,382,985	14,441,260	15,233,141	20,179,199	15,562,442	20,642,122	20,349,978	16,565,745
Excess of revenues over (under) expenditures	(2,902,637)	(5,023,879)	(6,238,907)	(2,996,094)	(3,657,136)	(8,172,664)	(3,279,467)	(7,135,718)	(3,789,896)	837,535
Other financing sources (uses)										
Issuance of general obligation bonds	2,839,000	1,581,227	1,168,720	3,132,378	4,824,000	7,583,000	10,842,000	6,876,000	5,958,000	2,444,000
Issuance of general obligation refunding bonds	---	2,548,000	---	---	---	---	---	---	1,780,000	5,960,000
Issuance of Andover Public Building Commission revenue bonds/certificates of participation	870,000	2,688,000	60,000	57,000	---	---	---	4,350,000	4,936,000	---
Issuance of certificates of participation	---	---	---	178,000	502,443	---	---	79,000	---	---
Issuance of capital lease obligations	260,359	50,490	27,123	---	---	129,998	62,999	---	---	---
Premium on refunding bond	---	---	---	---	---	---	---	---	---	111,751
Payment to escrow agent	---	(2,209,443)	---	---	---	---	(11,373,554)	---	(5,156,301)	(5,982,573)
Transfers in	841,922	652,159	1,081,688	1,417,277	1,326,929	1,435,137	736,842	2,060,490	534,363	580,405
Transfers out	(880,150)	(541,924)	(871,197)	(987,159)	(1,212,745)	(1,174,379)	(670,496)	(1,640,320)	(459,118)	(505,074)
Total other financing sources (uses)	3,931,131	4,768,509	1,466,334	3,797,496	5,440,627	7,973,756	(402,209)	11,725,170	7,592,944	2,608,509
Net change in fund balances	\$ 1,028,494	\$ (255,370)	\$ (4,772,573)	\$ 801,402	\$ 1,783,491	\$ (198,908)	\$ (3,681,676)	\$ 4,589,452	\$ 3,803,048	\$ 3,446,044
Debt service as a percentage of non capital expenditures	39.4%	36.0%	53.6%	37.9%	38.5%	42.8%	44.5%	38.6%	45.0%	43.0%

**CITY OF ANDOVER
 ASSESSED AND ESTIMATED ACTUAL VALUE
 OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2003	\$ 52,855,248	\$ 8,203,165	\$ 61,058,413	\$37.518	\$ 486,954,735	12.54%
2004	59,099,833	8,207,905	67,307,738	37.559	541,271,274	12.44%
2005	64,940,378	8,417,474	73,357,852	37.778	592,757,186	12.38%
2006	73,079,987	8,254,548	81,334,535	37.907	662,993,308	12.27%
2007	90,698,192	6,241,506	96,939,698	37.897	809,484,950	11.98%
2008	100,180,581	7,148,767	107,329,348	37.910	894,964,710	11.99%
2009	108,975,904	6,463,119	115,439,023	38.543	969,160,287	11.91%
2010	110,442,796	5,970,589	116,413,385	38.555	980,274,102	11.88%
2011	112,578,054	5,766,758	118,344,812	38.549	978,939,600	12.09%
2012	114,586,801	5,578,196	120,164,997	38.464	996,406,965	12.06%



City of Andover
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year	City Direct Rates						Overlapping Rates			
	Basic Rate	Special Public Building Fund	Bond & Interest	Library	Employee Benefits	Total Direct	Andover School District USD #385	Butler County	Butler Community College	State of Kansas
2003	23.829	0.761	1.275	3.000	8.653	37.518	62.997	35.700	16.907	1.500
2004	23.458	1.764	0.007	3.004	9.326	37.559	59.970	35.481	16.802	1.500
2005	24.978	1.489	0.079	3.017	8.215	37.778	58.173	35.932	17.478	1.500
2006	23.187	1.554	2.238	3.011	7.917	37.907	58.525	35.723	17.363	1.500
2007	23.365	2.794	1.356	3.002	7.380	37.897	59.501	35.440	17.225	1.500
2008	23.125	1.808	1.561	3.001	8.415	37.910	62.325	36.434	18.195	1.500
2009	21.860	1.965	2.511	3.051	9.156	38.543	63.352	36.522	18.194	1.500
2010	22.248	1.806	1.022	3.001	10.478	38.555	67.126	35.822	18.002	1.500
2011	22.399	1.858	0.382	3.005	10.905	38.549	67.837	35.755	18.005	1.500
2012	22.397	1.532	1.083	3.002	10.450	38.464	65.350	35.273	18.005	1.500

Source: Butler County Clerk

**City of Andover
Principal Property Tax Payers
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Kansas Medical Center LLC	\$ 3,447,925	1	2.87 %	\$ ---		--- %
Dillons Companies Inc.	1,832,451	2	1.52	1,044,683	5	1.71
Flint Hills National Golf Club	1,497,823	3	1.25	---		---
Kansas Gas & Electric	1,469,824	4	1.22	1,664,384	1	2.73
Vornado Air LLC	1,387,538	5	1.15	1,091,602 *	4	1.79
Southwestern Bell Telephone	683,704	6	0.57	1,393,485	3	2.28
Sherwin Williams Co	661,662	7	0.55	1,417,593	2	2.32
Kansas Gas Service	660,627	8	0.55	---		---
Andover Land Leasing LLC	651,121	9	0.54	---		---
Andover State Bank	556,973	10	0.46	496,310	6	0.81
R-Con Corporation	---		---	478,550	7	0.78
Andover LLC	---		---	466,175	8	0.76
Vanessa Properties	---		---	432,788	9	0.71
Nationwide Health	---		---	405,343	10	0.66

* This industry has Industrial Revenue Bond Issues with Tax Abatement; therefore, the assessed value does not reflect the buildings or equipment purchased with IRB Revenue.

Source: Butler County Clerk

City of Andover
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended Dec. 31,	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years *	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 1,548,365	\$ 1,484,152	95.85%	\$ 55,817	\$ 1,539,969	99.46%
2004	2,290,790	2,209,461	96.45%	77,084	2,286,545	99.81%
2005	2,528,011	2,417,959	95.65%	68,165	2,486,124	98.34%
2006	2,771,313	2,684,886	96.88%	80,585	2,765,471	99.79%
2007	3,083,148	2,981,703	96.71%	94,663	3,076,366	99.78%
2008	3,673,724	3,415,510	92.97%	223,362	3,638,873	99.05%
2009	4,068,856	3,765,373	92.54%	290,003	4,055,375	99.67%
2010	4,449,366	4,094,807	92.03%	274,192	4,368,999	98.19%
2011	4,632,961	4,222,997	91.15%	197,944	4,420,941	95.42%
2012	4,632,240	4,300,802	92.84%	-	4,300,802	92.84%

* County Treasurer's records do not provide a determination of which year the collections in subsequent years is applied to. For this schedule all collections of delinquent taxes are applied to the preceding year.

Source: Butler County Clerk

City of Andover
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities					Percentage of Personal Income *	Per Capita
	General Obligation Bonds	Public Building Commission Revenue Bonds	Public Building Commission Certificate of Participation	City of Andover Certificate of Participation	Temporary Notes	Capital Lease Obligations	Wastewater Revenue Bonds	Capital Lease Obligations	Total Primary Government			
2003	\$23,266,000	\$ 1,595,000	\$ -	\$ -	\$ 2,340,000	\$ 370,693	\$ 3,400,000	\$ -	\$ 30,971,693	-	\$ 3,996	
2004	23,524,227	4,233,000	-	-	3,970,000	324,396	3,300,000	-	35,351,623	-	4,110	
2005	22,839,947	4,085,000	60,000	-	6,428,000	232,564	3,320,000	-	36,965,511	-	4,297	
2006	24,112,378	4,047,000	50,000	120,000	9,022,000	166,653	3,295,000	-	40,813,031	-	4,478	
2007	26,915,878	3,941,000	40,000	60,000	5,609,000	627,443	3,090,000	-	40,283,321	-	4,220	
2008	32,428,000	3,823,000	30,000	-	-	700,539	2,865,000	16,876	39,863,415	-	4,027	
2009	30,054,000	3,695,000	15,000	-	6,607,000	575,191	2,615,000	6,313	43,567,504	-	4,119	
2010	33,884,000	7,902,000	-	79,000	9,513,000	359,496	2,025,000	-	53,762,496	13.73%	4,560	
2011	36,642,000	7,355,000	-	40,000	3,833,000	290,442	1,735,000	-	49,895,442	-	4,175	
2012	35,793,000	5,850,000	-	-	2,945,000	254,706	1,425,000	-	46,267,706	-	3,824	

* Personal income numbers, only calculated in census years.

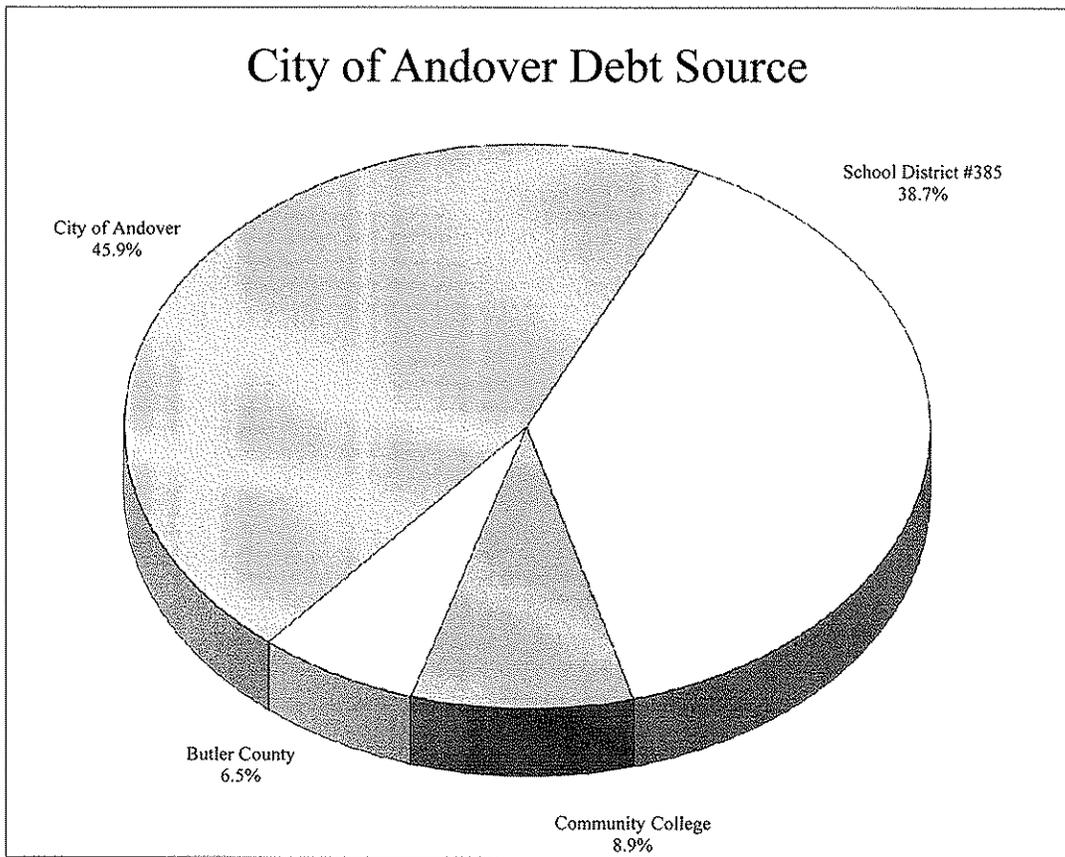
City of Andover
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Less Debt Service Funds	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
	General Obligation Bonds	Temporary Notes	Total				
2003	\$ 23,266,000	\$ 2,340,000	\$ 25,606,000	\$ 866,006	\$ 24,739,994	41.94	\$ 3,192
2004	23,524,227	3,970,000	27,494,227	1,044,210	26,450,017	40.85	3,217
2005	22,839,947	6,428,000	29,267,947	885,845	28,382,102	39.90	3,299
2006	24,112,378	9,022,000	33,134,378	855,836	32,278,542	40.74	3,542
2007	26,915,878	5,609,000	32,524,878	1,026,816	31,498,062	27.01	3,300
2008	32,428,000	-	32,428,000	943,582	31,484,418	30.21	3,181
2009	30,054,000	6,607,000	36,661,000	656,850	36,004,150	31.76	3,404
2010	33,884,000	9,513,000	43,397,000	1,029,435	42,367,565	37.28	3,593
2011	36,642,000	3,833,000	40,475,000	831,419	39,643,581	34.20	3,317
2012	35,793,000	2,945,000	38,738,000	753,112	37,984,888	32.24	3,140

CITY OF ANDOVER
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Andover</u>	<u>City of Andover Share of Debt</u>
Local School District #385	\$ 85,951,542	43.985% *	\$ 37,805,786
Butler Community College	46,039,290	18.963% **	8,730,431
Butler County	33,236,912	18.963% **	<u>6,302,716</u>
Subtotal overlapping debt			52,838,933
City direct debt	44,842,706		<u>44,842,706</u>
Total Direct and overlapping debt			<u>\$ 97,681,639</u>



* Based upon percentage of school district valuation that is in the City limits of Andover.

** Based upon Andover's valuation as a percentage of Butler County's valuation.

**City of Andover
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 21,379,884	\$ 23,489,107	\$ 25,626,093	\$ 28,261,391	\$ 33,720,227	\$ 36,602,315	\$ 39,130,934	\$ 39,207,765	\$ 39,813,359	\$ 40,375,067
Total net debt applicable to limit	<u>7,679,244</u>	<u>7,406,798</u>	<u>7,867,706</u>	<u>9,446,938</u>	<u>8,903,626</u>	<u>7,975,634</u>	<u>9,956,124</u>	<u>12,306,743</u>	<u>13,501,696</u>	<u>11,241,657</u>
Legal debt margin	\$ 13,700,640	\$ 16,082,309	\$ 17,758,387	\$ 18,814,453	\$ 24,816,601	\$ 28,626,681	\$ 29,174,810	\$ 26,901,022	\$ 26,311,663	\$ 29,133,410
Total net debt applicable to the limit as a percentage of debt limit	35.92%	31.53%	30.70%	33.43%	26.40%	21.79%	25.44%	31.39%	33.91%	27.84%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	\$ 134,583,558
Debt limit (30% of assessed value)	40,375,067
Debt applicable to limit:	
General Obligation Bonds	35,793,000
Temporary Notes	2,945,000
Less: Amount exempted by state statute	<u>(27,496,343)</u>
Total net debt applicable to limit	<u>11,241,657</u>
Legal debt margin	\$ 29,133,410

* Includes motor vehicles assessed value

** Exempted Debt

K.S.A. 12-624 - Sewer Mains	\$ 1,248,068
K.S.A. 10-309 - Wastewater & Water	10,002,722
K.S.A. 10-309 - Stormwater	15,901,976
K.S.A. 10-309 - Intersections	343,577
Total 2012 exempted debt	<u>\$ 27,496,343</u>

**CITY OF ANDOVER
 PLEDGED REVENUE COVERAGE - WASTEWATER REVENUE BOND
 LAST TEN FISCAL YEARS**

<i>Year</i>	<i>Gross Revenue *</i>	<i>Less Operating Expense **</i>	<i>Net Revenue Available Revenue</i>	<u><i>Debt Service</i></u>			<i>Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2003	\$ 992,277	\$490,161	\$ 502,116	\$ 85,000	\$186,395	\$ 271,395	1.85
2004	1,225,082	547,968	677,114	100,000	182,315	282,315	2.40
2005	1,215,645	592,291	623,354	120,000	177,465	297,465	2.10
2006	1,463,530	593,081	870,449	25,000	108,138	133,138	6.54
2007	1,473,635	595,476	878,159	205,000	122,445	327,445	2.68
2008	1,385,440	616,094	769,346	225,000	115,988	340,988	2.26
2009	1,250,360	697,942	552,418	250,000	108,563	358,563	1.54
2010	1,219,500	715,280	504,220	250,000	5,544	255,544	1.97
2011	1,464,521	597,329	867,192	290,000	41,015	331,015	2.62
2012	1,930,295	727,795	1,202,500	310,000	37,390	347,390	3.46

* Total revenue includes interest but excludes all contributions from municipality

** Total operating expenses exclusive of depreciation

**City of Andover
Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year	(1) Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age (Years)	Percent With High School or Higher Education	(2) School Enrollment	(3) Unemployment Rate	Median Home Value
2002	7,189					3,159	5.10%	
2003	7,750					3,364	5.40%	
2004	8,222					3,643	5.70%	
2005	8,602					3,791	5.60%	
2006	9,114					4,203	4.00%	
2007	9,546					4,255	3.60%	
2008	9,898					4,755	4.80%	
2009	10,351					4,844	6.90%	
2010 *	11,791	\$ 391,603	\$ 33,212	34.80	96.10%	4,776	6.80%	\$162,900
2011	11,951					5,077	6.60%	
2012	12,099					4,960	5.80%	

* Federal Census

Currently there are no local, state or federal agencies that compile annual statistical information related to income, age, education or home values.

Sources:

- (1) Kansas Division of the Budget
- (2) Andover School (USD #385) Superintendent
- (3) Kansas Department of Labor

**City of Andover
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2012</u>		<u>2003</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
USD 385	461	1	382	1
Kansas Medical Center	235	2		
Sherwin-Williams Co.	142	3	146	2
Life Care Center of Andover	140	4	139	3
Victoria Falls	139	5		
Dillons Real Estate Co. Inc	138	6	112	5
Butler Community College	115	7		
City of Andover	89	8	68	8
Vornado	78	9	91	6
International Cold Storage	42	10	61	9
Andover LLC			124	4
Kansas Golf Ventures			41	10
R-Con Corporation			90	7
Total	1,579		1,254	

Total City of Andover employment is not tracked at the local or state level.
Employment amounts were obtained by direct solicitation of local businesses.

CITY OF ANDOVER
SCHEDULE OF INDUSTRIAL REVENUE BONDS
December 31, 2012

<u>Trustee</u>	<u>Bonds</u>	<u>Outstanding</u>
Equity Bank Andover, Kansas	Hotel at the River, LLC Series 2007	\$ 4,029,188
Great Southern Bank Ottawa, Kansas	KMC Equipment, LLC Series A 2011	\$ 1,173,505
UMB Bank N.A. Wichita, Kansas	Vornado Air, LLC Series B 2011	\$ 918,627
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series A 2012	\$ 11,871,702
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series B 2012	\$ 420,000
		<u>\$ 18,413,022</u>

CITY OF ANDOVER
SCHEDULE OF INDUSTRIAL REVENUE BONDS
December 31, 2012
(Continued from previous page)

	<i>Date of Issue</i>	<i>Interest Rate</i>	<i>Payment Year</i>	<i>Total Amount Issued</i>	<i>Outstanding Issues 01/01/12</i>	<i>Additions</i>	<i>Retirements</i>	<i>Outstanding 12/31/12</i>
Andover Senior Care, L.L.C.	9/11/2008	*	2008	38,719	\$ 6,053,345	\$ -	\$ 6,053,345	\$ -
			2009	115,283				
			2010	122,495				
* Adjusted rate - Prime + 1%, but never less than 6%			2011	130,158				
			2012	137,248				
			2013	146,887				
			2014	156,076				
			2015	165,840				
			2016	175,269				
			2017	187,179				
			2018	5,084,848				
Andover Senior Care, L.L.C. Series A 2009	9/1/2009	*	2011	86,473	\$ 5,363,527	\$ -	\$ 5,363,527	\$ -
			2012	270,015				
			2013	286,667				
* Adjusted rate - Prime + 1%, but never less than 6%			2014	304,348				
			2015	323,121				
			2016	260,890				
			2017	107,662				
			2018	114,303				
			2019	3,696,521				
Andover Senior Care, L.L.C. Series B 2009	9/1/2009	9.00%	2019	1,400,000	\$ 1,400,000	\$ -	\$ 1,400,000	\$ -
YMCA	11/13/2007	4.11%	2008	2,875,000	\$ 5,750,000	\$ -	\$ 5,750,000	\$ -
		4.11%	2009	2,875,000				
		4.11%	2010	5,750,000				
		4.11%	2011	5,750,000				
		4.11%	2012	5,750,000				
Hotel at the River	12/20/2007	7.64%	2008	79,798	\$ 4,164,148	\$ -	134,960	\$ 4,029,188
		7.64%	2009	107,804				
		6.76%	2010	116,454				
		6.76%	2011	125,797				
		6.14%	2012	134,960				
		6.14%	2013	146,719				
		6.14%	2014	158,490				
		6.14%	2015	171,207				
		6.14%	2016	184,152				
		6.14%	2017	199,719				
		6.14%	2018	3,164,901				
KMC Equipment, LLC	4/19/2011	7.00%	2011	233,411	\$ 1,604,089	\$ -	430,584	\$ 1,173,505
		7.00%	2012	430,584				
		7.00%	2013	461,711				
		7.00%	2014	495,088				
		7.00%	2015	216,705				
Vornado Air, LLC	11/17/2011	4.00%	2012	81,373	\$ 1,000,000	\$ -	81,373	\$ 918,627
		4.00%	2013	86,347				
		4.00%	2014	89,915				
		4.00%	2015	93,630				
		4.00%	2016	97,426				
		Variable	2017	101,524				
		Variable	2018	105,719				
		Variable	2019	110,087				
		Variable	2020	114,610				
		Variable	2021	119,371				
Andover Senior Care, L.L.C. Series A 2012	7/3/2012	*	2012	165,669		\$ 12,037,371	165,669	\$ 11,871,702
			2013	405,653				

CITY OF ANDOVER
SCHEDULE OF INDUSTRIAL REVENUE BONDS
December 31, 2012
(Continued from previous page)

	<i>Date of Issue</i>	<i>Interest Rate</i>	<i>Payment Year</i>	<i>Total Amount Issued</i>	<i>Outstanding Issues 01/01/12</i>	<i>Additions</i>	<i>Retirements</i>	<i>Outstanding 12/31/12</i>
* Adjusted rate - Prime + 1%, but never less than 6%			2014	422,414				
			2015	439,867				
			2016	456,836				
			2017	476,917				
			2018	496,623				
			2019	517,142				
			2020	537,528				
			2021	560,719				
			2022	7,558,003				
Andover Senior Care, L.L.C. Series B 2012	7/3/2012	9.00%	2019	420,000		\$ 420,000		\$ 420,000
Total Industrial Revenue Bonds				<u>\$ 43,737,500</u>	<u>\$ 25,335,109</u>	<u>\$ 12,457,371</u>	<u>\$ 19,379,457</u>	<u>\$ 18,413,022</u>

City of Andover
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	Full-time Equivalent Employees as of December 31									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government	10	10	10	11	11	11	11	11	12	12
Public safety										
Police	13	17	15	17	17	20	21	21	22	23
Fire	11	12	13	13	13	14	14	14	14	14
Fire Reservist	13	12	11	12	15	13	12	11	12	10
Civilians	5	6	6	5	6	6	7	7	8	8
Streets and highways	6	6	6	7	7	7	7	7	7	7
Culture and recreation	5	5	6	6	6	6	6	7	9	9
Stormwater *	-	-	-	1	1	1	1	1	1	1
Wastewater	5	5	5	5	5	5	5	5	5	5
Total	68	73	72	77	81	83	84	84	90	89

* In 2006 a stormwater utility operator was hired to comply with a federally mandated program.

Source: City of Andover Human Resources

City of Andover
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police										
Arrests	291	229	241	217	395	519	421	350	405	374
Accidents	213	239	283	267	269	309	333	354	352	366
Citations (including parking)	2,360	2,256	2,756	2,056	1,713	2,237	2,702	2,737	3,650	3,642
Calls for service	5,108	4,997	4,711	10,858	14,863	15,488	15,021	15,723	18,050	19,329
Fire										
Structure fires	25	11	25	26	21	70	11	22	28	30
Other fires	43	42	86	83	47	43	74	53	80	57
Medical calls	333	231	394	405	775	862	819	801	926	891
Other calls	161	105	405	321	282	377	327	366	380	376
Inspections	175	234	125	137	176	250	362	410	430	419
Training hours	-	-	4,767	3,907	3,428	2,886	3,652	4,098	2,895	2,526
Streets and highways										
Streets sealed (square yards)	87,992	90,633	73,905	104,956	64,588	110,313	122,141	89,074	88,824	81,896
Water										
Public water service connections	2,897	3,279	3,495	3,597	3,731	3,950	4,023	4,051	4,073	4,096
GPD average consumption	726,162	891,627	781,420	842,351	1,066,129	1,046,750	1,053,828	1,062,240	1,069,532	1,070,118
Wastewater										
Service Connections	3,863	3,991	4,156	4,521	4,690	4,829	4,879	4,988	5,110	5,199
Average Daily Flow (thousands of gallons)	770	840	840	816	937	921	882	772	698	724

Source: Various City of Andover departments

City of Andover
Capital Assets Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	11	13	14	15	18	18	17	18	18	18
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Nonstaffed substations	-	-	2	2	2	2	2	2	2	1
Streets and highways										
Miles of paved streets	45	46	49	52	54	55	58	61	61	61
Miles of unpaved streets	12	12	12	12	12	12	14	13	13	13
Traffic Signals	5	5	5	5	5	6	6	7	7	7
Parks & Recreation										
Neighborhood parks	3	3	3	3	3	3	3	3	3	3
56 Acre recreation complex:										
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer fields	2	2	2	2	2	1	1	1	2	3
Playground areas	2	3	3	3	3	2	2	2	2	2
Tennis/basketball courts	3	3	3	3	3	3	3	3	3	3
Picnic Shelters	2	2	2	2	2	2	2	2	2	3
9 hole golf course	1	1	1	1	1	1	1	1	1	1
Community center	1	1	1	1	1	1	1	1	1	1
80 Acre Passive Recreation Park:										
Fishing Lake	1	1	1	1	1	1	1	1	1	1
Playground areas							1	1	1	1
Picnic Shelters					2	2	2	2	2	2
Handicap accessible paved walking path						1	1	1	1	1
Conference Cabin	1	1	1	1	1	1	1	1	1	1
Scout Lodge						1	1	1	1	1
Lodge	1	1	1	1	1	1	1	1	1	1
Gazebo			1	1	1	1	1	1	1	1
Community 5 acre park										
Playground areas								1	1	1
Picnic Shelters								1	1	1
Water *										
Fire hydrants	395	458	502	527	543	549	578	587	596	596
Miles of water lines	53	56	60	64	66	67	70	71	73	73
Wastewater										
Treatment Capacity (thousands of gallons)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Miles of sewer lines	64	65	80	82	83	84	88	90	90	111

* Water service is provided by the City of Wichita, but the lines and hydrants are owned and maintained by the City of Andover.

Source: Various City of Andover departments

CITY OF ANDOVER
SCHEDULE OF FRINGE BENEFIT COST

Year ended December 31, 2012

Direct Expense Items:

Health/Dental Insurance		\$ 797,440
Social Security		261,954
Worker's Compensation		69,340
Unemployment Insurance		23,361
Retirement		406,190
New Hire Physicals		5,902
		<u>\$ 1,564,187</u>

Indirect Expense Items (time off with pay):

Vacation	10,597	Hours		\$ 216,185
Sick Leave	3,197	Hours		57,984
Holiday	5,696	Hours		109,295
	19,490	Hours		\$ 383,464

Total Payroll	\$ 3,500,179
Total Hours Worked	164,032
Total Hours Paid	185,639
Cost of Direct Expense Items	\$ 1,564,187
Cost of Indirect Expense Items	383,464
Total Cost of Fringe Benefits	\$ 1,947,651
Cost Per Hour Worked	\$ 11.87
Cost as Percent of Payroll	55.64%

**CITY OF ANDOVER
SICK LEAVE AND VACATION USAGE**

	<u>Vacation</u>	<u>Sick Leave</u>
Balance 1/1/12	8,647	24,058
Value of Accumulated Days	\$ 175,317	\$ 515,121
Hours Accumulated During Year	9,709	7,352
Hours Used During Year	10,597	3,197
Hours Lost Due to Termination		666
Paid Hours Over 480 Hours		800
Lost Hours Over 480 Hours		1,120
Hours Balance 12/31/12	7,758	25,627
Value of Accumulated Days 12/31/12	\$ 164,548	\$ 546,884

Note: Permanent full-time employees accumulate vacation time as follows:

- 1.538 hours per pay period for the first year of employment;
- 3.077 hours per pay period for the second thru fifth year of employment;
- 3.692 hours per pay period for the sixth thru tenth year of employment;
- 4.615 hours per pay period for the eleventh thru fifteenth year of employment;
- 6.154 hours per pay period for the sixteenth thru twentieth year of employment;
- 6.769 hours per pay period for the twenty-first thru twenty-fifth year of employment;
- 7.692 hours per pay period for the twenth-sixth of employment and on;

Accumulation of vacation cannot exceed 150% of annual amount available to the employee.

Full-time employees accumulate sick leave at the rate of one day per month worked.

Sick leave can only be used in the event of illness, except in the case of a death in the employee's immediate family. The employee may take three days off, that will be chargeable to sick leave, in addition to the three days of funeral leave. At termination, any sick leave balance is canceled. Accumulation cannot exceed 12 weeks/480 hours.

After the maximum hours of 480 is reached, the employee, based on their hourly salary, will be paid 5/12 of the unused hours over the maximum as of December 31st.

The vacation policy was revised January 1, 2012