

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT
YEAR ENDED DECEMBER 31, 2011**



**THE CITY OF
ANDOVER, KS**

EST. 1957

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF ANDOVER, KANSAS

FOR THE YEAR ENDED DECEMBER 31, 2011

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

PREPARED BY CHIEF FINANCIAL OFFICER
DONNA K. DAVIS

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Director of Finance's Letter of Transmittal.....	1
List of Principal Officials.....	7
Organizational Chart.....	8
Government Finance Officers Association Certificate of Achievement	9

FINANCIAL SECTION

Independent Auditor's Report.....	10
Management's Discussion and Analysis	12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	23
Statement of Activities.....	24
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	25
Reconciliation of Total Governmental Fund Balance To Net Assets of Governmental Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	27
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statements of Activities.....	28
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	29
Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual – Street Improvement Fund.....	34
Statement of Net Assets – All Enterprise Funds	35
Statement of Revenues, Expenses and Changes in Fund Net Assets – All Enterprise Funds.....	37
Statement of Cash Flows – All Enterprise Funds.....	38
Statement of Fiduciary Net Assets – Fiduciary Funds	40
Notes to Financial Statements.....	41
Combining Financial Statements and Individual Fund Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	70

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	71
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Special Revenue Funds	74
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis for:	
Special Highway Fund.....	76
Employee Benefits Fund	77
Library Fund	78
Special Building Fund	79
Hotel and Tourism Fund.....	80
Park Improvement Fund	81
Emergency 911 Fund.....	82
Street Impact Fee Fund.....	83
Municipal Golf Course Fund.....	84
Park Impact Fee Fund.....	85
Storm Water Utility Fund	86
Festivals Fund.....	87
Debt Service Fund	88
Combining Balance Sheet – Nonmajor Governmental Funds – Capital Project Funds	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Capital Project Funds	90
Enterprise Funds	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis for:	
Water Utility Fund	91
Sewer Utility Fund.....	92
Recycling/Trash Fund	93
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	94
Component Unit:	
General Fund Balance Sheet – Andover Public Library.....	95

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund – Andover Public Library	96

STATISTICAL SECTION

Financial Trends:

Net Assets by Component	97
Changes in Net Assets	98
Program Revenues by Function/Program	100
Tax Revenues by Source, Governmental Funds	101
Fund Balances of Governmental Funds	102
Changes in Fund Balances of Governmental Funds	103

Revenue Capacity:

Assessed and Estimated Actual Value of Taxable Property	104
Direct and Overlapping Property Tax Rates	105
Principal Property Tax Payers	106
Property Tax Levies and Collections	107

Debt Capacity:

Ratios of Outstanding Debt by Type	108
Ratios of General Bonded Debt Outstanding	109
Computation of Direct and Overlapping Debt	110
Legal Debt Margin Information	111
Pledged-Revenue Coverage – Wastewater Revenue Bonds	112

Demographic and Economic Information:

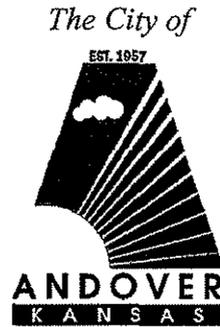
Demographic Statistics	113
Principal Employers	114
Schedule of Outstanding Industrial Revenue Bonds	115

Operating Information:

Full-Time Equivalent City Government Employees by Function/Program	117
Operating Indicators by Function/Program	118
Capital Asset Statistics by Function/Program	119
Schedule of Fringe Benefit Cost	120
Sick Leave and Vacation Usage	121

INTRODUCTORY SECTION

1609 E. Central Avenue
P.O. Box 295
Andover, Kansas 67002



Phone (316) 733-1303
Fax (316) 733-4634
www.andoverks.com

June 27, 2012

To the Citizens of ANDOVER

The Comprehensive Annual Financial Report of the City of Andover, Kansas for the fiscal year ended December 31, 2011 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 11,791 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

Housing starts in the City of Andover continued to be slow but steady in 2011. For the previous ten-year period a yearly average of 143 new residential building permits were issued. During 2011 there were 59 new residential building permits, and no commercial permits. Although the commercial development was down in 2011 it is looking strong for the next several years. Due to the economic uncertainty, a couple of new housing developments have been put on hold until the housing market starts to recover. Families are moving to the smaller communities around the Wichita area for the quiet lifestyle and quality schools.

The Wichita based aircraft industries' economic condition overall 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 5.9% for the state and 6.6% for Butler County, which is a decrease of .9% from 2010.

The City has developed 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. The Andover Industrial Park has the necessary infrastructure needed 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 2011.

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. Landscaping was started at the City's newest donated 5 acre park, Andover Cornerstone Park, with more improvements to follow. In response to increased demand, a new soccer field was added at the 13th Street Sports Park. The Andover Activity Center was remodeled in 2011. Improvements to the fencing surrounding the ball diamonds in the 13th Street Sports Park began in 2010 and will continue for the next few years. Construction was completed on the new City Hall in Central Park.

Street Department

The Street Department sealed 88,824 square yards of streets. Paving improvement projects included Andover Road from US Hwy 54 to 3rd Street. Using funds from the City's 1% sales tax road improvement fund, Cedarwood Ct., Lakeside Dr., Maplewood Ct. and Oakwood Ct. were rebuilt. The 21st Street improvement project between 159th Street and Andover Road was started. A \$140K dump truck was purchased 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 2,097 street signs.

Wastewater Department

Approximately 253,800,000 gallons of raw sewage were treated. Nearly 6,802,767 gallons of treated sludge were spread on City owned agricultural fields using a sludge sprinkler system. 103,285,620 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 65,000 feet of sewer lines. As part of an ongoing maintenance program, 4,655' of sewer pipes, and 21 manholes and 223' 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 1,414 requests for assistance in 2011, an increase of 170 responses or 14% from 2010. Of the total alarms, 65% were medical or rescue in nature. This percentage is consistent with the national percentage. The value of the buildings that had fires in 2011 was \$2,988,000, but the loss to fire in those buildings was only \$197,100 – the firefighters “saved: \$2,790,900 for a “save rate” of 93.4%. A Federal Fire Grant for \$235,000 was awarded in 2011, which will allow this department to update their SCBAs and purchase a breathing air compressor in 2012. The Deputy Chief vehicle was replaced, and the transition was made to utilize the Butler County paging system to better alert firefighters – all were needed to continue to provide the best service to their customers.

Police Department

During 2011, the Police Department was in the middle of an intensive three year initiative, seeking national accreditation through the Commission on Accreditation for Law Enforcement Agencies (CALEA). In 2011, the department responded to 18,050 calls, approximately a 14.8% increase from 2010. However, overall major crime once again decreased from 475 reported incidents in 2010 to 415 incidents in 2011. Violent crimes went down 23%, from 13 to 10 in 2011, and property crimes went down by 12.3%, from 462 reported incidents to 405 incidents in 2011. The continual reduction in crime is a direct reflection of the department's commitment to provide quality service to the residents of Andover. Additionally, in the department's interest in maintaining safe City streets, 2,773 citations and 1,523 warning citations were issued in 2011, playing a major role in the significant reduction of injury accidents by 28% and a minor overall motor vehicle accidents by .5%

Storm Water Department

During 2011 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. In addition, a group from Waste Connection Inc., the City's recycling service provider, volunteered a Saturday to work on the trail. The construction of a large rain garden in Andover Cornerstone Park was completed in 2011. An Eagle Scout is coordinating the planting of the native plants and grasses. Once established this will be the largest rain garden in the metro area and serves as a demonstration of the benefits of this type of environmental friendly garden.

Recycling/Trash Department

The City's mandatory recycling program completed its first year in 2011. 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 63%) have realized tremendous savings. Prior to the change households were paying \$65-\$90 per quarter, the new contracted rate is \$29.07 a 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 2011, the money raised by recycling metals items turned in at this event is donated back to the park's program.

Building Inspection/Code Enforcement Department

Building permits and inspection requests are now processed through an internet based software service. Inspection requests can be made online and results reviewed immediately upon the completion of the inspection. In an effort to be more customer friendly, inspectors now carry mobile data terminals to receive and respond to inspection requests in a timelier manner. Staff performs plan reviews and inspections, which includes the support and review of several hundred permit and jobs that are currently active within the community. Approximately 2,799 scheduled inspections were performed in 2011.

Communications/Information Technology

In 2011, Communications/IT continues to support other departments City wide. Andover 911 was awarded a 2011 Wireless 911 Grant, which allowed the installation of a new IP capable 911 system, including a remote backup position at the City Hall building. Andover hosted the Fall Kansas APCO conference with Sedgwick County 911 in Wichita. Andover 911 handled 18,050 calls for service, a 12.9% increase from 2010. Andover 911 added a part-time dispatcher, as well as Andover IT adding a part-time IT support position.

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 1990, the Governing Body adopted a "Long Range Goal Policy" which established the agenda for civic improvements. 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.

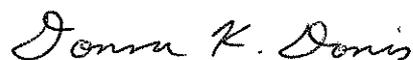
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Andover, Kansas, for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010.

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 32 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,

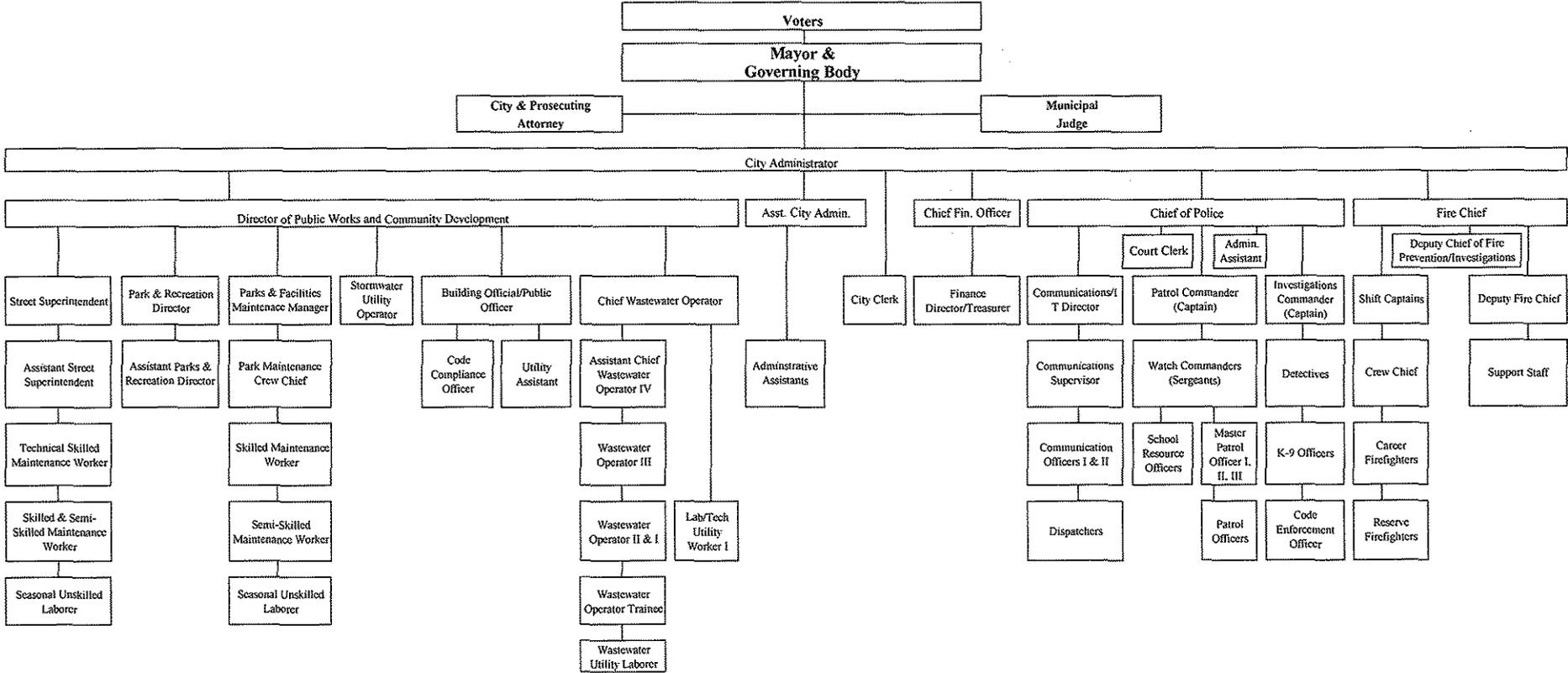


Donna K. Davis
Chief Financial Officer

CITY OF ANDOVER, KANSAS
LIST OF PRINCIPAL OFFICIALS
December 31, 2011

<u>Title</u>	<u>Name</u>
Mayor	Ben Lawrence
Council Member	Sheri Geisler
Council Member	Caroline Hale
Council Member	Clark Nelson
Council Member	Byron Stout IV
Council Member	Troy Tabor
Council Member	Dave Tingley
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
Park & 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



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, 2010

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.



Linda C. Dandson

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

Epic Center 301 N. Main, Suite 1350 Wichita, Kansas 67202 Telephone (316) 262-6277 Fax (316) 265-6150

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons 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.

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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Andover's basic financial statements. 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

George, Bowerman & Noel, P.A.

Wichita, Kansas
June 18, 2012

**CITY OF ANDOVER, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

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, 2011. 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 of the City of Andover exceeded its liabilities at the close of 2011 by \$68,440,483. Of this amount, \$24,747,610 represents net assets invested in capital assets, net of related debt. Also included is \$41,489,084 restricted for future debt service, various other functions and wastewater facility expansion.
- The City's total net assets increased \$10,185,252 during the fiscal year.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balance of \$3,507,916. For 2010, there was a fund deficit of \$295,132.
- At the end of 2011, the General Fund fund balance was \$2,170,266, an increase of 13.1% from 2010. This was the result of expenses holding steady while revenue improved \$285,624, primarily from increases in charges for services and property taxes.
- The City of Andover's total bonded debt increased \$1,921,000 during 2011. The key factor was issuance of new general obligation bonds for infrastructure.

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All 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 Assets 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 Assets 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 25 through 34 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 Assets 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 35 through 39 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 Assets. 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 40 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 41 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 \$68,440,483 at the close of 2011.

As shown on Table 1, the largest portion of the City’s assets, \$74,627,606, reflects its investment in capital assets less accumulated depreciation. 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 Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 46,259,639	\$ 43,206,661	\$ 3,239,867	\$ 3,891,109	\$ 49,499,506	\$ 47,097,770
Capital assets	51,214,076	49,754,516	23,413,530	21,949,848	74,627,606	71,704,364
Total assets	<u>97,473,715</u>	<u>92,961,177</u>	<u>26,653,397</u>	<u>25,840,957</u>	<u>124,127,112</u>	<u>118,802,134</u>
Current and other liabilities	8,883,688	15,556,010	58,550	83,244	8,942,238	15,639,254
Long-term liabilities	44,957,866	42,834,364	1,786,525	2,073,285	46,744,391	44,907,649
Total liabilities	<u>53,841,554</u>	<u>58,390,374</u>	<u>1,845,075</u>	<u>2,156,529</u>	<u>55,686,629</u>	<u>60,546,903</u>
Net assets						
Invested in capital assets, net of related debt	3,069,080	907,527	21,678,530	19,924,848	24,747,610	20,832,375
Restricted	39,086,258	29,429,901	2,402,826	3,318,137	41,489,084	32,748,038
Unrestricted	1,476,823	4,233,375	726,966	441,443	2,203,789	4,674,818
Total net assets	<u>\$ 43,632,161</u>	<u>\$ 34,570,803</u>	<u>\$ 24,808,322</u>	<u>\$ 23,684,428</u>	<u>\$ 68,440,483</u>	<u>\$ 58,255,231</u>

The city's net assets increased \$10,185,252 during 2011

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Table 2
City of Andover
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenue						
Program revenue:						
Charges for services	\$ 2,359,179	\$ 1,070,853	\$ 1,986,106	\$ 1,573,712	\$ 4,345,285	\$ 2,644,565
Operating grants and contributions	341,771	330,462	-0-	-0-	341,771	330,462
Capital grants and contributions	10,502,266	5,721,800	-0-	-0-	10,502,266	5,721,800
General revenues:						
Sales tax	1,909,229	1,567,061	-0-	-0-	1,909,229	1,567,061
Property tax	6,653,922	4,927,084	-0-	-0-	6,653,922	4,927,084
Other taxes	764,593	759,404	-0-	-0-	764,593	759,404
Other general revenues	30,944	26,563	12,377	14,064	43,321	40,627
Total Revenues	22,561,904	14,403,227	1,998,483	1,587,776	24,560,387	15,991,003
Expenses						
General government	1,373,335	809,915	-0-	-0-	1,373,335	809,915
Public safety	3,843,380	3,623,780	-0-	-0-	3,843,380	3,623,780
Highways and street	3,424,155	3,084,834	-0-	-0-	3,424,155	3,084,834
Health and sanitation	170,363	107,215	-0-	-0-	170,363	107,215
Culture and recreation	1,996,474	1,210,123	-0-	-0-	1,996,474	1,210,123
Economic development	44,995	23,974	-0-	-0-	44,995	23,974
Environment protection	13,729	10,601	-0-	-0-	13,729	10,601
Interest on long-term debt	1,751,294	1,602,859	-0-	-0-	1,751,294	1,602,859
Water	-0-	-0-	208,667	197,173	208,667	197,173
Sewer	-0-	-0-	1,136,863	1,260,543	1,136,863	1,260,543
Recycling/Trash	-0-	-0-	411,880	234,422	411,880	234,422
Total Expenses	12,617,725	10,473,301	1,757,410	1,692,138	14,375,135	12,165,439
Excess (deficiency) of revenues over expenses before transfers						
	9,944,179	3,929,926	241,073	(104,362)	10,185,252	3,825,564
Transfers in (out)	(882,821)	(1,358,163)	882,821	1,358,163	-0-	-0-
Change in net assets	\$ 9,061,358	\$ 2,571,763	\$ 1,123,894	\$ 1,253,801	\$ 10,185,252	\$ 3,825,564

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Governmental Activities. Governmental activities increased the City's net assets by \$9,061,358 in 2011. This increase is the result of total revenues increasing by \$8,158,677 that is primarily the result of the completion of various capital projects in which the benefiting properties had special assessment taxes levied totaling \$4,335,011. In addition, the City received a grant from the Federal Emergency Management Agency in the amount of \$428,282 for the construction of a hardened tornado shelter at the new city hall. There was also a significant increase of \$1,726,838 in property tax revenue in 2011.

Total governmental activity expenses increased by \$2,144,424 for 2011. Lease commitment expenses to the Andover Public Building Commission increased \$1,022,755, due to significant Public Building Commission revenue Bond refundings during 2011. With the increase in governmental activity capital assets, depreciation expense increased \$476,252 over the 2010 amounts. Bond issuance costs were incurred of \$195,712 for new and refunding City and Public Building Commission bond issues. Further, interest costs incurred on governmental debt increased by \$148,435, again being related to the increased 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% for 2011, 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 2011 was about 3.2%.

Business-type Activities. Business-type activities increased the City's net assets by \$1,123,894 in 2011. This increase can be attributed to developer and municipality contributions of water and sewer lines totaling \$958,066. Operations of the Water and Trash Utilities remained relatively flat during 2011 with operations resulting in a combined operating loss for those two utilities of \$86,783. Transfers to other funds from Water Utility were \$28,598 during 2011 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 \$387,951. 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 2010, the City's governmental funds reported total fund balance of \$3,507,916 compared to fund balance deficits of \$295,132 for the prior year, an increase of \$3,803,048.

General Fund

The General Fund is the primary operating fund of the City. At the end of 2011, \$1,002,945 of the fund balance was committed and \$1,167,321 was unassigned, for a total fund balance was \$2,170,266, which was \$252,216 or 13.1% more than the prior year's General Fund total fund balance. The reason for the increased fund balance was close monitoring of expenditures and an unexpected increase in revenues.

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 fund balance, 53.8% 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 \$306,196 or 19.3%. The increase of \$342,168 in sales tax revenue was partially offset by lower intergovernmental revenues and higher expenditures on street construction.

Debt Service Fund

In the Debt Service Fund, the fund balance decreased \$198,016 or 19.2%, as a result of slightly lower receipts of property and special assessment taxes.

Capital Projects Fund

During 2011, the Capital Projects Fund incurred \$4,671,508 less in expenditures than in 2010. After the major project in 2010 of the construction of a new 27,000 square foot, \$3.764 million City Hall, replacing the previous 5,000 square foot facility, the expenditures in this account have returned to previous years' levels.

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 assets of the enterprise funds increased \$1,123,894. This was due primarily to the contribution of water and sewer capital assets from developers and the municipality totaling \$958,066. Sewer utility rates increased approximately 24% effective July 1, 2011 and recycling/trash rates increased approximately 2.5% effective August 1, 2011.

Water Utility Fund

The total net assets of the Water Fund increased by \$348,451, due to the increase in new infrastructure built and contributed in 2011.

Sewer Utility Fund

The total net assets of the Sewer Utility Fund increased by \$782,173. Due to the utility user fee rate increase, fees collected increased \$222,364 from the prior year. The net cost of infrastructure built in 2011 accounted for \$501,162 of the increase.

Recycling/Trash Fund

In the second year for the Recycling/Trash Fund, expenses and revenues were fairly equal. The fund balance showed a modest decrease of \$6,730.

General Fund Budgetary Highlights

Actual General Fund revenues were higher than the final budget by \$731,195, of which \$216,556 can be attributed to higher than anticipated volume of commercial construction permits. In addition, charges for services were \$340,741 above budget, mainly due to higher than anticipated management fees on developer bonded capital projects. The remainder is primarily due to an increase in taxes collected of \$128,314. The expenditures from the General Fund at year-end were \$401,972 less than the final budget. The budget to actual variance in was principally due to contractual service expenditures coming in \$159,913 less than projected, personal services was under budget \$137,362 and \$115,806 less spent on capital outlay than estimated. As a result, the General Fund budgetary fund balance increased \$187,585 from 2010.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of December 31, 2011, amounted to \$74,627,606 (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 increase of \$2,923,242, or 4.1%, for 2011.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,364,841	\$ 1,364,841	\$ 123,946	\$ 123,946	\$ 1,488,787	\$ 1,488,787
Building and improvements	9,438,211	5,753,161	3,737,761	2,859,342	13,175,972	8,612,503
Impr. other than buildings	389,339	389,106	19,488,866	18,911,040	19,878,205	19,300,146
Machinery and equipment	2,025,957	1,505,181	62,957	55,520	2,088,914	1,560,701
Infrastructure	31,667,106	27,802,139	-0-	-0-	31,667,106	27,802,139
Construction in progress	6,328,622	12,940,088	-0-	-0-	6,328,622	12,940,088
Capital assests, net	<u>\$ 51,214,076</u>	<u>\$ 49,754,516</u>	<u>\$ 23,413,530</u>	<u>\$ 21,949,848</u>	<u>\$ 74,627,606</u>	<u>\$ 71,704,364</u>

Some of the City's major capital asset events in 2011 were:

- * In the capital projects there was a net infrastructure increase of \$3,864,967, resulting from street, water line and sewer line improvements.
- * The increase in buildings and improvements of \$4,563,469 is due to the construction completion of the new 27,000 square foot city hall.
- * The decrease in construction in progress of \$6,611,466, which was the completion of streets and drainage systems being constructed in a new commercial development, and the previously mentioned completion of city hall.
- * The primary purchases in machinery and equipment were vehicles for police and fire departments and a \$140,000 dump truck 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, 2011, the City had total bonded debt outstanding of \$38,377,000. Of this amount, \$36,642,000 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 \$3,833,000 of temporary notes for capital projects. The City's total debt decreased \$3,212,000 or 7.1% in 2011 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 6.6%, which is a decrease from the rate of 7.5% a year ago. This compares to the state's average unemployment rate of 5.9% and the national average of 8.5%. Inflationary trends in the region compare favorably to national indices. Assessed valuation increased 1.66% between the 2011 and 2012 budgets. These and other factors were considered in preparing the City of Andover's budget for the 2012 fiscal year.

During 2011, the budgetary fund balance in the general fund increased to \$1,940,483. The City anticipated a carry forward fund balance of \$2,396,391 when it adopted its 2012 operating budget.

The rates for the sewer utility increased 23.5% in 2011, and there is a 19% increase planned for January 2012.

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 ASSETS

December 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Cash and investments	\$ 7,077,582	\$ 218,330	\$ 7,295,912	\$ 272,687
Receivables:				
Property taxes	4,344,759	-	4,344,759	-
Special assessment taxes	34,402,288	-	34,402,288	-
Sales taxes	282,100	-	282,100	-
Franchise fees	90,871	-	90,871	-
Trade accounts, net	19,120	195,627	214,747	-
Unconditional promises to give	-	-	-	2,282
Prepaid items	27,473	-	27,473	-
Restricted assets	15,446	2,728,405	2,743,851	-
Unamortized debt issuance costs	-	80,668	80,668	-
Unamortized deferred costs on refunding	-	16,837	16,837	-
Capital assets:				
Land	1,364,841	123,946	1,488,787	-
Buildings	10,970,215	5,613,756	16,583,971	-
Improvements other than buildings	659,196	25,771,170	26,430,366	-
Infrastructure	47,488,148	-	47,488,148	-
Machinery and equipment	6,430,511	610,305	7,040,816	304,864
Less accumulated depreciation	(22,027,457)	(8,705,647)	(30,733,104)	(196,035)
Construction work in progress	6,328,622	-	6,328,622	-
Total assets	97,473,715	26,653,397	124,127,112	383,798
<u>LIABILITIES</u>				
Accounts payable	63,710	42,971	106,681	772
Accrued interest payable	642,219	15,579	657,798	-
Temporary notes payable	3,833,000	-	3,833,000	-
Unearned revenue	4,344,759	-	4,344,759	-
Noncurrent liabilities:				
Due within one year	5,433,412	329,193	5,762,605	-
Due in more than one year	39,524,454	1,457,332	40,981,786	-
Total liabilities	53,841,554	1,845,075	55,686,629	772
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	3,069,080	21,678,530	24,747,610	108,829
Restricted for:				
Debt service	35,233,707	2,093,726	37,327,433	-
Street improvements	2,077,748	-	2,077,748	-
General government	1,121,437	-	1,121,437	-
Recreation	417,389	-	417,389	-
Economic development	166,873	-	166,873	-
Public safety	69,104	-	69,104	-
Wastewater expansion and equipment	-	309,100	309,100	-
Library building	-	-	-	2,282
Unrestricted	1,476,823	726,966	2,203,789	271,915
	\$ 43,632,161	\$ 24,808,322	\$ 68,440,483	\$ 383,026

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

CITY OF ANDOVER, KANSAS

STATEMENT OF ACTIVITIES

Year ended December 31, 2011

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	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
General government	\$ 1,373,335	\$ 734,966	\$ -	\$ -	\$ (638,369)	\$ -	\$ (638,369)	\$ -
Public safety	3,843,380	424,870	-	260,067	(3,158,443)	-	(3,158,443)	-
Highways and streets	3,424,155	179,709	341,771	685,727	(2,216,948)	-	(2,216,948)	-
Health and sanitation	170,363	-	-	-	(170,363)	-	(170,363)	-
Culture and recreation	1,996,474	1,019,634	-	-	(976,840)	-	(976,840)	-
Economic development	44,995	-	-	-	(44,995)	-	(44,995)	-
Environmental protection	13,729	-	-	-	(13,729)	-	(13,729)	-
Interest on long-term debt	1,751,294	-	-	9,556,472	7,805,178	-	7,805,178	-
Total Governmental Activities	\$12,617,725	\$ 2,359,179	\$ 341,771	\$10,502,266	585,491	-	585,491	-
Business-Type Activities:								
Water Utility	\$ 208,667	\$ 128,631	\$ -	\$ -	-	(80,036)	(80,036)	-
Sewer Utility	1,136,863	1,452,342	-	-	-	315,479	315,479	-
Recycling/Trash Utility	411,880	405,133	-	-	-	(6,747)	(6,747)	-
Total Business-Type Activities	\$ 1,757,410	\$ 1,986,106	\$ -	\$ -	-	228,696	228,696	-
Component Unit:								
Andover Public Library	\$ 464,663	\$ 72,679	\$ 39,357	\$ 2,317	-	-	-	(350,310)
General Revenues and Transfers:								
Property taxes levied for:								
General purposes					4,658,650	-	4,658,650	-
Debt service					1,995,272	-	1,995,272	-
Sales taxes					1,909,229	-	1,909,229	-
Franchise taxes					667,299	-	667,299	-
Tourism taxes					97,294	-	97,294	-
Payment from City of Andover					-	-	-	397,300
Investment earnings					30,944	12,377	43,321	1,761
Transfers in (out)					(882,821)	882,821	-	-
Total general revenues and transfers					8,475,867	895,198	9,371,065	399,061
Change in net assets					9,061,358	1,123,894	10,185,252	48,751
Net assets at beginning of year					34,570,803	23,684,428	58,255,231	334,275
Net assets at end of year					\$ 43,632,161	\$ 24,808,322	\$ 68,440,483	\$ 383,026

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

FUND FINANCIAL STATEMENTS

CITY OF ANDOVER, KANSAS

BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2011

	<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	\$ 818,654	\$ 1,624,876	\$ 831,419	\$ --	\$ 3,802,633	\$ 7,077,582
Cash held by escrow agent	15,446	--	--	--	--	15,446
Due from other funds	1,267,788	--	--	--	--	1,267,788
Property taxes receivable	2,524,546	--	43,036	--	1,777,177	4,344,759
Special assessment taxes receivable	--	--	34,402,288	--	--	34,402,288
Franchise fees receivable	90,871	--	--	--	--	90,871
Sales taxes receivable	--	282,100	--	--	--	282,100
Accounts receivable	--	--	--	--	19,120	19,120
Total assets	<u>\$4,717,305</u>	<u>\$ 1,906,976</u>	<u>\$35,276,743</u>	<u>\$ --</u>	<u>\$ 5,598,930</u>	<u>\$47,499,954</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 22,493	\$ 14,938	\$ --	\$ 1,350	\$ 24,929	\$ 63,710
Accrued interest payable	--	--	--	80,493	--	80,493
Due to other funds	--	--	--	1,267,788	--	1,267,788
Temporary notes payable	--	--	--	3,833,000	--	3,833,000
Deferred revenue	<u>2,524,546</u>	<u>--</u>	<u>34,445,324</u>	<u>--</u>	<u>1,777,177</u>	<u>38,747,047</u>
Total liabilities	<u>2,547,039</u>	<u>14,938</u>	<u>34,445,324</u>	<u>5,182,631</u>	<u>1,802,106</u>	<u>43,992,038</u>
Fund balances (deficit):						
Restricted:						
General government	--	--	--	--	1,121,437	1,121,437
Debt service	--	--	831,419	--	--	831,419
Street improvements	--	1,892,038	--	--	185,710	2,077,748
Recreation	--	--	--	--	417,389	417,389
Economic development	--	--	--	--	166,873	166,873
Public safety	--	--	--	--	69,104	69,104
Committed:						
General government	1,002,945	--	--	--	--	1,002,945
Street improvements	--	--	--	--	933,604	933,604
Parks and recreation	--	--	--	--	428,986	428,986
Assigned:						
Recreation	--	--	--	--	32,213	32,213
Capital outlay	--	--	--	--	441,508	441,508
Unassigned	<u>1,167,321</u>	<u>--</u>	<u>--</u>	<u>(5,182,631)</u>	<u>--</u>	<u>(4,015,310)</u>
Total fund balances (deficit)	<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>
Total liabilities and fund balances	<u>\$4,717,305</u>	<u>\$ 1,906,976</u>	<u>\$35,276,743</u>	<u>\$ --</u>	<u>\$ 5,598,930</u>	<u>\$47,499,954</u>

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

CITY OF ANDOVER, KANSAS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

December 31, 2011

Total Governmental Fund Balances		\$ 3,507,916
Amounts reported for governmental activities in the statement of net assets 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	\$ 73,241,533	
Accumulated depreciation	<u>(22,027,457)</u>	
		51,214,076
Other assets not available to pay for current period expenditures and therefore are not reported in the governmental funds:		
Special assessments receivable		34,402,288
Prepaid expenses		27,473
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	506,904	
Accrued interest payable on Andover Public Building Commission revenue bonds payable	54,822	
Compensated absences payable	630,424	
General obligation bonds payable	36,642,000	
Andover Public Building Commission Revenue bonds payable	7,355,000	
Capital lease obligations payable	<u>330,442</u>	
		<u>(45,519,592)</u>
Net Assets of Governmental Activities		<u>\$ 43,632,161</u>

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, 2011

	General	Street Improvement	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and sales taxes	\$ 2,934,055	\$ 1,909,229	\$ 159,621	\$ -	\$ 3,558,117	\$ 8,561,022
Special assessment taxes	-	-	3,694,870	169,760	-	3,864,630
Intergovernmental	30,000	87,685	-	428,282	619,967	1,165,934
Licenses and permits	889,265	-	-	-	200,515	1,089,780
Charges for services	423,939	-	-	-	137,484	561,423
Fines and forfeitures	217,806	-	-	-	-	217,806
Use of money and property	15,856	3,634	2,938	1,676	1,029,595	1,053,699
Miscellaneous	12,490	-	-	-	33,298	45,788
Total revenues	<u>4,523,411</u>	<u>2,000,548</u>	<u>3,857,429</u>	<u>599,718</u>	<u>5,578,976</u>	<u>16,560,082</u>
Expenditures:						
Current:						
General government	678,208	-	52,079	-	439,759	1,170,046
Public safety	2,623,242	-	-	-	1,236,352	3,859,594
Highways and streets	233,928	1,473,846	-	-	544,892	2,252,666
Health and sanitation	-	-	-	-	112,767	112,767
Culture and recreation	522,512	-	-	-	1,356,975	1,879,487
Environmental protection	4,673	-	-	-	9,056	13,729
Economic development	-	-	-	-	63,327	63,327
Capital improvements	-	-	-	3,666,477	248,976	3,915,453
Debt Service	120,032	-	6,162,301	131,354	669,222	7,082,909
Total expenditures	<u>4,182,595</u>	<u>1,473,846</u>	<u>6,214,380</u>	<u>3,797,831</u>	<u>4,681,326</u>	<u>20,349,978</u>
Revenues over (under) expenditures	<u>340,816</u>	<u>526,702</u>	<u>(2,356,951)</u>	<u>(3,198,113)</u>	<u>897,650</u>	<u>(3,789,896)</u>
Other financing sources (uses):						
Issuance of General Obligation Refunding bonds	-	-	1,780,000	-	-	1,780,000
Issuance of General Obligation Bonds	-	-	-	5,958,000	-	5,958,000
Issuance of Andover Public Building Commission Refunding Revenue Bonds	-	-	-	-	4,936,000	4,936,000
Payment to Escrow Agent	-	-	-	-	(5,156,301)	(5,156,301)
Transfers in	-	-	378,935	-	155,428	534,363
Transfers out	(88,600)	(220,506)	-	(83,184)	(66,828)	(459,118)
Total other financing sources (uses)	<u>(88,600)</u>	<u>(220,506)</u>	<u>2,158,935</u>	<u>5,874,816</u>	<u>(131,701)</u>	<u>7,592,944</u>
Net change in fund balances	252,216	306,196	(198,016)	2,676,703	765,949	3,803,048
Fund balances (deficit), beginning of year	1,918,050	1,585,842	1,029,435	(7,859,334)	3,030,875	(295,132)
Fund balances (deficit), end 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>

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, 2011

Net Change in Fund Balances – Total Governmental Funds		\$ 3,803,048
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	\$ 4,613,079	
Depreciation	<u>(3,153,519)</u>	
Excess of capital outlays over depreciation expense and asset dispositions		1,459,560
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets for:		
General obligation bonds	7,738,000	
Andover Public Building Commission revenue bonds	<u>4,936,000</u>	
Total issuance of long-term debt		(12,674,000)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		
		(83,138)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
General obligation bond payment	4,980,000	
Andover Public Building Commission revenue bond payment	5,483,000	
Capital lease obligations	<u>108,054</u>	
Total payments on long-term liabilities		10,571,054
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		
		6,001,822
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	3,568	
Compensated absences payable	<u>(20,556)</u>	
Total		<u>(16,988)</u>
Change in Net Assets of Governmental Activities		<u>\$ 9,061,358</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, 2011
(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	\$ 2,805,741	\$ 2,805,741	\$ 2,934,055	\$ 128,314
Intergovernmental	–	–	30,000	30,000
Licenses, fees and permits	667,500	667,500	884,056	216,556
Charges for services	83,198	83,198	423,939	340,741
Fines and forfeitures	200,000	200,000	217,806	17,806
Use of money and property	22,500	22,500	15,856	(6,644)
Miscellaneous	–	–	12,490	12,490
Proceeds from capital lease	–	–	–	–
Transfers in	60,000	60,000	–	(60,000)
Cancellation of prior year encumbrances	–	–	51,932	51,932
	<u>–</u>	<u>–</u>	<u>51,932</u>	<u>51,932</u>
Total revenues and other sources	<u>3,838,939</u>	<u>3,838,939</u>	<u>4,570,134</u>	<u>731,195</u>
Expenditures, encumbrances and other uses:				
General government:				
General department:				
Personal services	413,984	413,984	419,644	(5,660)
Contractual services	346,300	346,300	239,700	106,600
Commodities	29,300	29,300	24,448	4,852
Capital outlay	–	–	–	–
Debt service	–	–	–	–
Contingency reserve	12,000	12,000	–	12,000
Transfers out	10,000	10,000	10,000	–
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>–</u>
Total general government	<u>811,584</u>	<u>811,584</u>	<u>693,792</u>	<u>117,792</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, 2011
(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	\$ 944,314	\$ 944,314	\$ 886,001	\$ 58,313
Contractual services	149,875	149,875	130,795	19,080
Commodities	125,800	125,800	87,252	38,548
Capital outlay	124,500	124,500	99,917	24,583
Debt service	–	–	32,979	(32,979)
Transfers out	–	–	–	–
Total police department	<u>1,344,489</u>	<u>1,344,489</u>	<u>1,236,944</u>	<u>107,545</u>
Fire department:				
Personal services	574,640	574,640	595,071	(20,431)
Contractual services	59,975	59,975	41,595	18,380
Commodities	54,830	54,830	58,459	(3,629)
Capital outlay	96,145	96,145	16,886	79,259
Debt service	–	–	85,603	(85,603)
Transfers out	<u>16,600</u>	<u>16,600</u>	<u>16,600</u>	<u>–</u>
Total fire department	<u>802,190</u>	<u>802,190</u>	<u>814,214</u>	<u>(12,024)</u>
Municipal Court department:				
Personal services	73,863	73,863	74,128	(265)
Contractual services	15,320	15,320	14,427	893
Commodities	4,065	4,065	4,474	(409)
Transfers out	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>–</u>
Total Municipal Court department	<u>95,248</u>	<u>95,248</u>	<u>95,029</u>	<u>219</u>
Total public safety	<u>2,241,927</u>	<u>2,241,927</u>	<u>2,146,187</u>	<u>95,740</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, 2011
(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	\$ 255,535	\$ 255,535	\$ 216,188	\$ 39,347
Contractual services	18,745	18,745	42,314	(23,569)
Commodities	11,500	11,500	4,422	7,078
Capital outlay	65,000	65,000	–	65,000
Debt service	–	–	–	–
Transfers out	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>–</u>
Total highways and streets	<u>395,780</u>	<u>395,780</u>	<u>307,924</u>	<u>87,856</u>
Recreation:				
Park department:				
Personal services	305,763	305,763	282,548	23,215
Contractual services	98,298	98,298	82,476	15,822
Commodities	116,856	116,856	94,950	21,906
Capital outlay	23,800	23,800	41,543	(17,743)
Debt service	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total park department	<u>544,717</u>	<u>544,717</u>	<u>501,517</u>	<u>43,200</u>
Recreation Programs:				
Contractual services	30,399	30,399	22,785	7,614
Commodities	<u>52,699</u>	<u>52,699</u>	<u>36,390</u>	<u>16,309</u>
Total recreation programs	<u>83,098</u>	<u>83,098</u>	<u>59,175</u>	<u>23,923</u>
Total recreation	<u>627,815</u>	<u>627,815</u>	<u>560,692</u>	<u>67,123</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, 2011
(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>		
Environmental Protection:				
Composting Program:				
Personal services	\$ 9,869	\$ 9,869	\$ 4,673	\$ 5,196
Commodities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total composting program	<u>9,869</u>	<u>9,869</u>	<u>4,673</u>	<u>5,196</u>
Dispatch/IT Department:				
Personal services	267,743	267,743	254,774	12,969
Contractual services	103,707	103,707	93,271	10,436
Commodities	19,700	19,700	17,344	2,356
Capital outlay	67,100	67,100	102,893	(35,793)
Debt service	—	—	—	—
Transfers out	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>—</u>
Total Dispatch/IT Department	<u>473,250</u>	<u>473,250</u>	<u>483,282</u>	<u>(10,032)</u>
Building Inspection Department:				
Personal services	169,221	169,221	139,347	29,874
Contractual services	20,725	20,725	16,068	4,657
Commodities	9,350	9,350	6,084	3,266
Capital outlay	25,000	25,000	24,500	500
Transfer out	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Building Inspection Department	<u>224,296</u>	<u>224,296</u>	<u>185,999</u>	<u>38,297</u>
Total expenditures, encumbrances and other uses	<u>4,784,521</u>	<u>4,784,521</u>	<u>4,382,549</u>	<u>401,972</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, 2011
(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>		
Revenues and other sources over (under) expenditures, encumbrances and other uses	\$ (945,582)	\$ (945,582)	\$ 187,585	\$ 1,133,167
Fund balance, beginning of year	<u>1,095,582</u>	<u>1,095,582</u>	<u>1,752,898</u>	<u>657,316</u>
Fund balance, end of year	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 1,940,483</u>	<u>\$ 1,790,483</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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$1,500,000	\$1,500,000	\$1,748,980	\$ 248,980
Intergovernmental	–	87,685	87,685	–
Use of money and property	<u>2,500</u>	<u>2,500</u>	<u>3,634</u>	<u>1,134</u>
 Total revenues	 <u>1,502,500</u>	 <u>1,590,185</u>	 <u>1,840,299</u>	 <u>250,114</u>
 Expenditures:				
Contractual services	–	350,000	169,887	180,113
Capital outlay	1,672,905	1,806,905	1,889,059	(82,154)
Transfers out	<u>220,506</u>	<u>220,506</u>	<u>220,506</u>	<u>–</u>
 Total expenditures	 <u>1,893,411</u>	 <u>2,377,411</u>	 <u>2,279,452</u>	 <u>97,959</u>
 Revenues over (under) expenditures	 (390,911)	 (787,226)	 (439,153)	 348,073
Fund balance, beginning of year	 <u>757,919</u>	 <u>1,463,990</u>	 <u>1,463,991</u>	 <u>1</u>
 Fund balance, end of year	 <u>\$ 367,008</u>	 <u>\$ 676,764</u>	 <u>\$1,024,838</u>	 <u>\$ 348,074</u>

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

CITY OF ANDOVER, KANSAS

STATEMENT OF NET ASSETS – ALL ENTERPRISE FUNDS

December 31, 2011

	Business-type Activities Enterprise Funds			Total Enterprise Funds
	Water Utility	Sewer Utility	Recycling/ Trash Utility	
<u>ASSETS</u>				
Current assets:				
Cash including investments	\$ 101,409	\$ 107,771	\$ 9,150	\$ 218,330
Trade accounts receivable	8,663	141,014	45,950	195,627
Restricted assets:				
Cash and investments restricted for:				
Revenue bond requirements	–	325,579	–	325,579
Total current assets	110,072	574,364	55,100	739,536
Noncurrent assets:				
Restricted assets:				
Cash and investments restricted for:				
Sewage revenue bond requirements	–	2,093,726	–	2,093,726
Sewage equipment	–	227,163	–	227,163
Sewage treatment expansion	–	81,937	–	81,937
Total restricted assets	–	2,402,826	–	2,402,826
Capital assets:				
Land	–	123,946	–	123,946
Water mains and distribution lines	9,126,713	–	–	9,126,713
Sewage mains and distribution lines	–	16,644,457	–	16,644,457
Sewage disposal plant	–	5,613,756	–	5,613,756
Machinery and equipment	13,515	595,493	1,297	610,305
	9,140,228	22,977,652	1,297	32,119,177
Less accumulated depreciation	(2,334,169)	(6,370,614)	(864)	(8,705,647)
Capital assets, net	6,806,059	16,607,038	433	23,413,530
Other assets:				
Unamortized bond issue costs, net	–	80,668	–	80,668
Deferred amount on refunding, net	–	16,837	–	16,837
Total other assets	–	97,505	–	97,505
Total noncurrent assets	6,806,059	19,107,369	433	25,913,861
Total assets	6,916,131	19,681,733	55,533	26,653,397

	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	\$ —	\$ 441	\$ 42,530	\$ 42,971
Current portion of accrued compensated absences payable	—	19,193	—	19,193
Current liabilities payable from restricted assets:				
Accrued revenue bond interest payable	—	15,579	—	15,579
Current portion of revenue bonds payable	<u>—</u>	<u>310,000</u>	<u>—</u>	<u>310,000</u>
Total current liabilities	<u>—</u>	<u>345,213</u>	<u>42,530</u>	<u>387,743</u>
Noncurrent liabilities:				
Long-term portion of accrued compensated absences payable	—	32,332	—	32,332
Long-term portion of revenue bonds payable	<u>—</u>	<u>1,425,000</u>	<u>—</u>	<u>1,425,000</u>
Total noncurrent liabilities	<u>—</u>	<u>1,457,332</u>	<u>—</u>	<u>1,457,332</u>
Total liabilities	<u>—</u>	<u>1,802,545</u>	<u>42,530</u>	<u>1,845,075</u>
<u>NET ASSETS</u>				
Net assets:				
Net assets invested in capital assets, net of related debt	6,806,059	14,872,038	433	21,678,530
Restricted for:				
Sewer revenue bond requirements	—	2,093,726	—	2,093,726
Sewage equipment	—	227,163	—	227,163
Sewage treatment expansion	—	81,937	—	81,937
Unrestricted	<u>110,072</u>	<u>604,324</u>	<u>12,570</u>	<u>726,966</u>
	<u>\$ 6,916,131</u>	<u>\$ 17,879,188</u>	<u>\$ 13,003</u>	<u>\$ 24,808,322</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 ASSETS – ALL ENTERPRISE FUNDS**

Year ended December 31, 2011

	Business-type Activities –Enterprise Funds			Total Enterprise Funds
	Water Utility	Sewer Utility	Recycling/ Trash Utility	
Operating revenues:				
Sales of services	\$ 128,631	\$ 1,397,952	\$ 405,133	\$ 1,931,716
Other	–	54,390	–	54,390
Total operating revenues	<u>128,631</u>	<u>1,452,342</u>	<u>405,133</u>	<u>1,986,106</u>
Operating expenses:				
Personal services	21,226	351,797	27,887	400,910
Contractual services	3,794	188,436	382,621	574,851
Commodities	–	57,096	940	58,036
Depreciation	<u>183,647</u>	<u>467,062</u>	<u>432</u>	<u>651,141</u>
Total operating expenses	<u>208,667</u>	<u>1,064,391</u>	<u>411,880</u>	<u>1,684,938</u>
Operating income (loss)	<u>(80,036)</u>	<u>387,951</u>	<u>(6,747)</u>	<u>301,168</u>
Nonoperating revenues and expenses:				
Interest income	181	12,179	17	12,377
Interest expense	–	(39,505)	–	(39,505)
Amortization of bond issuance costs	<u>–</u>	<u>(32,967)</u>	<u>–</u>	<u>(32,967)</u>
Net nonoperating revenues (expenses)	<u>181</u>	<u>(60,293)</u>	<u>17</u>	<u>(60,095)</u>
Income (loss) before contributions and transfers	(79,855)	327,658	(6,730)	241,073
Contribution from municipality	456,904	501,162	–	958,066
Transfers out	<u>(28,598)</u>	<u>(46,647)</u>	<u>–</u>	<u>(75,245)</u>
Change in net assets	348,451	782,173	(6,730)	1,123,894
Net assets, beginning of year	<u>6,567,680</u>	<u>17,097,015</u>	<u>19,733</u>	<u>23,684,428</u>
Net assets, end of year	<u>\$6,916,131</u>	<u>\$ 17,879,188</u>	<u>\$ 13,003</u>	<u>\$24,808,322</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, 2011

(continued on next page)

	Business-type Activities			Total Enterprise Funds
	Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Recycling/ Trash Utility</u>	
Cash flows from operating activities:				
Cash received from customers	\$ 129,869	\$ 1,375,039	\$ 430,396	\$ 1,935,304
Cash payments to vendors for materials and supplies	(3,794)	(246,722)	(405,554)	(656,070)
Cash paid to employees	(21,226)	(348,557)	(27,887)	(397,670)
Other cash receipts	<u>–</u>	<u>54,390</u>	<u>–</u>	<u>54,390</u>
Net cash provided by operating activities	<u>104,849</u>	<u>834,150</u>	<u>(3,045)</u>	<u>935,954</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(48,026)	(1,108,731)	–	(1,156,757)
Principal paid on revenue bonds	–	(290,000)	–	(290,000)
Interest paid on revenue bonds	<u>–</u>	<u>(41,015)</u>	<u>–</u>	<u>(41,015)</u>
Net cash used by financing activities	<u>(48,026)</u>	<u>(1,439,746)</u>	<u>–</u>	<u>(1,487,772)</u>
Cash flows from noncapital Financing activities – transfers out	<u>(28,598)</u>	<u>(46,647)</u>	<u>–</u>	<u>(75,245)</u>
Cash flows from investing Activities - interest received	<u>181</u>	<u>12,179</u>	<u>17</u>	<u>12,377</u>
Net increase (decrease) in cash and cash equivalents	28,406	(640,064)	(3,028)	(614,686)
Cash and cash equivalents at beginning of year	<u>73,003</u>	<u>3,476,240</u>	<u>12,178</u>	<u>3,561,421</u>
Cash and cash equivalents at end of year	<u>\$ 101,409</u>	<u>\$ 2,836,176</u>	<u>\$ 9,150</u>	<u>\$ 2,946,735</u>
Cash and cash equivalents	\$ 101,409	\$ 107,771	\$ 9,150	\$ 218,330
Restricted cash and cash equivalents included in restricted cash and investments	<u>–</u>	<u>2,728,405</u>	<u>–</u>	<u>2,728,405</u>
Cash and cash equivalents, end of year	<u>\$ 101,409</u>	<u>\$ 2,836,176</u>	<u>\$ 9,150</u>	<u>\$ 2,946,735</u>

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

Year ended December 31, 2011

(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)	\$ (80,036)	\$ 387,951	\$ (6,747)	\$ 301,168
Adjustments to reconcile net cash provided by operating income (loss) to net cash provided by operating activities:				
Depreciation	183,647	467,062	432	651,141
Decrease (increase) in accounts receivable	1,238	(22,913)	25,263	3,588
Increase in accounts payable	–	(1,190)	(21,993)	(23,183)
Increase in compensated absences payable	–	3,240	–	3,240
Net cash provided by operating activities	<u>\$ 104,849</u>	<u>\$ 834,150</u>	<u>\$ (3,045)</u>	<u>\$ 935,954</u>

Noncash capital and related financing activities:

During 2011, the Water Utility and Sewer Utility funds received assets contributed from the municipality and developers in the amount of \$456,904 and \$501,162, respectively.

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

CITY OF ANDOVER, KANSAS
STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS

December 31, 2011

	<u>Agency Funds</u>
Assets:	
Cash including investments	\$ <u>5,824</u>
Liabilities:	
Accrued liabilities payable	1,701
Appearance bonds payable	<u>4,123</u>
Total liabilities	<u>5,824</u>
Net assets	<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, 2011

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 and the Andover Public Building Commission Park Improvements capital project 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance in their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The City's basic financial statements include both government-wide, including a statement of net assets 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 assets and the statement of activities, display all the nonfiduciary activities of the primary government and its component units. 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 assets 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 recognized assets and payables.

The City reports the following major governmental funds:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 construct 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.

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 revenue 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 over a ten or fifteen-year period 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 assets. Since they are not considered available spendable resources for the funds statement, the special assessments receivable are reported as unearned revenue 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, 2011, and are appropriately recorded as revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unconditional promises to give

The Andover Public Library Board had unconditional promises to give consisting of Capital Campaign pledges of \$8,150. The pledges are collectible through the year 2014. The expected payment stream of the pledges has been discounted using a rate of .75%. The pledges collectible at December 31, 2011 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2012	\$ 4,300
2013	1,500
2014	<u>300</u>
Total pledges receivable	6,100
Less discount for present value	(18)
Less allowance for doubtful pledges	<u>(3,800)</u>
	<u>\$ 2,282</u>

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. 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Bond issue costs and the deferred amount on refunding in the Sewer Utility Fund are amortized utilizing the bonds outstanding method over the life of the revenue bonds.

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 years of service to earn 80 hours vacation pay, three to ten years of service to earn 120 hours vacation pay and fifteen or more years of service to earn 160 hours vacation pay. Employees may accumulate a maximum of 150% of the amount of vacation earned in a twelve-month period and such vacation time that is not used in the allowed time period will be forfeited unless a special agreement has been reached with the Department Head and City Administrator. If vacation time cannot be taken due to workload, the employee shall be paid at regular salary after one year from the time vacation is earned. 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 31. 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.

The above compensated absence policies were revised effective January 1, 2012.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the governing body or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Equity Classifications

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

- Invested in capital assets, net of related debt – 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 assets – consisting of net assets with constraints place 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.
- Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

During 2011, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (see Note 15). The new statement changes how fund balances are classified and reported, and clarified the definitions of existing governmental fund types. In the governmental funds financial statements, equity is classified into potential five components:

- Nonspendable – the nonspendable fund balance classification includes amounts 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 – that portion of fund balance that has constraints that are (1) external imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Committed – that portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned – fund balance that is constrained by the government's intent to be used for specified purposes, but are neither restricted or committed.
- Unassigned – this represents the residual classification for the General Fund.

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 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 2011:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
Street Improvement	\$ 1,893,411	\$ 2,377,411
Special Building	661,064	5,992,364
Park Improvement	66,828	74,103
Street Impact Fee	50,000	147,000
Park Impact Fee	110,000	140,000
Debt Service	4,709,775	6,541,132
Recycling/Trash Utility	38,095	459,995

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, 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.

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.

2. DEPOSITS AND INVESTMENTS

Deposits

Kansas Statutes Annotated (K.S.A.) 9-1401 establishes the depositories which 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.

2. DEPOSITS AND INVESTMENTS (continued)

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.

Investments

At December 31, 2011 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	\$ 5,608	\$ 5,608	.03	AAAf/S1+
Security Bank of Kansas City – Federated Government Obligations Fund	<u>15,446</u>	<u>15,446</u>	1.57	AAAm
	<u>\$ 21,054</u>	<u>\$ 21,054</u>		

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.

Investments held at Security Bank of Kansas City represent Trustee investments of unspent proceeds from the Certificates of Participation Series 2010A.

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, 2011, is as follows:

Kansas Municipal Investment Pool	26%
Federated Government Obligations Fund	74%

2. DEPOSITS AND INVESTMENTS (continued)

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, 2011 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 \$10,021,768 with the bank balances of such accounts being \$10,730,891. Of the bank balances, \$504,373 was covered by federal depository insurance and the remaining balance of \$10,226,518 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 \$13,922,736 at December 31, 2011.

The City's discretely presented component unit's cash and investments at December 31, 2011 consisted of checking and savings accounts. At year-end, the carrying amount of the City's component unit's deposits was \$272,687 and the bank balances were \$280,549. The bank balances were entirely covered by federal depository insurance coverage at December 31, 2011.

A reconciliation of cash and investments as reported in the financial statements at December 31, 2011 is as follows:

Cash on hand	\$ 2,765
Carrying amount of deposits – City	10,021,768
Carrying amount of deposits – component unit	272,687
Carrying amount of investments	<u>21,054</u>
Total	<u>\$ 10,318,274</u>
Amounts per statement of net assets:	
Cash including investments	\$ 7,295,912
Component unit cash and investments	272,687
Cash held in fiduciary funds	5,824
Restricted cash and investments	<u>2,743,851</u>
Total	<u>\$ 10,318,274</u>

3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2011 is as follows:

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2011</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,364,841	\$ —	\$ —	\$ 1,364,841
Construction Work in Progress	<u>12,940,088</u>	<u>—</u>	<u>6,611,466</u>	<u>6,328,622</u>
	<u>14,304,929</u>	<u>—</u>	<u>6,611,466</u>	<u>7,693,463</u>
Capital assets being depreciated:				
Buildings	7,052,977	3,917,238	—	10,970,215
Improvements other than buildings	623,419	35,777	—	659,196
Infrastructure	41,321,496	6,166,652	—	47,488,148
Machinery and equipment	<u>5,325,633</u>	<u>1,104,878</u>	<u>—</u>	<u>6,430,511</u>
Total capital assets being depreciated	<u>54,323,525</u>	<u>11,224,545</u>	<u>—</u>	<u>65,548,070</u>
Less accumulated depreciation for:				
Buildings	1,299,816	232,188	—	1,532,004
Improvements other than buildings	234,313	35,544	—	269,857
Infrastructure	13,519,357	2,301,685	—	15,821,042
Machinery and equipment	<u>3,820,452</u>	<u>584,102</u>	<u>—</u>	<u>4,404,554</u>
Total accumu- lated depreciation	<u>18,873,938</u>	<u>3,153,519</u>	<u>—</u>	<u>22,027,457</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2011</u>
Total capital assets being depreciated, net	\$ 35,449,587	\$ 8,071,026	\$ —	\$ 43,520,613
Governmental activities capital assets, net	<u>\$ 49,754,516</u>	<u>\$ 8,071,026</u>	<u>\$ 6,611,466</u>	<u>\$ 51,214,076</u>
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 123,946	\$ —	\$ —	\$ 123,946
Capital assets being depreciated:				
Buildings	4,623,732	990,024	—	5,613,756
Improvements other than buildings	24,678,888	1,092,282	—	25,771,170
Machinery and equipment	<u>577,788</u>	<u>32,517</u>	<u>—</u>	<u>610,305</u>
Total capital assets being depreciated	<u>29,880,408</u>	<u>2,114,823</u>	<u>—</u>	<u>31,995,231</u>
Less accumulated depreciation for:				
Buildings	1,764,390	111,605	—	1,875,995
Improvements other than buildings	5,767,848	514,456	—	6,282,304
Machinery and equipment	<u>522,268</u>	<u>25,080</u>	<u>—</u>	<u>547,348</u>
Total accumu- lated depreciation	<u>8,054,506</u>	<u>651,141</u>	<u>—</u>	<u>8,705,647</u>
Total capital assets being depreciated, net	<u>21,825,902</u>	<u>1,463,682</u>	<u>—</u>	<u>23,289,584</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2011</u>
Business-type activities capital assets, net	\$ <u>21,949,848</u>	\$ <u>1,463,682</u>	\$ <u>—</u>	\$ <u>23,413,530</u>

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

Governmental activities:		
General government		\$ 183,626
Public safety		352,287
Highways and streets (including depreciation of infrastructure assets)		2,378,685
Culture and recreation		<u>238,921</u>
Total depreciation expense – governmental activities		<u>\$ 3,153,519</u>
Business-type activities:		
Water utility		\$ 183,647
Sewer utility		467,062
Recycling/Trash utility		<u>432</u>
Tot depreciation expense – business-type activities		<u>\$ 651,141</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, 2011:

	Outstanding January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>Governmental activities</u>					
General obligation bonds	\$33,884,000	\$ 7,738,000	\$ 4,980,000	\$ 36,642,000	\$ 3,608,000
Andover Public Building Commission revenue bonds	7,902,000	4,936,000	5,483,000	7,355,000	1,505,000
Certificates of participation	79,000	—	39,000	40,000	40,000
Capital lease obligations	359,496	—	69,054	290,442	35,736
Compensated absences	<u>609,868</u>	<u>257,229</u>	<u>236,673</u>	<u>630,424</u>	<u>244,676</u>
Total long-term liabilities – Governmental activities	<u>\$42,834,364</u>	<u>\$12,931,229</u>	<u>\$10,807,727</u>	<u>\$ 44,957,866</u>	<u>\$ 5,433,412</u>

4. LONG-TERM DEBT (continued)

	Outstanding January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>Business-type activities</u>					
Revenue bonds	\$ 2,025,000	\$ -	\$ 290,000	\$ 1,735,000	\$ 310,000
Compensated absences	<u>48,285</u>	<u>21,228</u>	<u>17,988</u>	<u>51,525</u>	<u>19,193</u>
Total long-term liabilities – Business-Type activities	<u>\$ 2,073,285</u>	<u>\$ 21,228</u>	<u>\$ 307,988</u>	<u>\$ 1,786,525</u>	<u>\$ 329,193</u>

General obligation bonds

General obligation bonds payable are serial bonds to be retired through calendar year 2031. At December 31, 2011 the bonds consist of the following:

	<u>Interest rates</u>	<u>Bonds outstanding</u>
Refunding Bonds, Series A 2004	1.25 – 3.60%	\$ 140,000
Internal Improvements, Series C 2004	4.03%	1,090,000
Internal Improvements, Series A 2005	3.65 – 4.50%	805,000
Taxable General Obligation Bonds, Series A 2006	5.50 – 5.75%	41,000
General Obligation Bonds, Series 2006	3.75 – 4.60%	2,510,000
General Obligation Bonds, Series A 2007	4.00 – 5.00%	4,290,000
General Obligation Bonds, Series A 2008	3.00 – 5.00%	4,765,000
General Obligation Bonds, Series B 2008	3.00 – 5.25%	1,905,000
General Obligation Refunding Bonds, Series A 2009	1.75 – 3.00%	3,260,000
General Obligation Refunding Bonds, Series B 2009	1.40 – 3.65%	3,420,000
General Obligation Bonds, Series A 2010	2.50 – 3.75%	3,770,000
General Obligation Bonds, Series B 2010	2.00 – 4.25%	2,908,000
General Obligation Bonds, Series A 2011	2.50 – 4.15%	5,958,000
General Obligation Refunding Bonds, Series B 2011	.60 – 2.25%	<u>1,780,000</u>
		<u>\$ 36,642,000</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:

4. LONG-TERM DEBT (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,608,000	\$ 1,392,362	\$ 5,000,362
2013	3,713,000	1,167,750	4,880,750
2014	3,448,000	1,060,730	4,508,730
2015	3,204,000	955,893	4,159,893
2016	2,834,000	856,836	3,690,836
2017	2,490,000	765,314	3,255,314
2018	2,310,000	681,495	2,991,495
2019	2,150,000	601,020	2,751,020
2020	2,240,000	516,620	2,756,620
2021	2,065,000	427,107	2,492,107
2022	2,145,000	342,555	2,487,555
2023	1,950,000	255,415	2,205,415
2024	1,060,000	173,653	1,233,653
2025	895,000	132,612	1,027,612
2026	590,000	99,548	689,548
2027	355,000	77,022	432,022
2028	370,000	63,888	433,888
2029	385,000	49,642	434,642
2030	405,000	34,243	439,243
2031	<u>425,000</u>	<u>17,637</u>	<u>442,637</u>
	<u>\$ 36,642,000</u>	<u>\$ 9,671,342</u>	<u>\$ 46,313,342</u>

Capital lease obligations

Certificates of Participation dated May 1, 2003, in the amount of \$240,000 were issued pursuant to a lease purchase agreement between the City, as lessee, and Intrust Bank, N.A. as trustee and lessor. The 2003 Certificates of Participation have interest rates from 2.00% to 4.00%. The Certificates of Participation were issued to finance the acquisition of two fire tanker trucks.

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.

Certificates of Participation dated April 15, 2010, in the amount of \$79,000 were issued pursuant to a lease purchase agreement between the City, as lessee, and Security Bank of Kansas City, as trustee and lessor. The 2010 Certificates of Participation have an interest rate of 2%. The Certificates of Participation were issued to finance the acquisition of two police vehicles and one stormwater utility vehicle.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of the lease

4. LONG-TERM DEBT (continued)

inception. The annual requirements to amortize the capital lease obligation outstanding at December 31, 2011, including interest payments, is as follows:

<u>Year ending December 31,</u>	<u>Governmental Funds</u>		
	<u>Vehicles</u>	<u>Fire Trucks</u>	<u>Total</u>
2012	\$ 40,800	\$ 50,086	\$ 90,886
2013	–	50,086	50,086
2014	–	50,086	50,086
2015	–	50,086	50,086
2016	–	50,086	50,086
2017	–	50,086	50,086
2018	–	50,086	50,086
Total minimum lease payments	40,800	350,602	391,402
Less amounts representing interest	<u>(800)</u>	<u>(60,160)</u>	<u>(60,960)</u>
Present value of net minimum lease payments	<u>\$ 40,000</u>	<u>\$ 290,442</u>	<u>\$ 330,442</u>

The lease payments are being financed from the City's General Fund with the exception of the stormwater utility vehicle, which is recorded in the Stormwater Utility Fund. The cost and accumulated amortization of the leased vehicles at December 31, 2011 is \$80,718 and \$53,812, respectively. The cost and accumulated amortization of the leased fire trucks at December 31, 2011 is \$608,794 and \$224,993, respectively.

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, 2011 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%	\$ 10,000
Park Facilities Revenue Bonds, Series B 2004	4.00 – 6.50%	120,000
Public Safety Facility Revenue Bonds, Series C 2004	4.32%	2,245,000
Park Facilities Revenue Bonds, Series A, 2006	4.25 – 4.50%	44,000
City Hall Refunding Revenue Bonds, Series A 2011	.75 – 1.25%	3,941,000
Park Facilities Refunding Revenue Bonds, Series B 2011	.90 – 2.75%	<u>995,000</u>
		<u>\$ 7,355,000</u>

4. LONG-TERM DEBT (continued)

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>
2012	\$ 1,505,000	\$ 175,834	\$ 1,680,834
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	295,000	12,744	307,744
	<u>\$ 7,355,000</u>	<u>\$ 1,062,118</u>	<u>\$ 8,417,118</u>

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, 2011 are as follows:

4. LONG-TERM DEBT (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 310,000	\$ 37,390	\$ 347,390
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>\$ 1,735,000</u>	<u>\$ 127,820</u>	<u>\$ 1,862,820</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 paid by the City in such fiscal year on all system revenue bonds at the time outstanding. At December 31, 2011, 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, 2011 was \$25,335,108. During 2011, there were \$2,837,500 of new bonds issued and \$6,325,839 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 2011, the City retired \$5,680,000 of temporary notes. At December 31, 2011 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, 2010:			
Prairie Creek Addition	2.00%	\$ 2,895,000	12-1-12
Andover Landing Addition	2.00%	<u>938,000</u>	12-1-12
Total		<u>\$ 3,833,000</u>	

During 2011, the temporary note activity for the various capital improvement projects were as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
\$ 9,513,000	\$ -	\$ 5,680,000	\$ 3,833,000

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. Retained earnings have been reserved for the portion of assets legally restricted for future equipment acquisitions.

7. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2011, 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, 2011</u>
Industrial Park Improvement Project	\$ 50,000	\$ 4,543
Cornerstone Third Addition Project	3,599,000	3,410,801
Mike/May/Main Street Project	1,000,000	745,400
Crescent Lakes V Addition	3,200,000	2,961,589
Cedar Park 4 th Addition Project	2,611,000	117,519
21 st Street Paving Project	329,930	308,633
Prairie Creek Addition Project	4,655,000	2,954,119
The Village at Flint Hills Addition Improvement Project	2,101,000	435
Reflection Lake at Cloud City 3rd Addition Improvement Project	1,258,733	1,029,500
Market Place East Improvement Project	3,930,366	3,893,116
Andover Landing Improvement Project	2,561,825	2,087,114
Market Place Commercial 2 nd Improvement Project	1,390,000	1,246,230
Andover Public Building Commission City Hall Building Project	6,000,000	4,778,282

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 retirement plan. The payroll for employees covered by the Plan was \$2,283,433 and the City's total payroll was \$3,338,849 for the year ended December 31, 2011. 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 2011 was based upon 6% of gross compensation and was \$137,006. 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. During 2011, there were no employees' elective contributions made through payroll deductions. 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 2011.

8. PENSION PLANS (continued)

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, 2011 was 14.57%. 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 contributions to KP&F for the years ending December 31, 2011, 2010 and 2009 were \$231,500, \$201,472 and \$195,127, 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:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ –	\$ 88,600
Street Improvement	–	220,506
Debt Service	378,935	–
Capital Projects	–	83,184
Water Utility	–	28,598
Sewer Utility	–	46,647
	<u>378,935</u>	<u>467,535</u>
Nonmajor Funds:		
Special Building	66,828	–
Park Improvement	–	66,828

9. INTERFUND TRANSFERS (continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Street Machinery and Bridge Building	\$ 45,000	\$ -
Capital Equipment Reserve	<u>43,600</u>	<u>-</u>
	<u>155,428</u>	<u>66,828</u>
 Total transfers	 <u>\$ 534,363</u>	 <u>\$ 534,363</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 \$101,100, respectively, are related to improvement and equipment replacement reserves.

The Special Building Fund received \$68,883 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 \$220,506, \$28,598 and \$46,647, respectively, to forestall the need for a property tax increase in the Debt Service Fund. In addition, the Debt Service Fund received \$83,184 of non-routine transfers from the Capital Projects Fund for excess funds available upon completion of improvement projects funded by general obligation bonds.

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:

	<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, 2011	\$ 2,170,266	\$ 1,892,038	\$ 831,419	\$ 2,965,059
Adjustments:				
Reserved for encumbrances (budgeted funds only)	(138,912)	(585,100)	-	(298,237)
Accrued sales tax revenues	-	(282,100)	-	-
Accrued franchise fee revenues	(90,871)	-	-	-
Accrued telephone tax revenues	-	-	-	(7,933)
Accrued accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,187)</u>
 Budgetary Fund Balances at December 31, 2011	 <u>\$ 1,940,483</u>	 <u>\$ 1,024,838</u>	 <u>\$ 831,419</u>	 <u>\$ 2,647,702</u>

11. FUND DEFICITS

At December 31, 2011, the Capital Projects Fund had incurred a fund deficit in the amount of \$5,182,631. This fund deficit will be financed through the sale of bonds authorized by the City Council, not yet sold at December 31, 2011, or through other revenue sources available to the City.

12. ADVANCE REFUNDINGS

On September 29, 2011, the City entered into a current refunding transaction whereby it issued \$1,780,000 of General Obligation Refunding Bonds, Series B 2011 with interest rates from .60% to 2.25%, to advance refund \$185,000 of outstanding General Obligation Internal Improvement Bonds, Series A 1999 with an interest rate of 4.50% and \$1,540,000 of outstanding General Obligation Internal Improvement Bonds, Series A 2003 with interest rates from 3.00 to 3.65%. Proceeds from the Series B 2011 Refunding Bonds in the amount of \$1,780,000 and funds on hand of \$55,000 were placed with the City's paying agent, the Kansas State Treasurer, to provide for all debt service payments on the refunded Series A 1999 Bonds and the Series A 2003 Bonds to the redemption date. The outstanding Series A 1999 Bonds (\$185,000) were called for redemption and payment on October 1, 2011. The outstanding Series A 2003 Bonds (\$1,540,000) were called for redemption and payment on November 1, 2011.

The City advance refunded the Series A 1999 and Series A 2003 Bonds to reduce its total debt service payments over the next 7 years by \$68,598 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$62,958.

On August 15, 2011, the Andover Public Building Commission entered into a current refunding transaction whereby it issued \$3,941,000 of Andover Public Building Commission Refunding Revenue Bonds, Series A 2011 (City Hall), with interest rates from .75 to 1.25%, to advance refund \$4,200,000 of Andover Public Building Commission Improvement Revenue Bonds, Series A 2010 (City Hall), with interest rates from 1.50 to 4.50%. Proceeds from the Series A 2011 Refunding Bonds in the amount of \$4,200,000 and funds on hand of \$259,000 were placed with the City's paying agent, the Kansas State Treasurer, to provide for all debt service payments on the refunded Series A 2010 Revenue Bonds to the redemption date. The outstanding Series A 2010 Revenue Bonds (\$4,200,000) were called for redemption and payment on September 1, 2011.

The Commission advance refunded the Series A 2010 Revenue Bonds to reduce its total debt service payments over the next 19 years by \$2,081,919 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$479,631.

On November 2, 2011, the Andover Public Building Commission entered into a current refunding transaction whereby it issued \$995,000 of Andover Public Building Commission Refunding Revenue Bonds, Series B 2011 (Park Facilities), with interest rates from .90 to 2.75%, to advance refund \$310,000 of Andover Public Building Commission Improvement

12. ADVANCE REFUNDINGS (continued)

Revenue Bonds, Series 2001 (Park Facilities), with interest rates from 4.25 to 4.75%. and \$640,000 of Andover Public Building Commission Improvement Revenue Bonds, Series A 2003 (Park Facilities), with interest rates from 4.50 to 5.00%. Proceeds from the Series B 2011 Refunding Bonds in the amount of \$956,301 were placed with the City's paying agent, the Kansas State Treasurer, to provide for all debt service payments on the refunded Series 2001 Revenue Bonds and the Series A 2003 Revenue Bonds (\$640,000) to the redemption date. The outstanding Series 2001 Revenue Bonds (\$310,000) and the outstanding Series A 2003 Revenue (\$640,000) were called for redemption and payment on December 1, 2011.

The Commission advance refunded the Series 2001 Revenue Bonds and Series A 2003 Revenue Bonds to reduce its total debt service payments over the next 8 years by \$66,353 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$62,004.

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, 2011, the City had outstanding construction and engineering commitments related to these projects in the amount of \$227,534. 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 \$111,500 and \$174,237, respectively.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2011, the City Council authorized the issuance and sale of General Obligation Refunding Bonds, Series A 2011, in the principal amount of \$5,960,000 with an average interest rate of 1.787%. The proceeds of the bonds were utilized to advance refund the outstanding General Obligation Internal Improvement Bonds, Series C 2004, General Obligation Internal Improvement Bonds, Series A 2005 and the General Obligation Bonds Series A 2008.

16. FUND RECLASSIFICATIONS

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, became effective for periods beginning after June 15, 2010. GASB Statement No. 54 provides for clarification of the definitions of the general, special revenue, capital projects and permanent fund types. As a result, the Highway Improvement, Street Machinery and Bridge Building and Capital Equipment Reserve Funds have been reclassified from a special revenue fund type to a capital project fund type for 2011. These funds were reported as nonmajor funds for 2010 and 2011 and, accordingly, there was no affect on the City's total reported fund balance or changes in fund balances.

**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, 2011

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash including short-term investments	\$ 2,969,139	\$833,494	\$ 3,802,633
Property tax receivable	1,777,177	-	1,777,177
Accounts receivable	<u>19,120</u>	<u>-</u>	<u>19,120</u>
 Total	 <u>\$ 4,765,436</u>	 <u>\$833,494</u>	 <u>\$ 5,598,930</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 23,200	\$ 1,729	\$ 24,929
Deferred revenues	<u>1,777,177</u>	<u>-</u>	<u>1,777,177</u>
 Total liabilities	 <u>1,800,377</u>	 <u>1,729</u>	 <u>1,802,106</u>
Fund Balances:			
Restricted:			
General government	1,121,437	-	1,121,437
Street improvements	185,710	-	185,710
Recreation	417,389	-	417,389
Economic development	166,873	-	166,873
Public safety	69,104	-	69,104
Committed:			
Street improvements	543,347	390,257	933,604
Parks and recreation	428,986	-	428,986
Assigned:			
Recreation	32,213	-	32,213
Capital outlay	<u>-</u>	<u>441,508</u>	<u>441,508</u>
 Total fund balances	 <u>2,965,059</u>	 <u>831,765</u>	 <u>3,796,824</u>
 Total liabilities and fund balances	 <u>\$ 4,765,436</u>	 <u>\$833,494</u>	 <u>\$ 5,598,930</u>

CITY OF ANDOVER, KANSAS

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

Year ended December 31, 2011

	Special Revenue <u>Funds</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Revenues:			
Taxes	\$ 3,558,117	\$ -	\$ 3,558,117
Intergovernmental	619,967	-	619,967
Licenses, fee and permits	200,515	-	200,515
Charges for services	137,484	-	137,484
Use of money and property	1,027,855	1,740	1,029,595
Miscellaneous	<u>33,298</u>	<u>-</u>	<u>33,298</u>
 Total revenues	 <u>5,577,236</u>	 <u>1,740</u>	 <u>5,578,976</u>
Expenditures:			
Current:			
General government	439,759	-	439,759
Public Safety	1,236,352	-	1,236,352
Highways and streets	544,892	-	544,892
Health and sanitation	112,767	-	112,767
Culture and recreation	1,356,975	-	1,356,975
Environmental protection	9,056	-	9,056
Economic development	63,327	-	63,327
Capital improvements	-	248,976	248,976
Debt service:			
Principal	340,900	-	340,900
Interest and fiscal charges	<u>328,322</u>	<u>-</u>	<u>328,322</u>
 Total expenditures	 <u>4,432,350</u>	 <u>248,976</u>	 <u>4,681,326</u>
 Revenues over (under) expenditures	 <u>1,144,886</u>	 <u>(247,236)</u>	 <u>897,650</u>
Other financing sources (uses):			
Proceeds from Andover Public Building			
Commission Refunding Revenue Bonds	4,936,000	-	4,936,000
Payment to Escrow Agent	(5,156,301)	-	(5,156,301)
Transfers in	66,828	88,600	155,428
Transfers out	<u>(66,828)</u>	<u>-</u>	<u>(66,828)</u>
 Total other financing sources (uses)	 <u>(220,301)</u>	 <u>88,600</u>	 <u>(131,701)</u>
 Net change in fund balances	 924,585	 (158,636)	 765,949
Fund balances, beginning of year	<u>2,040,474</u>	<u>990,401</u>	<u>3,030,875</u>
 Fund balances, end of year	 <u>\$ 2,965,059</u>	 <u>\$ 831,765</u>	 <u>\$ 3,796,824</u>

CITY OF ANDOVER, KANSAS

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

December 31, 2011

	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	\$ 185,710	\$ 331,312	\$ 9,647	\$ 790,125	\$ 166,873	\$ 407,742	\$ 61,171	\$ 464,960	\$ 3,764
Due from other funds	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	7,933	-	-
Taxes receivable	-	1,229,054	338,660	209,463	-	-	-	-	-
Total assets	<u>\$ 185,710</u>	<u>\$1,560,366</u>	<u>\$ 348,307</u>	<u>\$ 999,588</u>	<u>\$ 166,873</u>	<u>\$ 407,742</u>	<u>\$ 69,104</u>	<u>\$ 464,960</u>	<u>\$ 3,764</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,200	\$ -
Deferred revenue	-	1,229,054	338,660	209,463	-	-	-	-	-
Total liabilities	-	1,229,054	338,660	209,463	-	-	-	23,200	-
Fund balances:									
Restricted:									
General government	-	331,312	-	790,125	-	-	-	-	-
Street improvements	185,710	-	-	-	-	-	-	-	-
Recreation	-	-	9,647	-	-	407,742	-	-	-
Economic development	-	-	-	-	166,873	-	-	-	-
Public safety	-	-	-	-	-	-	69,104	-	-
Committed:									
Street improvements	-	-	-	-	-	-	-	441,760	-
Parks and recreation	-	-	-	-	-	-	-	-	3,764
Assigned:									
Recreation	-	-	-	-	-	-	-	-	-
Total fund balances	<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>
Total liabilities and fund balances	<u>\$ 185,710</u>	<u>\$1,560,366</u>	<u>\$ 348,307</u>	<u>\$ 999,588</u>	<u>\$ 166,873</u>	<u>\$ 407,742</u>	<u>\$ 69,104</u>	<u>\$ 464,960</u>	<u>\$ 3,764</u>

CITY OF ANDOVER, KANSAS

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

December 31, 2011

	<u>Park Impact Fee</u>	<u>Storm Water Utility</u>	<u>Festivals</u>	<u>Andover Public Building Commission</u>	<u>Total Nonmajor Special Revenue Funds</u>
<u>ASSETS</u>					
Cash and short-term investments	\$ 425,222	\$ 90,400	\$ 32,213	\$ –	\$ 2,969,139
Due from other funds	–	–	–	–	–
Accounts receivable	–	11,187	–	–	19,120
Taxes receivable	–	–	–	–	1,777,177
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total assets	<u>\$ 425,222</u>	<u>\$ 101,587</u>	<u>\$ 32,213</u>	<u>\$ –</u>	<u>\$ 4,765,436</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ –	\$ –	\$ –	\$ –	\$ 23,200
Unearned revenue	–	–	–	–	1,777,177
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,800,377</u>
Fund balances:					
Restricted:					
General government	–	–	–	–	1,121,437
Street improvements	–	–	–	–	185,710
Recreation	–	–	–	–	417,389
Economic development	–	–	–	–	166,873
Public safety	–	–	–	–	69,104
Committed:					
Street improvements	–	101,587	–	–	543,347
Parks and recreation	425,222	–	–	–	428,986
Assigned:					
Recreation	–	–	32,213	–	32,213
	<u>–</u>	<u>–</u>	<u>32,213</u>	<u>–</u>	<u>32,213</u>
Total fund balances	<u>425,222</u>	<u>101,587</u>	<u>32,213</u>	<u>–</u>	<u>2,965,059</u>
Total liabilities and fund balances	<u>\$ 425,222</u>	<u>\$ 101,587</u>	<u>\$ 32,213</u>	<u>\$ –</u>	<u>\$ 4,765,436</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, 2011

	Special Highway	Employee Benefits	Library	Special Building	Hotel and Tourism	Park Improve- ment	Emergency 911	Street Impact Fee	Municipal Golf Course
Revenues:									
Taxes	\$ -	\$ 1,333,785	\$ 390,810	\$ 1,695,431	\$ 97,294	\$ -	\$ 40,797	\$ -	\$ -
Intergovernmental	341,771	-	-	-	-	48,129	230,067	-	-
Licenses and permits	-	-	-	-	-	60,000	-	78,415	-
Charges for services	10	-	-	-	-	36,843	-	-	-
Use of money and property	369	1,088	1	662	294	678	125	824	7
Miscellaneous	653	-	-	-	-	-	500	-	-
Total revenues	<u>342,803</u>	<u>1,334,873</u>	<u>390,811</u>	<u>1,696,093</u>	<u>97,588</u>	<u>145,650</u>	<u>271,489</u>	<u>79,239</u>	<u>7</u>
Expenditures:									
General government	-	154,696	-	143,633	-	-	-	-	-
Public Safety	-	765,175	-	159,576	-	-	311,601	-	-
Highways and streets	334,861	94,655	-	-	-	-	-	35,500	-
Health and sanitation	-	112,767	-	-	-	-	-	-	-
Culture and recreation	-	104,207	397,300	719,546	-	7,275	-	-	-
Environmental protection	-	9,056	-	-	-	-	-	-	-
Economic development	-	-	-	-	63,327	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Total expenditures	<u>334,861</u>	<u>1,240,556</u>	<u>397,300</u>	<u>1,022,755</u>	<u>63,327</u>	<u>7,275</u>	<u>311,601</u>	<u>35,500</u>	<u>-</u>
Revenues over (under) expenditures	<u>7,942</u>	<u>94,317</u>	<u>(6,489)</u>	<u>673,338</u>	<u>34,261</u>	<u>138,375</u>	<u>(40,112)</u>	<u>43,739</u>	<u>7</u>
Other financing sources (uses):									
Proceeds from Andover Public Building	-	-	-	-	-	-	-	-	-
Commission Refunding Revenue Bonds	-	-	-	66,828	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(66,828)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,828</u>	<u>-</u>	<u>(66,828)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,942	94,317	(6,489)	740,166	34,261	71,547	(40,112)	43,739	7
Fund balances, beginning of year	<u>177,768</u>	<u>236,995</u>	<u>16,136</u>	<u>49,959</u>	<u>132,612</u>	<u>336,195</u>	<u>109,216</u>	<u>398,021</u>	<u>3,757</u>
Fund balances, end 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>

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, 2011

	Park Impact Fee	Storm Water Utility	Festivals	Andover Public Building Commission	Total Nonmajor Special Revenue Funds
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$3,558,117
Intergovernmental	-	-	-	-	619,967
Licenses and permits	62,100	-	-	-	200,515
Charges for services	-	100,631	-	-	137,484
Use of money and property	833	165	54	1,022,755	1,027,855
Miscellaneous	-	-	32,145	-	33,298
Total revenues	<u>62,933</u>	<u>100,796</u>	<u>32,199</u>	<u>1,022,755</u>	<u>5,577,236</u>
Expenditures:					
General government	-	-	-	141,430	439,759
Public safety	-	-	-	-	1,236,352
Highways and streets	-	79,876	-	-	544,892
Health and sanitation	-	-	-	-	112,767
Culture and recreation	101,861	-	26,786	-	1,356,975
Environmental protection	-	-	-	-	9,056
Economic development	-	-	-	-	63,327
Debt service	-	8,198	-	661,024	669,222
Total expenditures	<u>101,861</u>	<u>88,074</u>	<u>26,786</u>	<u>802,454</u>	<u>4,432,350</u>
Revenues over (under) expenditures	<u>(38,928)</u>	<u>12,722</u>	<u>5,413</u>	<u>220,301</u>	<u>1,144,886</u>
Other financing sources (uses):					
Proceeds from Andover Public Building Commission Refunding Revenue Bonds	-	-	-	4,936,000	4,936,000
Payment to Escrow Agent	-	-	-	(5,156,301)	(5,156,301)
Transfers in	-	-	-	-	66,828
Transfers out	-	-	-	-	(66,828)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(220,301)</u>	<u>(220,301)</u>
Net change in fund balances	(38,928)	12,722	5,413	-	924,585
Fund balances, beginning of year	<u>464,150</u>	<u>88,865</u>	<u>26,800</u>	<u>-</u>	<u>2,040,474</u>
Fund balances, end of year	<u>\$ 425,222</u>	<u>\$ 101,587</u>	<u>\$ 32,213</u>	<u>\$ -</u>	<u>\$ 2,965,059</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, 2011

	<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:				
Intergovernmental	\$ 356,084	\$ 356,084	\$ 341,771	\$ (14,313)
Charges for services	–	–	10	10
Use of money and property	200	200	369	169
Miscellaneous	<u>–</u>	<u>–</u>	<u>653</u>	<u>653</u>
Total revenues	<u>356,284</u>	<u>356,284</u>	<u>342,803</u>	<u>(13,481)</u>
Expenditures and other uses:				
Personal services	50,000	50,000	50,000	–
Contractual services	105,389	105,389	83,595	21,794
Commodities	<u>231,825</u>	<u>231,825</u>	<u>213,766</u>	<u>18,059</u>
Total expenditures and other uses	<u>387,214</u>	<u>387,214</u>	<u>347,361</u>	<u>39,853</u>
Revenues over expenditures and other uses	(30,930)	(30,930)	(4,558)	26,372
Fund balance, beginning of year	<u>216,571</u>	<u>216,571</u>	<u>177,768</u>	<u>(38,803)</u>
Fund balance, end of year	<u>\$ 185,641</u>	<u>\$ 185,641</u>	<u>\$ 173,210</u>	<u>\$ (12,431)</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,285,919	\$1,285,919	\$ 1,333,785	\$ 47,866
Use of money and property	<u>750</u>	<u>750</u>	<u>1,088</u>	<u>338</u>
Total revenues	1,286,669	1,286,669	1,334,873	48,204
Expenditures:				
Personal services	<u>1,415,985</u>	<u>1,415,985</u>	<u>1,240,556</u>	<u>175,429</u>
Revenues over (under) expenditures	(129,316)	(129,316)	94,317	223,633
Fund balance, beginning of year	<u>139,316</u>	<u>139,316</u>	<u>236,995</u>	<u>97,679</u>
Fund balance, end of year	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 331,312</u>	<u>\$ 321,312</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, 2011

	<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	\$ 373,767	\$ 373,767	\$ 390,810	\$ 17,043
Use of money and property	<u> –</u>	<u> –</u>	<u> 1</u>	<u> 1</u>
Total revenues	373,767	373,767	390,811	17,044
Expenditures and other uses:				
Appropriations to Library Board	<u>397,300</u>	<u>397,300</u>	<u>397,300</u>	<u> –</u>
Revenues over (under) expenditures and other uses	(23,533)	(23,533)	(6,489)	17,044
Fund balance, beginning of year	<u>23,533</u>	<u>23,533</u>	<u>16,136</u>	<u>(7,397)</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 9,647</u>	<u>\$ 9,647</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, 2011

	<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	\$548,538	\$1,691,422	\$1,695,431	\$ 4,009
Use of money and property	200	–	662	662
Proceeds from refunding				
bonds	–	4,936,000	–	(4,936,000)
Transfers in	<u>66,828</u>	<u>66,828</u>	<u>66,828</u>	<u>–</u>
Total revenues and other sources	615,566	6,694,250	1,762,921	(4,931,329)
Expenditures and other uses:				
Appropriation to Andover Public Building Commission	<u>661,064</u>	<u>5,992,364</u>	<u>1,022,755</u>	<u>4,969,609</u>
Revenues and other sources over expenditures and other uses	(45,498)	701,886	740,166	38,280
Fund balance, Beginning of year	<u>60,498</u>	<u>60,498</u>	<u>49,959</u>	<u>(10,539)</u>
Fund balance, end of year	<u>\$ 15,000</u>	<u>\$ 762,384</u>	<u>\$ 790,125</u>	<u>\$ 27,741</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, 2011

	<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	\$ 97,294	\$ 27,294
Use of money and property	<u> –</u>	<u> –</u>	<u> 294</u>	<u> 294</u>
Total revenues	70,000	70,000	97,588	27,588
Expenditures:				
Contractual services	<u>70,000</u>	<u>70,000</u>	<u>63,327</u>	<u>6,673</u>
Revenues over (under) expenditures	–	–	34,261	34,261
Fund balance, beginning of year	<u>78,143</u>	<u>78,143</u>	<u>132,612</u>	<u>54,469</u>
Fund balance, end of year	<u>\$ 78,143</u>	<u>\$ 78,143</u>	<u>\$166,873</u>	<u>\$ 88,730</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, 2011

	<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	\$ 24,227	\$ 24,227	\$ 48,129	\$ 23,902
Licenses, permits and fees	37,500	37,500	60,000	22,500
Use of money and property	32,979	32,978	678	(32,300)
Miscellaneous	<u>—</u>	<u>—</u>	<u>36,843</u>	<u>36,843</u>
Total revenues	<u>94,706</u>	<u>94,705</u>	<u>145,650</u>	<u>50,945</u>
Expenditures:				
Capital outlay	—	7,275	7,275	—
Debt Service	<u>66,828</u>	<u>66,828</u>	<u>66,828</u>	<u>—</u>
Total expenditures	<u>66,828</u>	<u>74,103</u>	<u>74,103</u>	<u>—</u>
Revenues over (under) expenditures	27,878	20,602	71,547	50,945
Fund balance, beginning of year	<u>292,709</u>	<u>292,709</u>	<u>336,195</u>	<u>43,486</u>
Fund balance, end of year	<u>\$ 320,587</u>	<u>\$ 313,311</u>	<u>\$ 407,742</u>	<u>\$ 94,431</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, 2011

	<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	\$ 46,050	\$ 46,050	\$ 42,236	\$ (3,814)
Intergovernmental	–	–	230,067	230,067
Use of money and property	100	100	125	25
Miscellaneous	–	–	500	500
Total revenues	<u>46,150</u>	<u>46,150</u>	<u>272,928</u>	<u>226,778</u>
Expenditures:				
Contractual services	46,640	46,640	43,167	3,473
Capital outlay	<u>4,000</u>	<u>4,000</u>	<u>212,894</u>	<u>(208,894)</u>
Total expenditures	50,640	50,640	256,061	(205,421)
Budget credit for federal/ state grants	<u>230,067</u>	<u>230,067</u>	–	<u>230,067</u>
Total expenditures for budgetary comparison *	<u>280,707</u>	<u>280,707</u>	<u>256,061</u>	<u>24,646</u>
Expenditures over revenues	(4,490)	(4,490)	16,867	21,357
Fund balance, beginning of year	<u>92,787</u>	<u>92,787</u>	<u>44,304</u>	<u>(48,483)</u>
Fund balance, end of year	<u>\$ 88,297</u>	<u>\$ 88,297</u>	<u>\$ 61,171</u>	<u>\$(27,126)</u>

* – Per K.S.A. 12-1663 federal and state grants may be expended without regard to budget limitations.

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, 2011

	<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:				
Impact fees	\$ 30,275	\$ 30,275	\$ 78,415	\$ 48,140
Use of money and property	<u>500</u>	<u>500</u>	<u>824</u>	<u>324</u>
Total revenues	30,775	30,775	79,239	48,464
Expenditures:				
Capital outlay	<u>50,000</u>	<u>147,000</u>	<u>147,000</u>	<u>—</u>
Revenues over (under) expenditures	(19,225)	(116,225)	(67,761)	48,464
Fund balance, beginning of year	<u>80,736</u>	<u>398,021</u>	<u>398,021</u>	<u>—</u>
Fund balance, end of year	<u>\$ 61,511</u>	<u>\$281,796</u>	<u>\$ 330,260</u>	<u>\$ 48,464</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 7	\$ 7
Expenditures:				
Commodities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	-	-	7	7
Fund balance, beginning of year	<u>3,749</u>	<u>3,749</u>	<u>3,757</u>	<u>8</u>
Fund balance, end of year	<u>\$ 3,749</u>	<u>\$ 3,749</u>	<u>\$ 3,764</u>	<u>\$ 15</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, 2011

	<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	\$ 62,100	\$ 41,850
Use of money and property	500	500	833	333
Miscellaneous	<u>—</u>	<u>—</u>	<u>883</u>	<u>883</u>
Total revenues	20,750	20,750	63,816	43,066
Expenditures:				
Capital outlay	<u>110,000</u>	<u>140,000</u>	<u>140,000</u>	<u>—</u>
Revenues over (under) expenditures	(89,250)	(119,250)	(76,184)	43,066
Fund balance, beginning of year	<u>152,784</u>	<u>237,919</u>	<u>327,169</u>	<u>89,250</u>
Fund balance, end of year	<u>\$ 63,534</u>	<u>\$ 118,669</u>	<u>\$ 250,985</u>	<u>\$ 132,316</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, 2011

	<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	\$ 90,000	\$ 90,000	\$ 101,046	\$ 11,046
Use of money and property	<u>51</u>	<u>51</u>	<u>165</u>	<u>114</u>
Total revenues	<u>90,051</u>	<u>90,051</u>	<u>101,211</u>	<u>11,160</u>
Expenditures:				
Personal services	70,686	70,686	68,336	2,350
Contractual services	6,150	6,150	4,220	1,930
Commodities	5,200	5,200	5,735	(535)
Capital outlay	8,000	8,000	1,585	6,415
Capital outlay	<u>—</u>	<u>—</u>	<u>8,198</u>	<u>(8,198)</u>
Total expenditures	<u>90,036</u>	<u>90,036</u>	<u>88,074</u>	<u>1,962</u>
Revenues over expenditures	15	15	13,137	13,122
Fund balance, beginning of year	<u>35,308</u>	<u>35,308</u>	<u>77,263</u>	<u>41,955</u>
Fund balance, end of year	<u>\$ 35,323</u>	<u>\$ 35,323</u>	<u>\$ 90,400</u>	<u>\$ 55,077</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 54	\$ 54
Miscellaneous	<u>40,000</u>	<u>40,000</u>	<u>32,145</u>	<u>(7,855)</u>
Total revenues and other sources	<u>40,000</u>	<u>40,000</u>	<u>32,199</u>	<u>(7,801)</u>
Expenditures:				
Contractual services	20,000	20,000	19,162	838
Commodities	<u>20,000</u>	<u>20,000</u>	<u>7,624</u>	<u>12,376</u>
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>26,786</u>	<u>13,214</u>
Revenues and other sources over expenditures	-	-	5,413	5,413
Fund balance, beginning of year	<u>24,353</u>	<u>24,353</u>	<u>26,800</u>	<u>2,447</u>
Fund balance, end of year	<u>\$ 24,353</u>	<u>\$ 24,353</u>	<u>\$ 32,213</u>	<u>\$ 7,860</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, 2011

	<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	\$ 150,969	\$ 157,234	\$ 159,621	\$ 2,387
Special assessments	3,786,899	3,786,899	3,694,870	(92,029)
Use of money and property	5,000	5,000	2,938	(2,062)
Bond proceeds	-	1,780,000	1,780,000	-
Transfers in	<u>295,751</u>	<u>295,751</u>	<u>378,935</u>	<u>83,184</u>
 Total revenues and other sources	 <u>4,238,619</u>	 <u>6,024,884</u>	 <u>6,016,364</u>	 <u>(8,520)</u>
Expenditures and other uses:				
Bond Principal	3,248,000	5,019,321	4,980,000	39,321
Bond interest and commission	1,137,433	1,144,469	1,142,980	1,489
Other debt Service	74,342	74,342	39,321	35,021
Refunding costs	-	53,000	52,079	921
Cash basis reserve	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
 Total expenditures and other uses	 <u>4,709,775</u>	 <u>6,541,132</u>	 <u>6,214,380</u>	 <u>326,752</u>
 Revenues and other sources over (under) expenditures and other uses	 (471,156)	 (516,248)	 (198,016)	 318,232
Fund balance, beginning of year	<u>536,156</u>	<u>536,156</u>	<u>1,029,435</u>	<u>493,279</u>
 Fund balance, end of year	 <u>\$ 65,000</u>	 <u>\$ 19,908</u>	 <u>\$ 831,419</u>	 <u>\$ 811,511</u>

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

December 31, 2011

	<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	\$ <u>80,918</u>	\$ <u>311,068</u>	\$ <u>441,508</u>	\$ <u>833,494</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ <u>1,729</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>1,729</u>
Fund balances:				
Committed:				
Street improvements	79,189	311,068	—	390,257
Assigned:				
Capital outlay	<u>—</u>	<u>—</u>	<u>441,508</u>	<u>441,508</u>
Total fund balances	<u>79,189</u>	<u>311,068</u>	<u>441,508</u>	<u>831,765</u>
Total liabilities and fund balances	<u>\$ 80,918</u>	<u>\$ 311,068</u>	<u>\$ 441,508</u>	<u>\$ 833,494</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, 2011

	<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:				
Use of money and property	\$ 156	\$ 504	\$ 1,080	\$ 1,740
Expenditures:				
Capital outlay	<u>6,500</u>	<u>—</u>	<u>242,476</u>	<u>248,976</u>
Revenues over (under) expenditures	(6,344)	504	(241,396)	(247,236)
Other financing sources (uses):				
Transfers in	<u>—</u>	<u>45,000</u>	<u>43,600</u>	<u>88,600</u>
Net change in fund balances	(6,344)	45,504	(197,796)	(158,636)
Fund balances, beginning of year	<u>85,533</u>	<u>265,564</u>	<u>639,304</u>	<u>990,401</u>
Fund balances, end of year	<u>\$ 79,189</u>	<u>\$ 311,068</u>	<u>\$ 441,508</u>	<u>\$ 831,765</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, 2011

	<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	\$ 129,871	\$ 29,871
Use of money and property	<u>250</u>	<u>250</u>	<u>181</u>	<u>(69)</u>
Total revenues	<u>100,250</u>	<u>100,250</u>	<u>130,052</u>	<u>29,802</u>
Expenditures, encumbrances and other uses:				
Personal services	22,731	22,731	21,226	1,505
Contractual services	-	-	3,794	(3,794)
Capital Outlay	93,008	93,008	48,027	44,981
Transfers out	<u>28,598</u>	<u>28,598</u>	<u>28,598</u>	<u>-</u>
Total expenditures, encumbrances and other uses	<u>144,337</u>	<u>144,337</u>	<u>101,645</u>	<u>42,692</u>
Revenues over (under) expenditures, encumbrances and other uses	(44,087)	(44,087)	28,407	72,494
Fund balance, beginning of year	<u>51,681</u>	<u>51,681</u>	<u>73,003</u>	<u>21,322</u>
Fund balance, end of year	<u>\$ 7,594</u>	<u>\$ 7,594</u>	<u>\$ 101,410</u>	<u>\$ 93,816</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, 2011

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$1,011,625	\$1,011,625	\$1,216,409	\$ 204,784
Use of money and property	9,854	9,854	7,591	(2,263)
Miscellaneous	–	–	51,643	51,643
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>–</u>
Total revenues	<u>1,121,479</u>	<u>1,121,479</u>	<u>1,375,643</u>	<u>254,164</u>
Expenditures, encumbrances and other uses:				
Personal services	417,456	417,456	348,557	68,899
Contractual services	306,920	306,920	277,519	29,401
Commodities	81,300	81,300	62,668	18,632
Capital outlay	29,000	29,000	29,625	(625)
Debt service	413,769	413,769	–	413,769
Transfers out	<u>10,000</u>	<u>10,000</u>	<u>423,769</u>	<u>(413,769)</u>
Total expenditures, encumbrances and other uses	<u>1,258,445</u>	<u>1,258,445</u>	<u>1,142,138</u>	<u>116,307</u>
Revenues over (under) expenditures, encumbrances and other uses	(136,966)	(136,966)	233,505	370,471
Fund balance, beginning of year	<u>318,648</u>	<u>318,648</u>	<u>669,315</u>	<u>350,667</u>
Fund balance, end of year	<u>\$ 181,682</u>	<u>\$ 181,682</u>	<u>\$ 902,820</u>	<u>\$ 721,138</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, 2011

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 23,400	\$ 445,300	\$ 395,705	\$ (49,595)
Use of money and property	<u>—</u>	<u>—</u>	<u>17</u>	<u>17</u>
Total revenues	<u>23,400</u>	<u>445,300</u>	<u>395,722</u>	<u>(49,578)</u>
Expenditures, encumbrances and other uses:				
Personal services	33,745	33,745	27,887	5,858
Contractual services	3,100	425,000	373,562	51,438
Commodities	<u>1,250</u>	<u>1,250</u>	<u>940</u>	<u>310</u>
Total expenditures, encumbrances and other uses	<u>38,095</u>	<u>459,995</u>	<u>402,389</u>	<u>57,606</u>
Revenues over (under) expenditures, encumbrances and other uses	(14,695)	(14,695)	(6,667)	8,028
Fund balance, beginning of year	<u>15,196</u>	<u>15,196</u>	<u>15,817</u>	<u>621</u>
Fund balance, end of year	<u>\$ 501</u>	<u>\$ 501</u>	<u>\$ 9,150</u>	<u>\$ 8,649</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, 2011

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2011</u>
<u>PAYROLL AGENCY FUND</u>				
<u>ASSETS</u>				
Cash and short-term investments	\$ <u>1,373</u>	\$ <u>1,042,007</u>	\$ <u>1,041,679</u>	\$ <u>1,701</u>
<u>LIABILITIES</u>				
Accrued liabilities	\$ <u>1,373</u>	\$ <u>1,042,007</u>	\$ <u>1,041,679</u>	\$ <u>1,701</u>
<u>MUNICIPAL COURT BOND DEPOSIT FUND</u>				
<u>ASSETS</u>				
Cash and short-term investments	\$ <u>3,318</u>	\$ <u>3,675</u>	\$ <u>2,870</u>	\$ <u>4,123</u>
<u>LIABILITIES</u>				
Appearance bonds payable	\$ <u>3,318</u>	\$ <u>3,675</u>	\$ <u>2,870</u>	\$ <u>4,123</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and short-term investments	\$ <u>4,691</u>	\$ <u>1,045,682</u>	\$ <u>1,044,549</u>	\$ <u>5,824</u>
<u>LIABILITIES</u>				
Accrued liabilities	\$ <u>1,373</u>	\$ <u>1,042,007</u>	\$ <u>1,041,679</u>	\$ <u>1,701</u>
Appearance bonds payable	<u>3,318</u>	<u>3,675</u>	<u>2,870</u>	<u>4,123</u>
	\$ <u>4,691</u>	\$ <u>1,045,682</u>	\$ <u>1,044,549</u>	\$ <u>5,824</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 funds are 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, 2011

ASSETS

Cash and investments	\$ 272,687
Unconditional promises to give	<u>2,282</u>
	<u>\$ 274,969</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ <u>772</u>
Fund balance:	
Committed:	
Capital improvements	124,820
Unassigned	<u>149,377</u>
Total fund balance	<u>274,197</u>
Total liabilities and fund balance	<u>\$ 274,969</u>

Reconciliation to total net assets:	
Total fund balance per above	\$ 274,197
Add long-term capital assets	304,864
Less accumulated depreciation on long-term capital assets	<u>(196,035)</u>
Total net assets	<u>\$ 383,026</u>

CITY OF ANDOVER, KANSAS

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

Year ended December 31, 2011

Revenues:	
Appropriation from City of Andover	\$ 397,300
South Central Kansas Library System grants	27,170
Other grants	9,114
Interest earnings	1,761
Fines and fees	39,566
Memorial donations	3,073
Capital campaign donations (net of uncollectible allowance of \$3,800)	2,317
Other charges	<u>33,113</u>
 Total revenues	 <u>513,414</u>
 Expenditures:	
Salaries, wages and payroll taxes	266,805
Purchase of books, periodicals and other media	52,729
Advertising and capital campaign consulting fees	1,211
Postage, supplies and equipment maintenance	17,689
Capital equipment outlays	21,869
Telephone and utilities	24,116
Building maintenance and supplies	37,489
Special programs	645
Workshops and training	538
Miscellaneous	<u>10,933</u>
 Total expenditures	 <u>434,024</u>
 Net change in fund balance	 79,390
Fund balance, beginning of year	<u>194,807</u>
 Fund balance, end of year	 <u>\$ 274,197</u>
 Reconciliation of change in net assets:	
Net change in fund balance per above	\$ 79,390
Add assets capitalized	4,771
Less current year depreciation on capital assets	(35,085)
Less loss on disposal of capital assets	<u>(325)</u>
 Change in net assets	 <u>\$ 48,751</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.	117

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 Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities								
Invested in capital assests, net of related debt	\$ (10,903,958)	\$ (6,077,010)	\$ (6,921,351)	\$ (2,687,674)	\$ 3,812,742	\$ 3,723,622	\$ 907,527	\$ 3,069,080
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
Unrestricted	3,289,491	1,146,976	4,610,314	2,675,538	(3,324,809)	114,925	4,233,375	1,476,823
Total governmental activites net assets	<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>
Business-type activites								
Invested in capital assests, net of related debt	\$ 12,227,433	\$ 12,120,142	\$ 14,002,291	\$ 15,635,034	\$ 18,208,045	\$ 18,150,921	\$ 19,924,848	\$ 21,678,530
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
Unrestricted	915,612	1,116,453	1,150,093	975,141	1,080,787	1,013,248	441,443	726,966
Total business-type activites net assets	<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>
Primary government								
Invested in capital assests, net of related debt	\$ 1,323,475	\$ 6,043,132	\$ 7,080,940	\$ 12,947,360	\$ 22,020,787	\$ 21,874,543	\$ 20,832,375	\$ 24,747,610
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
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
Total primary government net assets	<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>

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

City of Andover
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities:								
General government	\$ 918,415	\$ 940,130	\$ 887,123	\$ 974,533	\$ 1,050,874	\$ 1,064,690	\$ 809,915	\$ 1,373,335
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
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
Health and sanitation	1,460,875	51,387	57,323	219,337	83,213	96,071	107,215	170,363
Culture and recreation	706,202	825,855	786,112	899,687	985,226	1,015,734	1,210,123	1,996,474
Economic development	10,309	6,938	67,903	20,632	69,185	67,333	23,974	44,995
Environment protection	8,433	10,431	11,673	13,412	13,077	9,995	10,601	13,729
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
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
Business type activities:								
Water	112,209	116,412	253,712	266,156	168,405	191,202	197,173	208,667
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
Recycle/Trash Utility	-	-	-	-	-	-	234,422	411,880
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
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
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
Public Safety	179,969	222,096	238,127	220,553	265,563	281,886	236,339	424,870
Highway and streets	184,955	69,875	193,922	225,653	189,213	145,137	151,010	179,709
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
Operating grants and contributions	410,497	311,280	334,967	391,271	323,982	344,869	330,462	341,771
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
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
Business-type activities:								
Charges for services:								
Water	92,234	104,630	124,576	105,404	108,528	112,236	113,690	128,631
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
Recycle/Trash Utility	-	-	-	-	-	-	254,149	405,133
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
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
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
Business-type activities	545,246	392,131	34,524	13,083	63,953	(106,802)	(118,426)	228,696
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

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

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets								
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
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
Franchise taxes	431,334	490,710	514,361	583,179	633,556	615,928	683,013	667,299
Other Taxes	8,433	6,938	2,903	22,394	92,085	130,221	76,391	97,294
Investment earnings	68,553	207,202	381,260	486,754	254,423	31,811	26,563	30,944
Transfers	110,235	210,491	(1,812,410)	(1,747,546)	(2,581,635)	66,346	(1,358,163)	(882,821)
Total governmental activities	4,338,496	4,915,553	3,672,327	5,418,554	4,169,308	6,956,669	5,921,949	8,475,867
Business-type activities								
Investment earnings	35,002	92,256	162,215	209,014	116,061	35,952	14,064	12,377
Transfers	(110,235)	(210,491)	1,812,410	1,747,546	2,581,635	(66,346)	1,358,163	882,821
Total business-type activities	(75,233)	(118,235)	1,974,625	1,956,560	2,697,696	(30,394)	1,372,227	895,198
Total primary government	\$ 4,263,263	\$ 4,797,318	\$ 5,646,952	\$ 7,375,114	\$ 6,867,004	\$ 6,926,275	\$ 7,294,176	\$ 9,371,065
Change in Net Assets								
Governmental activities	\$ (885,575)	\$ 3,362,903	\$ 4,101,259	\$ 4,975,251	\$ 6,131,394	\$ 871,071	\$ 2,571,763	\$ 9,061,358
Business-type activities	470,013	273,896	2,009,149	1,969,643	2,761,649	(137,196)	1,253,801	1,123,894
Total primary government	\$ (415,562)	\$ 3,636,799	\$ 6,110,408	\$ 6,944,894	\$ 8,893,043	\$ 733,875	\$ 3,825,564	\$ 10,185,252

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

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

Function/Program	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:								
General government	\$ 337,610	\$ 256,015	\$ 210,065	\$ 365,466	\$ 264,497	\$ 182,883	\$ 400,513	\$ 734,966
Public Safety	459,453	552,394	633,326	583,581	656,880	604,940	271,508	684,937
Highways and streets	348,353	69,875	788,364	352,901	896,049	810,966	1,308,709	1,207,207
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
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
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>
Business-type activities								
Water	300,634	298,180	124,576	105,404	108,528	112,236	113,690	128,631
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
Recycling/Trash Utility	---	---	---	---	---	---	254,149	405,133
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>
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>

City of Andover
Tax Revenues by Source, Governmental Funds
Last Eight 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
Change					
2004-2011	148.5%	83.2%	54.7%	1053.7%	124.2%

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 33,438	\$ 41,412	\$ 30,832	\$ 19,364	\$ 27,383	\$ 166,847	\$ 167,325	\$ 90,130	\$ 78,039	\$ -
Unreserved	606,044	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
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	1,167,321
Total General Fund	<u>\$ 639,482</u>	<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>
All Other Governmental Funds										
Reserved	\$ 2,358,602	\$ 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	2,354,040	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	(6,011,547)	(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	794,015	866,006	1,044,210	885,845	855,836	1,026,816	943,582	656,850	1,029,435	-
Restricted										4,683,970
Committed	-	-	-	-	-	-	-	-	-	1,362,590
Assigned	-	-	-	-	-	-	-	-	-	473,721
Unassigned, Reported In:										
Capital projects funds	-	-	-	-	-	-	-	-	-	(5,182,631)
Total all other governmental funds	<u>\$ (504,890)</u>	<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>

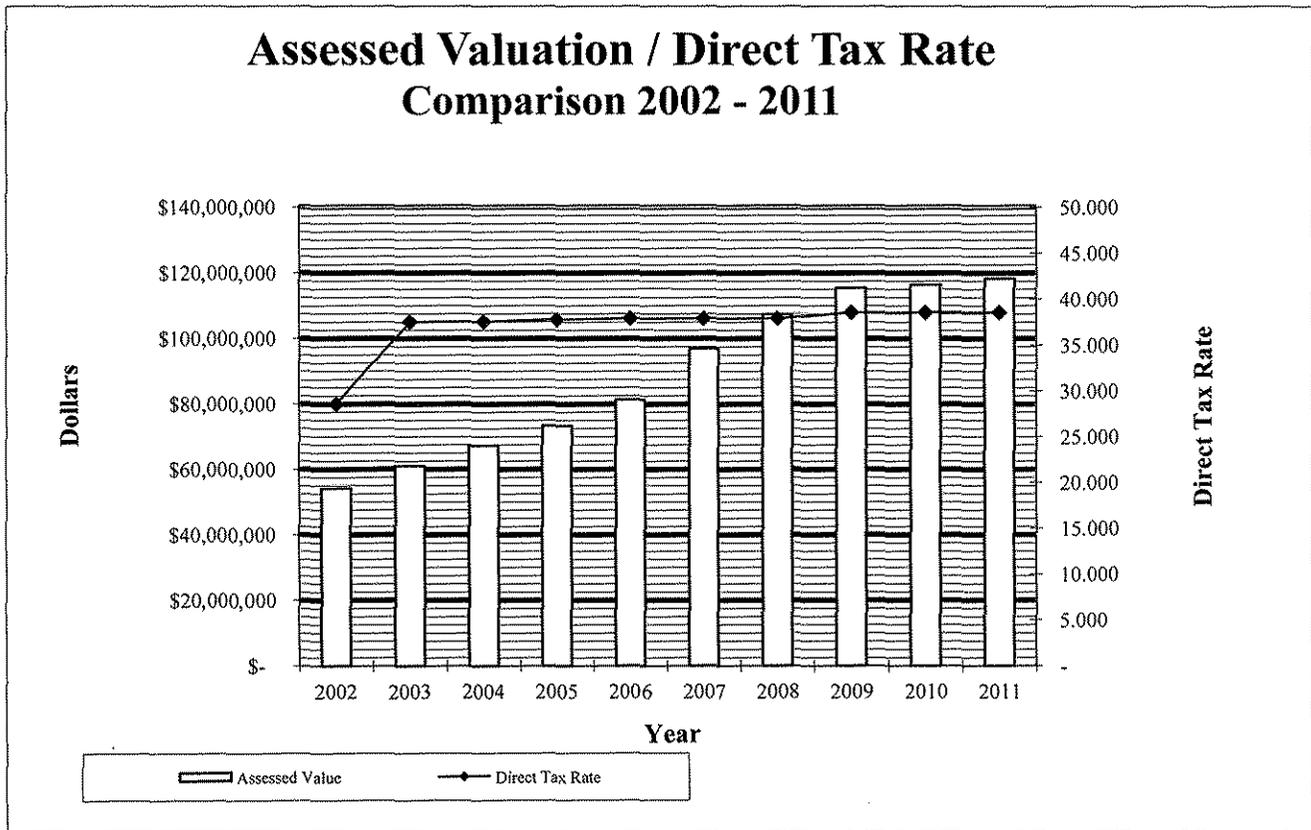
Fund balance classifications starting in 2011 are due to the implementation of Governmental Accounting Standards Board Statement No. 54.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 2,791,543	\$ 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
Licenses and permits	565,782	515,599	674,506	569,759	558,202	1,288,837	1,208,174	1,003,377	1,069,365	1,089,780
Fines, forfeiture and other	133,206	129,930	139,900	172,771	169,395	174,673	213,502	230,394	195,043	217,806
Charges for service	2,367	2,778	6,205	5,638	82,666	85,376	93,670	96,376	335,330	561,423
Special assessments	1,883,673	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
Intergovernmental	760,842	592,310	594,588	359,118	1,009,865	587,955	703,639	956,999	708,740	1,165,934
Investment earnings	65,782	66,413	68,553	207,202	381,017	557,092	254,423	50,859	62,497	1,053,699
Other revenues	53,996	90,736	69,840	15,839	3,545	6,450	212,147	95,786	54,633	45,788
Total revenues	6,257,191	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
Expenditures										
General government	962,676	1,261,007	836,521	769,114	885,654	968,001	1,059,531	798,555	786,501	1,170,046
Public Safety	857,692	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
Highways and streets	674,114	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
Health and sanitation	---	---	48,903	51,387	65,248	82,805	82,196	96,071	106,043	112,767
Culture and recreation	385,021	385,305	592,023	809,552	697,807	753,049	913,568	1,165,620	1,030,539	1,879,487
Environmental protection	37,348	7,530	10,309	10,431	11,673	12,753	13,077	9,995	10,601	13,729
Economic development	---	---	8,433	6,938	2,903	20,632	69,185	67,333	22,178	63,327
Capital improvements	3,119,302	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
Debt Service										
Interest	1,218,465	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
Principal	1,320,789	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
Total expenditures	8,575,407	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
Excess of revenues over (under) expenditures	(2,318,216)	(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)
Other financing sources (uses)										
Issuance of general obligation bonds	2,830,900	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
Issuance of general obligation refunding bonds	---	---	2,548,000	---	---	---	---	---	---	1,780,000
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	40,194	260,359	50,490	27,123	---	---	129,998	62,999	---	---
Payment to escrow agent	---	---	(2,209,443)	---	---	---	---	(11,373,554)	---	(5,156,301)
Transfers in	614,341	841,922	652,159	1,081,688	1,417,277	1,326,929	1,435,137	736,842	2,060,490	534,363
Transfers out	(760,444)	(880,150)	(541,924)	(871,197)	(987,159)	(1,212,745)	(1,174,379)	(670,496)	(1,640,320)	(459,118)
Total other financing sources (uses)	2,724,991	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
Net change in fund balances	\$ 406,775	\$ 1,028,494	\$ (255,370)	\$ (4,772,573)	\$ 801,402	\$ 1,783,491	\$ (198,908)	\$ (3,681,676)	\$ 4,589,452	\$ 3,803,048
Debt service as a percentage of non capital expenditures	46.5%	39.4%	36.0%	53.6%	37.9%	38.5%	42.8%	44.5%	38.6%	45.0%

**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
2002	\$ 47,097,945	\$ 7,080,473	\$ 54,178,418	\$28.579	\$ 433,148,924	12.51%
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%



Beginning in 2003 the direct tax rate includes the fire department which previously had been a county function

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 County Junior College	State of Kansas	* Fire District #1
2002	16.613	0.472	0.525	3.008	7.961	28.579	66.057	35.701	16.088	1.500	8.069
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	

* Beginning in 2003 Fire District levy is included in the City levy

Source: Butler County Clerk

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

<u>Taxpayer</u>	<u>2011</u>			<u>2002</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	2.913 %	\$ ---		--- %
Dillons Companies Inc.	1,832,450	2	1.548	1,130,080	2	2.086
Flint Hills National Golf Club	1,485,350	3	1.255	---		---
Kansas Gas & Electric	1,388,727	5	1.173	684,934	6	1.264
Vornado Air LLC	1,354,105	4	1.144	740,029 *	3	1.366
Terradyne Country Club LLC	906,890	7	0.766	715,912	5	1.321
Southwestern Bell Telephone	785,509	6	0.664	1,539,583	1	2.842
Kansas Gas Service	723,504	8	0.611	---		---
Sherwin Williams Co	681,543	9	0.576	730,071	4	1.348
Vantage Andover, LLC	662,464	10	0.560	---		---
Andover State Bank	---		---	501,654	7	0.926
Andover LLC	---		---	498,901	8	0.990
Vanessa Properties	---		---	433,776	9	0.801
Nationwide Health	---		---	412,031 *	10	0.761

* 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
2002	\$ 1,441,505	\$ 1,330,826	92.32%	\$ 100,585	\$ 1,431,411	99.30%
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	4,562,784	4,222,997	92.55%	-	4,222,997	92.55%

* 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				
	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	Percentage of Personal Income *	Per Capita
2002	\$21,938,900	\$ 755,000	\$ -	\$ -	\$ 2,695,000	\$ 40,077	\$ 3,485,000	\$ -	\$ 28,913,977	-	\$ 4,022
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	0.13728837	4,560
2011	36,642,000	7,355,000	-	40,000	3,833,000	290,442	1,735,000	-	49,895,442	-	4,232

* Personal income numbers, only calculated in census years.

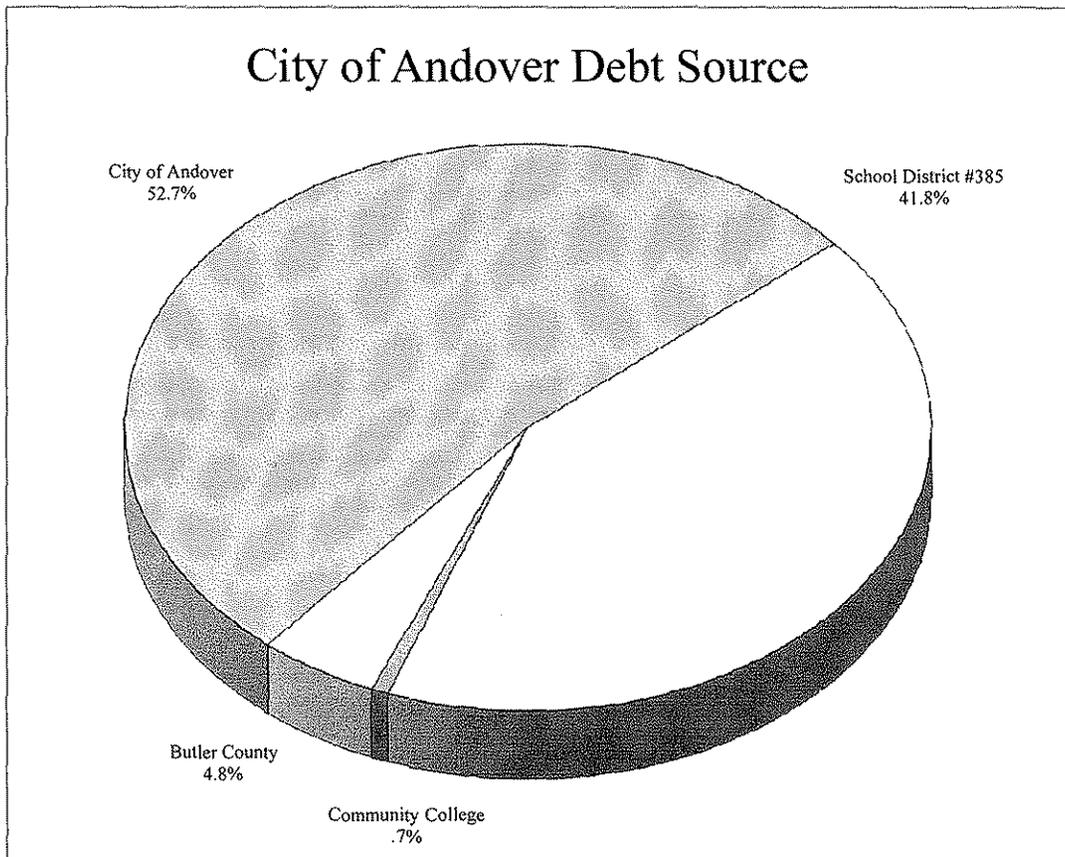
City of Andover
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

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				
2002	\$ 21,938,900	\$ 2,695,000	\$ 24,633,900	\$ 794,015	\$ 23,839,885	45.47	\$ 3,316
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	27.45	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	3,362

**CITY OF ANDOVER
COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

December 31, 2011

<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	\$ 87,475,000	43.429% *	\$ 37,989,518
Butler Community College	3,200,000	19.345% **	619,040
Butler County	22,630,000	19.345% **	<u>4,377,774</u>
Subtotal overlapping debt			42,986,332
City direct debt	47,830,000		<u>47,830,000</u>
Total Direct and overlapping debt			<u>\$ 90,816,332</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 18,997,630	\$ 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
Total net debt applicable to limit	<u>7,207,188</u>	<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>
Legal debt margin	\$ 11,790,442	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	37.94%	35.92%	31.53%	30.70%	33.43%	26.40%	21.79%	25.44%	31.39%	33.91%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value	\$ 132,711,195 *
Debt limit (30% of assessed value)	39,813,359
Debt applicable to limit:	
General Obligation Bonds	36,642,000
Temporary Notes	3,833,000
Less: Amount exempted by state statute	<u>(26,973,304) **</u>
Total net debt applicable to limit	<u>13,501,696</u>
Legal debt margin	\$ 26,311,663

* Includes motor vehicles assessed value

** Exempted Debt

K.S.A. 12-624 - Sewer Mains	\$ 1,446,239
K.S.A. 10-309 - Wastewater & Water	10,840,931
K.S.A. 10-309 - Stormwater	14,279,491
K.S.A. 10-309 - Intersections	406,643
Total 2011 exempted debt	<u>\$ 26,973,304</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>	
2002	\$ 998,701	\$462,692	\$ 536,009	\$ 70,000	\$189,685	\$259,685	2.06
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

* 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	11,791					5,077	6.60%	

* 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>2011</u>		<u>2002</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
USD 385	450	1	375	1
Kansas Medical Center	183	2		
Sherwin-Williams Co.	141	3	152	2
Life Care Center of Andover	132	4	148	3
Victoria Falls	138	9		
Dillons Real Estate Co. Inc	125	5	128	4
Butler Community College	124	10		
City of Andover	90	6	45	9
Vornado	66	7	126	5
International Cold Storage	41	8	82	7
Andover LLC			108	6
Kansas Golf Ventures			41	10
R-Con Corporation			75	8
Total	1,490		1,280	

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, 2011

<u>Trustee</u>	<u>Bonds</u>	<u>Outstanding</u>
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series 2008	\$ 6,053,345
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series A 2009	\$ 5,363,527
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series A 2009	\$ 1,400,000
Commerce Bank Kansas City, Missouri	YMCA Series 2007	\$ 5,750,000
Equity Bank Andover, Kansas	Hotel at the River, LLC Series 2007	\$ 4,164,147
Great Southern Bank Ottawa, Kansas	KMC Equipment, LLC Series A 2011	\$ 1,604,089
UMB Bank N.A. Wichita, Kansas	Vornado Air, LLC Series B 2011	\$ 1,000,000
		<u>\$ 25,335,108</u>

CITY OF ANDOVER
SCHEDULE OF INDUSTRIAL REVENUE BONDS
December 31, 2011
(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 01/01/11</i>	<i>Additions</i>	<i>Retirements</i>	<i>Outstanding 12/31/11</i>
Andover Senior Care, L.L.C.	9/11/08	*	2008	38,719	\$ 6,183,503	\$ -	\$ 130,158	\$ 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	9/1/09	*	2011	86,473	\$ 5,450,000	\$ -	\$ 86,473	\$ 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	9/1/09	9.00%	2019	1,400,000	\$ 1,400,000	\$ -	\$ -	\$ 1,400,000
YMCA	11/13/07	4.11%	2008	2,875,000	\$ 11,500,000	\$ -	\$ 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	12/20/07	7.64%	2008	79,798	\$ 4,289,944	\$ -	\$ 125,797	\$ 4,164,147
		7.64%	2009	107,804				
		7.64%	2010	116,454				
		7.64%	2011	125,797				
		7.64%	2012	134,960				
		7.64%	2013	146,719				
		7.64%	2014	158,490				
		7.64%	2015	171,207				
		7.64%	2016	184,152				
		7.64%	2017	199,719				
		7.64%	2018	3,164,901				
KMC Equipment, LLC	4/19/11	7.00%	2011	233,411	\$ -	\$ 1,837,500	\$ 233,411	\$ 1,604,089
		7.00%	2012	430,584				
		7.00%	2013	461,711				
		7.00%	2014	495,088				
		7.00%	2015	216,705				
Vornado Air, LLC	11/17/11	4.00%	2012	81,373	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
		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				
Total Industrial Revenue Bonds				<u>\$ 43,737,500</u>	<u>\$ 28,823,447</u>	<u>\$ 2,837,500</u>	<u>\$ 6,325,839</u>	<u>\$ 25,335,108</u>

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of December 31</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government	10	10	10	10	11	11	11	11	11	12
Public safety										
Police	14	13	17	15	17	17	20	21	21	22
Fire *	-	11	12	13	13	13	14	14	14	14
Fire Reservist *	-	13	12	11	12	15	13	12	11	12
Civilians	5	5	6	6	5	6	6	7	7	8
Streets and highways	6	6	6	6	7	7	7	7	7	7
Culture and recreation	5	5	5	6	6	6	6	6	7	9
Stormwater **	-	-	-	-	1	1	1	1	1	1
Wastewater	5	5	5	5	5	5	5	5	5	5
Total	45	68	73	72	77	81	83	84	84	90

* Prior to 2003 the fire personnel were employed by the county.

** 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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police										
Arrests	366	291	229	241	217	395	519	421	350	405
Accidents	264	213	239	283	267	269	309	333	354	352
Citations (including parking)	2,128	2,360	2,256	2,756	2,056	1,713	2,237	2,702	2,737	3,650
Calls for service	5,533	5,108	4,997	4,711	10,858	14,863	15,488	15,021	15,723	18,050
Fire										
Structure fires	23	25	11	25	26	21	70	11	22	28
Other fires	100	43	42	86	83	47	43	74	53	80
Medical calls	404	333	231	394	405	775	862	819	801	926
Other calls	239	161	105	405	321	282	377	327	366	380
Inspections	-	175	234	125	137	176	250	362	410	430
Training hours	-	-	-	4,767	3,907	3,428	2,886	3,652	4,098	2,895
Streets and highways										
Streets sealed (square yards)	60,805	87,992	90,633	73,905	104,956	64,588	110,313	122,141	89,074	88,824
Water										
Public water service connections	2,769	2,897	3,279	3,495	3,597	3,731	3,950	4,023	4,051	4,073
GPD average consumption	898,112	726,162	891,627	781,420	842,351	1,066,129	1,046,750	1,053,828	1,062,240	1,069,532
Wastewater										
Service Connections	3,743	3,863	3,991	4,156	4,521	4,690	4,829	4,879	4,988	5,010
Average Daily Flow (thousands of gallons)	720	770	840	840	816	937	921	882	772	698

Source: Various City of Andover departments

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

<u>Function/Program</u>	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles		11	13	14	15	18	18	17	18	18
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Nonstaffed substations	-	-	-	2	2	2	2	2	2	2
Streets and highways										
Miles of paved streets	43	45	46	49	52	54	55	58	61	61
Miles of unpaved streets	12	12	12	12	12	12	12	14	13	13
Traffic Signals	5	5	5	5	5	5	6	6	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	2	1	1	1	2
Playground areas	2	2	3	3	3	3	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	2
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
Picnic Shelters						2	2	2	2	2
Handicap accessible paved walking path							1	1	1	1
Conference Cabin	1	1	1	1	1	1	1	1	1	1
Scout Lodge							1	1	1	1
Lodge	1	1	1	1	1	1	1	1	1	1
Gazebo				1	1	1	1	1	1	1
Community 5 acre park										
Playground areas									1	1
Picnic Shelters									1	1
Water										
Fire hydrants	374	395	458	502	527	543	549	578	587	596
Miles of water lines	49	53	56	60	64	66	67	70	71	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	62	64	65	80	82	83	84	88	90	90

* 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, 2011

Direct Expense Items:

Health/Dental Insurance		\$ 731,292
Social Security		253,898
Worker's Compensation		71,338
Unemployment Insurance		22,275
Retirement		368,379
New Hire Physicals		<u>3,534</u>
		<u>\$ 1,450,716</u>

Indirect Expense Items (time off with pay):

Vacation	7,277 Hours	\$ 154,993
Sick Leave	2,403 Hours	40,854
Holiday	<u>5,496 Hours</u>	<u>105,171</u>
	<u>15,176 Hours</u>	<u>\$ 301,018</u>

Total Payroll		\$ 3,374,609
Total Hours Worked		159,356
Total Hours Paid		176,835
Cost of Direct Expense Items		\$ 1,450,716
Cost of Indirect Expense Items		<u>301,018</u>
Total Cost of Fringe Benefits		<u>\$ 1,751,734</u>
Cost Per Hour Worked		\$ 10.99
Cost as Percent of Payroll		51.91%

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

	<u>Vacation</u>	<u>Sick Leave</u>
Balance 1/1/11	9,161	22,290
Value of Accumulated Days	\$ 187,012	\$ 474,429
Hours Accumulated During Year	6,749	7,096
Hours Used During Year	7,277	2,403
Hours Lost Due to Termination		1,301
Paid Hours Over 480 Hours		713
Lost Hours Over 480 Hours		999
Hours Balance 12/31/11	8,633	23,970
Value of Accumulated Days 12/31/11	\$ 172,427	\$ 509,522

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

- One week of vacation upon their first anniversary date;
- Two weeks upon their second anniversary date;
- Two weeks and two days upon their sixth anniversary date;
- Three weeks upon their eleventh anniversary date;
- Four weeks upon their sixteenth anniversary date;
- Four weeks and 2 days upon their twenty-first anniversary date; and
- Five weeks upon their twenty-sixth anniversary date of employment or rehire.

Accumulation of vacation cannot exceed 150% of 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