

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2017



THE CITY OF
ANDOVER, KS

EST. 1957

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF ANDOVER, KANSAS

FOR THE YEAR ENDED DECEMBER 31, 2017

Ben Lawrence, Mayor
Kris Estes, Council Member
Sheri Geisler, Council Member
Caroline Hale, Council Member
Clark Nelson, Council Member
Gregory Schneider, Council Member
Troy Tabor, Council Member

PREPARED BY CHIEF FINANCIAL OFFICER
DONNA K. DAVIS

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INTRODUCTORY SECTION

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June 28, 2018

To the Citizens of ANDOVER

The Comprehensive Annual Financial Report of the City of Andover, Kansas for the fiscal year ended December 31, 2017 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 special revenue and capital project funds 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 13,111 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

An increase in housing starts over the last few years in the City of Andover continued into 2017. In addition, there is more commercial construction beginning to take place. For the previous ten-year period a yearly average of 83 new residential building permits were issued. During 2017 there were a total of 95 new residential building permits of which 11 were multi-family. In addition, there were 6 new and 5 remodel commercial permits with a value a \$9.9 million. Also, in 2017 the school district started renovations/additions on 4 elementary schools. Families are moving to the smaller communities around the Wichita area for the quiet lifestyle and quality schools.

The Wichita based aircraft industries' overall economic condition has held steady 2017. 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 3.4% for the State (the lowest rate in 18 years) and 3.2% for Butler County, which is a decrease of .8% from 2016.

The City assisted in the development of the Andover Business Park where three of our major employers, 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. This park has the necessary infrastructure to provide access, water, sewer and fiber optic service for new companies wishing to locate in Andover. The number of small retail and service jobs increased slightly in 2017.

Based on current projections and activities, the City of Andover anticipates moderate 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

The City of Andover has continued making improvements to its grounds and buildings throughout town in 2017. The Central Park running trail was extended to over 1 mile in length. The Capitol Federal Amphitheater® was substantially finished along with accompanying landscaping, semi-permanent event fencing, and Lodge Patio. The special event vendor parking lot in Central Park received new electric and water hookups for food trucks and other applications. The City Hall parking lot lighting was converted to LED fixtures for an energy efficiency improvement. The Fire Station and Library received interior hall painting and some floor resurfacing. The Parks Department also made several CIP purchases including three new ZTR mowers to restock the Parks fleet, and new work pickup to replace a liquidated Ranger pickup. The playground structure projects at two mini parks began and phase one was finished near the end of 2017. Several community buildings saw significant repairs including roof repairs to the Lodge, roof repairs to Andover Community Center building, and new LED lighting conversion in the gymnasium space of the Community Center. 13th Street Sports Park benefitted from several projects including significant crack repair to the north parking lot, as well as new foul poles and scoreboards installed on all four ball diamonds. In 2017 Central Park was host to several events including; Concert in the Park, Police and Fire Festival, Greater Andover Days and Hometown Christmas, which saw an increase in holiday lighting on display.

Street Department

In 2017, the brine production building located at the Street Department Shop was remodeled. Salt brine is used for winter ice control. Rectangular Rapid Flashing Beacons (RRFB) were installed on East Central Avenue for a new crosswalk located in front of Central High School. The RRFBs are pedestrian activated, high-intensity warning lights that notify drivers when a pedestrian is entering the crosswalk. Annual milling and overlay projects were made in both Green Valley Addition and Andover Heights Addition. The work included large crack repairs. 159th Street East was improved with a two-inch asphalt overlay. The annual street improvement projects are funded with the City's one cent sales tax road improvement fund. Battery backup systems were added to three traffic light intersections on Andover Road: at Cloud Avenue, Douglas Avenue and 21st Street. Major projects this past year included improvements to gravel roads, ditch work, road striping, sidewalk and curb repairs, up grading of street signage and inventory of the City's 2,545 street signs.

Wastewater Department

Approximately 292,550,000 gallons of raw sewage were treated. Nearly 3,009,672 gallons of treated sludge were spread on City owned agricultural fields using a sludge sprinkler system. 35,818,560 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 132,324.4 feet or 25.06 miles of sewer lines. As part of an ongoing maintenance program, 11 manholes and 100.6 feet of vertical pipe were rehabbed. There was also 2,154 ft of sewer line 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. For security reason, an electric gate was installed leading into the plant operations area.

Fire Department

Andover Fire-Rescue responded to 1,606 requests for assistance in 2017, a decrease of 9 responses from 2016. Of the total alarms, 68% were medical/rescue in nature, mirroring the national trend of departments responding to emergencies that are more medical in nature and less in fire responses. There is a continued local trend in the increase in the occurrence of overlapping calls for service; 273 in 2017 compared to 284 in 2016. Fire Department personnel conducted over 130 business inspections, 675 fire hydrant inspections and participated in 6,181 hours of training. In 2017, the city of Andover hired CityGate LLC to provide a comprehensive evaluation of fire services in Butler County Fire District # 1.

Police Department

In 2017 Andover once again experienced a very low crime rate, well below the state average when compared to cities of similar size. The Police Department responded to 21,942 calls for service, completed 1,735 incident reports, investigated 272 motor vehicle accidents, issued 2,006 traffic citations and 1,561 traffic warnings and made 325 arrests. With well over 22,000 community contacts in 2017, the department's professional culture was once again exemplified by the receipt of only three citizen complaints. Additionally 2017 was highlighted with; the Investigation's Section moving into their new facility following the remodel of the "Old City Hall" basement; the addition of a civilian accreditation manager position; the promotion of two members to the rank of Captain; the transition into a new dark navy blue uniform; the acquisition of two Unmanned Aerial Vehicles (Drones); the retirement of one and acquisition of another Police K-9; and the first Andover officer ever to attend the FBI National Academy. And, for the seventh year in a row the Department was recognized by the American Automobile Association (AAA) of Kansas with a "Community Traffic Safety Award," and for the fourth year in a row received their highest award, the "platinum award."

Storm Water Department

During 2017, work continued on the new permit issued by Kansas Department of Health and Environment. Water samples were collected and tested 6 times after rain events. The results of those tests are being compared to test results from water samples collected in 2016. No hotspot has been identified to date. Testing will continue in various locations until an area can be identified to implement best management practices. The Storm Water Department continued an outreach program with the 6th grade science classes at Andover Central Middle School. New in 2017, the Department's outreach program was also offered to 4th grade students at Robert R. Martin Elementary. During this outreach, teachers used a watershed model supplied by the City to demonstrate the effects of contaminants on the environment. Staff then did a presentation to all the classes, with prizes being awarded to students who could correctly answer questions over the items covered in the classroom. Students at both schools also continued actively sampling water quality at waterbodies near their schools. Several interactive maps were made available to the public in 2017. Interactive mapping applications include water quality sampling results, construction site inspections, routine structure inspections and illicit detections. A Post Construction Manual was developed and is currently in the review phase and is scheduled to be activated in 2018. This manual, and accompanying ordinance, will assist the Department in continuing to comply with the NPDES general MS4 permit in addition to furthering the City's

efforts to keep water clean. Routine structure inspections were also continued – over 400 structures were inspected by City staff in 2017.

Recycling/Trash Department

For the first time in 7 years the rate for recycling service increased by \$0.03 per month this equates to less than 0.6% increase over the past 7 years. 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 85%) have realized tremendous savings. Prior to the change households were paying \$65-\$90 per calendar quarter, the current contracted rate is \$31.41 a calendar quarter for trash service. For trash and recycling the current rate is \$45 per quarter. In addition to providing affordable trash and recycling services, the contract provider also helps sponsor, an annual city-wide cleanup event, Concert in the Park, and Greater Andover Days.

Building Inspection/Code Enforcement Department

Single family home construction represents the majority of building activity in Andover. Single family construction permits in 2017 increased by 4 over 2016. There were 95 residential dwelling permits issued in 2017. Of the 95 permits, 3 were for town homes and 11 were multifamily with the remaining being single family homes. Nonresidential construction numbers were similar to those of the previous year. Six new non-residential structures broke ground, four of which have already been completed: Firestone Complete Auto Care, Equity Bank and the two phases of Mapleton Assisted Living Center are already open for business, while a brand new automatic car wash, and a MeriTrust Credit Union branch remain under construction. Four, out of the remaining ten nonresidential projects, were for the school district's first remodels (out of many more to come) – following their two bond issues approved on May 9, 2017.

Communications

In 2017, the Andover Emergency Communications Center entered the self-assessment stage for CALEA Communications Accreditation. Over the next two years the Andover Emergency Communication Center will be writing policies that will bring their Communications Center in compliance with the best practices of operations nationwide. In the fall of 2019, the Andover Emergency Communications Center along with the Andover Police Department will be assessed on their policies and procedures for CALEA Accreditation. Upon completion, The Andover Emergency Communications Center will have their first CALEA Accreditation Award and the Andover Police Department will be receiving their third CALEA Accreditation Award. The Andover Emergency Communications Center continued its dedicated service to the community, handling over 19,643 Calls for Service, an increase in 1.96% from 2016. Communications Staff also participated in many of Andover's Community Events such as: Police and Fire Festival, Concert in the Park, Kansas 2017 Law Enforcement Torch Run, National Night Out, Greater Andover Days, Safe Halloween and Hometown Christmas.

Information Technology

2017 continued a refresh to the computing environment. Projects focused on getting virtual host servers in place at City Hall and the Police Department. We started extending security controls to the remote sites. We replaced many of the desktop printers with new standard

devices. Staffing remained constant with an IT Director and one technician. Additional resources from vendors augments various projects, as needed.

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 2014, the two-year process of updating the Comprehensive Development Plan that the Governing Body adopted in 1990 which established the agenda for civic improvements was completed. 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 plan 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, 2016.

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 38 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 Mayor and 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,

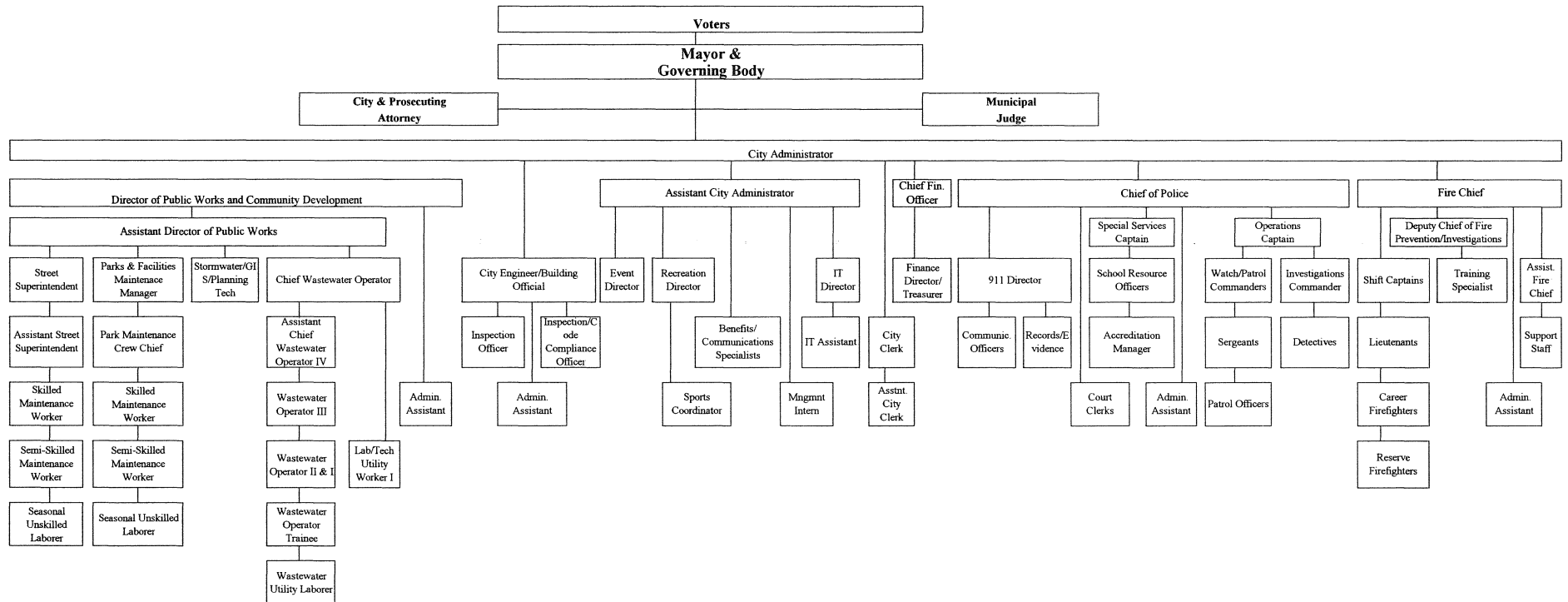


Donna K. Davis
Chief Financial Officer

CITY OF ANDOVER, KANSAS
LIST OF PRINCIPAL OFFICIALS
December 31, 2017

Title	Name
Mayor	Ben Lawrence
Council Member	Kris Estes
Council Member	Sheri Geisler
Council Member	Caroline Hale
Council Member	Clark Nelson
Council Member	Gregory Schneider
Council Member	Troy Tabor
City Administrator	Mark Detter
City Superintendent	Leslie Mangus
City Clerk	Susan Renner
Chief Financial Officer	Donna Davis
Financial Director/Treasurer	Julie Spyres
Chief of Police	Michael Keller
Chief of Fire	Chad Russell
Wastewater Superintendent	Brian Walls
Street Superintendent	William Braitsch
Parks & Facilities Director	Daniel Schapaugh
Recreation Director	Seth Carey
City Engineer	Steve Anderson
Municipal Judge	Eugene White
City Attorney	J.T. Klaus
Planning Consultant	Bickley Foster, Foster & Associates
Prosecuting Attorney	Cami Baker

CITY OF ANDOVER, KANSAS ORGANIZATIONAL CHART





Government Finance Officers Association

**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, 2016

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION

George, Bowerman & Noel, P.A.

*Certified Public Accountants
Management Consultants
Tax Advisors*

Paul R. Bowerman
Gary L. George

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
Andover, Kansas

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Andover, Kansas, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Street Improvement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

George, Bowerman & Noel, P.A.

Wichita, Kansas
June 20, 2018

**CITY OF ANDOVER, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, and the CAFR transmittal letter in the preceding Introductory Section.

FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of resources of the City of Andover exceeded its liabilities and deferred inflows of resources at the close of 2017 by \$96,744,175. Of this amount, \$39,874,004 represents net position invested in capital assets, net of related debt. Also included is \$53,235,868 restricted for future debt service, various other functions and wastewater facility expansion.
- The City's total net position increased \$3,383,039 during the fiscal year.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balance of \$15,000,642. For 2016, there was a fund balance of \$10,900,434.
- At the end of 2017, the General Fund fund balance was \$2,806,670, a decrease of 8.3% from 2016. This was the result of an increase (135.2%) in transfers out. The increase in transfer out was partially offset by an increase of \$458,430 in property and sales tax revenue, and an increase in transfers in of \$168,662.
- The City of Andover's total bonded debt increased \$401,000 during 2017. The key factor was there was only two debt series issued; a \$3,575,000 bond for internal improvements and a bond for the construction of the amphitheater in the amount of \$1,150,000. \$4,324,000 of bonds were retired during 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

Reporting the City's Most Significant Funds

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

Fund Financial Statements

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

The City of Andover maintains nineteen 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 Capital Projects Fund all of which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 27 through 35 of this report.

- Proprietary funds – When the City charges for certain services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement 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 36 through 40 of this report.

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

The fiduciary funds financial statements can be found on page 41 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 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$96,744,175 at the close of 2017.

As shown on Table 1, the largest portion of the City’s net position, \$39,874,004, reflects its net investment in capital assets. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s net investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

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Table 1
City of Andover
Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 57,122,044	\$ 55,979,331	\$ 10,787,541	\$ 9,490,839	\$ 67,909,585	\$ 65,470,170
Capital assets	<u>55,281,007</u>	<u>56,979,917</u>	<u>23,555,654</u>	<u>23,270,210</u>	<u>78,836,661</u>	<u>80,250,127</u>
Total assets	<u>112,403,051</u>	<u>112,959,248</u>	<u>34,343,195</u>	<u>32,761,049</u>	<u>146,746,246</u>	<u>145,720,297</u>
Deferred outflows of resources	<u>1,137,617</u>	<u>1,110,267</u>	<u>-0-</u>	<u>-0-</u>	<u>1,137,617</u>	<u>1,110,267</u>
Current and other liabilities	1,152,610	4,280,299	38,919	73,044	1,191,529	4,353,343
Long-term liabilities	<u>44,078,571</u>	<u>43,510,306</u>	<u>57,703</u>	<u>53,322</u>	<u>44,136,274</u>	<u>43,563,628</u>
Total liabilities	<u>45,231,181</u>	<u>47,790,605</u>	<u>96,622</u>	<u>126,366</u>	<u>45,327,803</u>	<u>47,916,971</u>
Deferred inflows of resources	<u>5,811,885</u>	<u>5,552,457</u>	<u>-0-</u>	<u>-0-</u>	<u>5,811,885</u>	<u>5,552,457</u>
Net position						
Net Investment in capital assets,	16,317,435	16,359,323	23,556,569	23,270,210	39,874,004	39,629,533
Restricted	45,388,280	44,993,484	7,847,588	6,777,916	53,235,868	51,771,400
Unrestricted	<u>791,887</u>	<u>(626,354)</u>	<u>2,842,416</u>	<u>2,586,557</u>	<u>3,634,303</u>	<u>1,960,203</u>
Total net position	<u>\$ 62,497,602</u>	<u>\$ 60,726,453</u>	<u>\$ 34,246,573</u>	<u>\$ 32,634,683</u>	<u>\$ 96,744,175</u>	<u>\$ 93,361,136</u>

The city's net position increased \$3,383,039 during 2017.

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Table 2
City of Andover
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenue:						
Program revenue:						
Charges for services	\$ 2,641,776	\$ 2,496,190	\$ 3,659,834	\$ 3,561,435	\$ 6,301,610	\$ 6,057,625
Operating grants and contributions	395,773	392,880	-0-	-0-	395,773	392,880
Capital grants and contributions	3,934,517	119,752	-0-	-0-	3,934,517	119,752
General revenues:						
Sales tax	4,039,350	3,931,686	-0-	-0-	4,039,350	3,931,686
Property tax	6,213,885	5,560,591	-0-	-0-	6,213,885	5,560,591
Other taxes	1,262,528	1,242,046	-0-	-0-	1,262,528	1,242,046
Other general revenues	271,256	59,411	94,342	31,557	365,598	90,968
Total Revenues	<u>18,759,085</u>	<u>13,802,556</u>	<u>3,754,176</u>	<u>3,592,992</u>	<u>22,513,261</u>	<u>17,395,548</u>
Expenses:						
General government	1,479,757	1,282,819	-0-	-0-	1,479,757	1,282,819
Public safety	5,637,427	5,121,031	-0-	-0-	5,637,427	5,121,031
Highways and street	5,633,951	5,133,968	-0-	-0-	5,633,951	5,133,968
Health and sanitation	-0-	6,150	-0-	-0-	-0-	6,150
Culture and recreation	2,204,387	1,667,924	-0-	-0-	2,204,387	1,667,924
Economic development	296,874	243,518	-0-	-0-	296,874	243,518
Environment protection	-0-	235	-0-	-0-	-0-	235
Interest on long-term debt	992,824	1,157,417	-0-	-0-	992,824	1,157,417
Water	-0-	-0-	240,427	232,321	240,427	232,321
Sewer	-0-	-0-	2,020,984	1,418,164	2,020,984	1,418,164
Recycling/Trash	-0-	-0-	623,591	600,488	623,591	600,488
Total Expenses	<u>16,245,220</u>	<u>14,613,062</u>	<u>2,885,002</u>	<u>2,250,973</u>	<u>19,130,222</u>	<u>16,864,035</u>
Excess (deficiency) of revenues over expenses before transfers	2,513,865	(810,506)	869,174	1,342,019	3,383,039	531,513
Transfers in (out)	<u>(742,716)</u>	<u>221,466</u>	<u>742,716</u>	<u>(221,466)</u>	<u>-0-</u>	<u>-0-</u>
Change in net position	1,771,149	(589,040)	1,611,890	1,120,553	3,383,039	531,513
Net position, beginning of year	<u>60,726,453</u>	<u>61,315,493</u>	<u>32,634,683</u>	<u>31,514,130</u>	<u>93,361,136</u>	<u>92,829,623</u>
Net position, end of year	<u>\$ 62,497,602</u>	<u>\$ 60,726,453</u>	<u>\$ 34,246,573</u>	<u>\$ 32,634,683</u>	<u>\$ 96,744,175</u>	<u>\$ 93,361,136</u>

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Governmental Activities. Governmental activities increased the City's net position by \$1,771,149 in 2017. The increase is the result of additional revenue due to new special assessment taxes being assessed and an increase in property tax revenues.

Total governmental activity revenues increased by \$4,956,529 for 2017. Revenue from new special assessments increased capital grants and contributions by \$3,814,765 due to new residential projects being bonded in 2017. In addition, there was an increase in property tax revenues of \$653,294.

Total governmental activity expenses increased by \$1,632,158 for 2017. General government expenses increased \$196,938 primarily due to the increase in wage and benefits and additional legal fees. Public Safety expenses increased \$516,396 for 2017, which is primarily related to increased wage and benefit costs for police and fire operations of \$239,329. Culture and Recreation had increased expenses of \$536,463, which is mostly from additional Park Department expenses of \$213,775 incurred with the construction of the amphitheater, capital projects improvements of \$160,600 and additional Library appropriations of \$40,500. Salaries and benefits continue to be a significant portion of the operating expenses for many functional areas and comprise approximately 40% of total 2017 operating costs, excluding debt service, for governmental activities. Total salaries and wages actually increased by \$513,998 for 2017 with the significant portion of that increase in the public safety function of the City. Benefit costs continued to rise even partially because the KP&F retirement rate increased by 1.06%. Retirements benefits expenses increased \$26,444, or 5%, due to higher wages that the benefits are based on. The City did incur an increase in health/dental insurance cost for 2017 totaling \$72,028, or approximately 11%.

Business-type Activities. Business-type activities increased the City's net position by \$1,611,890 in 2017. Operating revenues increased by \$98,399 and operating expenses increased \$634,029 over the 2016 levels. The result was a decrease in income from operations of \$535,630. Total income before contributions and transfers was \$869,174. There were contributions from the municipality in the form of water and sewer lines in the amount of \$999,328 in 2017. There were contributions made from business type activities to the municipality for debt service payments towards prior years' sewer and water lines.

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 2017, the City's governmental funds reported total fund balance of \$15,000,642 compared to fund balance of \$10,900,434 for the prior year, an increase of \$4,100,208.

General Fund

The General Fund is the primary operating fund of the City. At the end of 2017, \$2,568,968 of the fund balance was committed and \$237,702 was unassigned, for a total fund balance of \$2,806,670, which was \$254,656 or 8.3% less than the prior year's General Fund total fund balance. The main reason for the decreased fund balance was a \$1,319,631 increase in transfers out to debt service for the early retirement of a temporary note used to purchase a ladder truck for the fire department. The increase in expenses was partially offset by an increase in revenues primarily from property and sales tax in the amount of \$458,430. Included in the fund balance change was the increase of transfers in of \$168,662.

The City's management may also designate committed fund balance to a particular function, project or activity. Fund balance may also be designated for purposes beyond the current year. However, unassigned fund balance is available for appropriation at any time. Of the total General Fund balance, 8.5% 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 \$676,308 or 10.9%. Revenue from sales tax continues to accumulate to be used for upcoming street improvements projects.

Debt Service Fund

In the Debt Service Fund, the fund balance was flat with only a slight decrease of \$16,724 or .8%.

Capital Project Fund

The Capital Project Fund had an increase of \$3,328,928 in the fund balance. This is due to projects that were under construction in 2016, were bonded in 2017, with total bonded debt being issued of \$4,725,000.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total net position of the enterprise funds increased \$1,611,890. This was due primarily to operating revenue outpacing operating expenses by \$774,832, and by the contribution from the municipality of \$999,328. Sewer utility rates didn't increase in 2017. Trash and storm water rates were adjusted for CPI for an increase of \$.12 per month starting in July 2017.

Water Utility Fund

The total net position of the Water Utility Fund increased by \$167,204, due to new infrastructure of \$297,135 being contributed in 2017.

Sewer Utility Fund

The total net position of the Sewer Utility Fund increased by \$1,485,730, due to the utility user fees collections more than offsetting expenses by \$903,490. The net cost of infrastructure built and contributed in 2017 accounted for \$702,193 of the increase. A contribution to the municipality of \$210,612 partially offset the increase in revenue.

Recycling/Trash Utility Fund

The Recycling/Trash Utility Fund, expenses exceeded revenues by \$11,044, and a transfer was made to the municipality of \$30,000 resulting in a decrease in fund balance of \$41,044.

General Fund Budgetary Highlights

Actual General Fund revenues were higher than the final budget by \$1,274,090, of which \$959,906 can be attributed to a higher than projected collection of taxes. The remainder was primarily due to a higher than anticipated volume of construction permits, \$120,530, and transfers in of \$133,662. The expenditures from the General Fund at year-end were \$553,464 less than the final budget. The savings in the estimated amount for capital outlay was \$207,156 and the savings in personnel services from the budgeted amount, was \$175,186.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of December 31, 2017, amounted to \$78,836,661 (net of accumulated depreciation). This investment, detailed in Table 3, in a broad range of capital assets includes land, infrastructure, buildings and improvements, equipment, and construction in progress. This amount represents a net decrease of \$1,413,466, or 1.8%, for 2017.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,572,628	\$ 1,572,628	\$ 123,946	\$ 123,946	\$ 1,696,574	\$ 1,696,574
Building and improvements	11,687,950	12,001,810	3,085,759	3,193,840	14,773,709	15,195,650
Impr. other than buildings	349,930	391,671	20,069,941	19,661,705	20,419,871	20,053,376
Machinery and equipment	2,289,298	2,499,639	276,008	290,719	2,565,306	2,790,358
Infrastructure	38,181,075	36,984,426	-0-	-0-	38,181,075	36,984,426
Construction in progress	1,200,126	3,529,743	-0-	-0-	1,200,126	3,529,743
Capital assets, net	<u>\$ 55,281,007</u>	<u>\$ 56,979,917</u>	<u>\$ 23,555,654</u>	<u>\$ 23,270,210</u>	<u>\$ 78,836,661</u>	<u>\$ 80,250,127</u>

Some of the City's major capital asset events in 2017 were:

- * The increase in infrastructure was from the completion of internal improvements in various new developments. While those items were removed from construction in progress, new projects were added to this line.
- * The primary purchases in machinery and equipment were vehicles for the Police and Park Departments, and road machinery for the Street Department. The Police Department also purchased new in-car cameras and body worn cameras.

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, 2017 the City's total long-term debt obligations outstanding are \$44,136,274. This amount is comprised of \$33,885,000 of general obligation bonds and \$505,467 of unamortized bond premium on those bonds and are secured by future tax revenues from governmental activities. The City has \$4,660,000 of revenue bonds which are secured by future revenue sources from governmental activities via lease revenues from the City to the Andover Public Building Commission. The City has \$47,729 of outstanding capital lease obligations which will be funded by resources from governmental activities. The City's portion of the unfunded net pension liability for the Kansas Police & Fireman's Retirement Pension System at December 31, 2017 was \$4,109,163. The remaining long-term debt obligations totaling \$928,915 pertain to accrued compensated absences and will be liquidated from future resources of governmental activities and business-type activities.

The City's total long term debt increased by \$572,646, or about 1.3% during the current year. General obligation bonds totaling \$3,575,000 were issued during 2017. The City retired \$3,180,000 and issued no temporary notes during 2017.

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 3.2% which is a decrease from the rate of 3.8% a year ago. This compares to the state's average unemployment rate of 3.4% and the national average of 4.1%. Inflationary trends in the region compare favorably to national indices. Assessed valuation increased 6% between the 2016 and 2017 budgets. These and other factors were considered in preparing the City of Andover's budget for the 2018 fiscal year.

During 2017, the budgetary fund balance in the General Fund decreased to \$2,542,602. The City anticipated a carry forward fund balance of \$2,568,968 when it adopted its 2018 operating budget.

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.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ANDOVER, KANSAS
STATEMENT OF NET POSITION

December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Cash and investments	\$ 15,468,968	\$ 2,586,286	\$ 18,055,254	\$ 463,572
Receivables:				
Property taxes	5,762,802	—	5,762,802	—
Special assessment taxes	35,392,114	—	35,392,114	—
Sales taxes	306,247	—	306,247	—
Franchise fees	108,030	—	108,030	—
Trade accounts, net	50,635	353,667	404,302	—
Prepaid items	33,248	—	33,248	—
Restricted assets	—	7,847,588	7,847,588	—
Capital assets:				
Land	1,572,628	123,946	1,696,574	—
Buildings	14,935,069	5,613,756	20,548,825	—
Improvements other than buildings	882,118	29,685,902	30,568,020	87,641
Infrastructure	70,423,913	—	70,423,913	—
Machinery and equipment	9,641,557	1,137,766	10,779,323	273,079
Less accumulated depreciation	(43,374,404)	(13,005,716)	(56,380,120)	(252,920)
Construction work in progress	1,200,126	—	1,200,126	37,129
Total assets	112,403,051	34,343,195	146,746,246	608,501
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows related to pension liabilities	1,137,617	—	1,137,617	—
<u>LIABILITIES</u>				
Accounts payable	770,318	20,751	791,069	38
Accrued wages payable	162,920	18,168	181,088	—
Accrued interest payable	219,372	—	219,372	—
Noncurrent liabilities:				
Due within one year	4,736,962	24,674	4,761,636	3,640
Due in more than one year	39,341,609	33,029	39,374,638	2,211
Total liabilities	45,231,181	96,622	45,327,803	5,889
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources:				
Property taxes receivable	5,762,802	—	5,762,802	—
Pension liabilities	49,083	—	49,083	—
	5,811,885	—	5,811,885	—
<u>NET POSITION</u>				
Net investment in capital assets	16,317,435	23,556,569	39,874,004	144,929
Restricted for:				
Debt service	37,526,333	—	37,526,333	—
Street improvements	7,054,786	—	7,054,786	—
General government	340,232	—	340,232	—
Recreation	147,313	—	147,313	—
Economic development	207,637	—	207,637	—
Public safety	111,979	—	111,979	—
Wastewater expansion and equipment	—	7,847,588	7,847,588	—
Unrestricted	791,887	2,842,416	3,634,303	457,683
	\$ 62,497,602	\$ 34,246,573	\$ 96,744,175	\$ 602,612

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

CITY OF ANDOVER, KANSAS

STATEMENT OF ACTIVITIES

Year ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Governmental Activities:								
General government	\$ 1,479,757	\$ 198,402	\$ —	\$ 9,608	\$ (1,271,747)	\$ —	\$ (1,271,747)	\$ —
Public safety	5,637,427	591,318	—	10,364	(5,035,745)	—	(5,035,745)	—
Highways and streets	5,633,951	958,550	395,773	209,474	(4,070,154)	—	(4,070,154)	—
Culture and recreation	2,204,387	739,548	—	1,325	(1,463,514)	—	(1,463,514)	—
Economic development	296,874	153,958	—	—	(142,916)	—	(142,916)	—
Interest on long-term debt	992,824	—	—	3,703,746	2,710,922	—	2,710,922	—
Total Governmental Activities	<u>\$16,245,220</u>	<u>\$ 2,641,776</u>	<u>\$ 395,773</u>	<u>\$ 3,934,517</u>	<u>(9,273,154)</u>	<u>—</u>	<u>(9,273,154)</u>	<u>—</u>
Business-Type Activities:								
Water Utility	\$ 240,427	\$ 123,551	\$ —	\$ —	—	(116,876)	(116,876)	—
Sewer Utility	2,020,984	2,924,474	—	—	—	903,490	903,490	—
Recycling/Trash Utility	623,591	611,809	—	—	—	(11,782)	(11,782)	—
Total Business-Type Activities	<u>\$ 2,885,002</u>	<u>\$ 3,659,834</u>	<u>\$ —</u>	<u>\$ —</u>	<u>—</u>	<u>774,832</u>	<u>774,832</u>	<u>—</u>
Component Unit:								
Andover Public Library	<u>\$ 602,621</u>	<u>\$ 65,984</u>	<u>\$ 77,588</u>	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(459,049)</u>
General Revenues and Transfers:								
Property taxes levied for:								
General purposes					5,874,146	—	5,874,146	—
Debt service					339,739	—	339,739	—
Sales taxes					4,039,350	—	4,039,350	—
Franchise taxes					1,130,789	—	1,130,789	—
Tourism taxes					131,739	—	131,739	—
Payment from City of Andover					—	—	—	471,900
Investment earnings					271,256	94,342	365,598	1,301
Transfers in (out)					(742,716)	742,716	—	—
Total general revenues and transfers					<u>11,044,303</u>	<u>837,058</u>	<u>11,881,361</u>	<u>473,201</u>
Change in net position					1,771,149	1,611,890	3,383,039	14,152
Net position at beginning of year					<u>60,726,453</u>	<u>32,634,683</u>	<u>93,361,136</u>	<u>588,460</u>
Net position at end of year					<u>\$ 62,497,602</u>	<u>\$ 34,246,573</u>	<u>\$ 96,744,175</u>	<u>\$ 602,612</u>

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

FUND FINANCIAL STATEMENTS

CITY OF ANDOVER, KANSAS
BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2017

	<u>General</u>	<u>Street Improvement</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and investments	\$2,849,966	\$ 6,707,238	\$ 2,119,711	\$ 120,306	\$ 3,671,747	\$ 15,468,968
Property taxes receivable	3,455,392	—	13,772	—	2,293,638	5,762,802
Special assessment taxes receivable	—	—	35,392,114	—	—	35,392,114
Franchise fees receivable	108,030	—	—	—	—	108,030
Sales taxes receivable	131,249	174,998	—	—	—	306,247
Accounts receivable	—	—	—	—	50,635	50,635
Total assets	<u>\$6,544,637</u>	<u>\$ 6,882,236</u>	<u>\$ 37,525,597</u>	<u>\$ 120,306</u>	<u>\$ 6,016,020</u>	<u>\$ 57,088,796</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>						
Liabilities:						
Accrued wages payable	\$ 162,022	\$ —	\$ —	\$ —	\$ 898	\$ 162,920
Accounts payable	<u>120,553</u>	<u>26,964</u>	<u>—</u>	<u>552,088</u>	<u>70,713</u>	<u>770,318</u>
Total liabilities	<u>282,575</u>	<u>26,964</u>	<u>—</u>	<u>552,088</u>	<u>71,611</u>	<u>933,238</u>
Deferred inflows of resources:						
Property taxes receivable	3,455,392	—	13,772	—	2,293,638	5,762,802
Special assessment taxes receivable	<u>—</u>	<u>—</u>	<u>35,392,114</u>	<u>—</u>	<u>—</u>	<u>35,392,114</u>
	<u>3,455,392</u>	<u>—</u>	<u>35,405,886</u>	<u>—</u>	<u>2,293,638</u>	<u>41,154,916</u>
Fund balances (deficit):						
Restricted:						
General government	—	—	—	—	340,232	340,232
Debt service	—	—	2,119,711	—	14,508	2,134,219
Street improvements	—	6,855,272	—	—	199,514	7,054,786
Recreation	—	—	—	—	147,313	147,313
Economic development	—	—	—	—	207,637	207,637
Public safety	—	—	—	—	111,979	111,979
Committed:						
General government	2,568,968	—	—	—	—	2,568,968
Street improvements	—	—	—	—	1,237,406	1,237,406
Parks and recreation	—	—	—	—	146,975	146,975
Assigned:						
Recreation	—	—	—	—	128,485	128,485
Capital outlay	—	—	—	—	1,116,722	1,116,722
Unassigned	<u>237,702</u>	<u>—</u>	<u>—</u>	<u>(431,782)</u>	<u>—</u>	<u>(194,080)</u>
Total fund balances (deficit)	<u>2,806,670</u>	<u>6,855,272</u>	<u>2,119,711</u>	<u>(431,782)</u>	<u>3,650,771</u>	<u>15,000,642</u>
Total liabilities, deferred inflows and fund balances	<u>\$6,544,637</u>	<u>\$ 6,882,236</u>	<u>\$ 37,525,597</u>	<u>\$ 120,306</u>	<u>\$ 6,016,020</u>	<u>\$ 57,088,796</u>

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

CITY OF ANDOVER, KANSAS

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

December 31, 2017

Total Governmental Fund Balances	\$ 15,000,642
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Amounts reported for governmental activities in the
statement of net position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds (capital assets net of accumulated
depreciation):

Cost	\$ 98,655,411	
Accumulated depreciation	<u>(43,374,404)</u>	55,281,007

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

Special assessments receivable	35,392,114	
Prepaid expenses	33,248	

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	174,227	
Accrued interest payable on Andover Public Building Commission revenue bonds	45,145	
Compensated absences payable	871,212	
General obligation bonds payable	33,885,000	
Andover Public Building Commission Revenue bonds payable	4,660,000	
Capital lease obligations payable	47,729	
Unamortized premium on general obligation bonds payable	484,542	
Unamortized premium on Andover Public Building Commission revenue bonds payable	20,925	
Net pension liability for Kansas Police & Fire retirement plan including deferred outflows and deferred inflows related to pensions	<u>3,020,629</u>	<u>(43,209,409)</u>

Net Position of Governmental Activities	<u>\$ 62,497,602</u>
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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, 2017

	General	Street Improvement	Debt Service	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and sales taxes	\$ 5,644,903	\$ 2,308,200	\$ 115,063	\$ —	\$2,433,268	\$ 10,501,434
Special assessment taxes	—	—	3,861,460	207,829	—	4,069,289
Intergovernmental	—	—	—	—	395,773	395,773
Licenses and permits	1,409,177	—	—	—	255,840	1,665,017
Charges for services	5,772	—	—	—	111,370	117,142
Fines and forfeitures	305,785	—	—	—	—	305,785
Use of money and property	46,460	99,069	29,658	2,362	1,389,803	1,567,352
Miscellaneous	15,275	—	12,400	1,645	278,087	307,407
Total revenues	<u>7,427,372</u>	<u>2,407,269</u>	<u>4,018,581</u>	<u>211,836</u>	<u>4,864,141</u>	<u>18,929,199</u>
Expenditures:						
Current:						
General government	1,007,830	—	—	—	240,660	1,248,490
Public safety	3,517,725	—	—	—	1,424,800	4,942,525
Highways and streets	308,445	1,693,128	—	—	1,227,929	3,229,502
Culture and recreation	790,608	—	—	—	982,717	1,773,325
Economic development	—	—	—	—	296,874	296,874
Capital improvements	—	—	—	2,548,926	259,543	2,808,469
Debt Service	49,202	—	4,165,930	28,111	1,282,193	5,525,436
Total expenditures	<u>5,673,810</u>	<u>1,693,128</u>	<u>4,165,930</u>	<u>2,577,037</u>	<u>5,714,716</u>	<u>19,824,621</u>
Revenues over (under) expenditures	<u>1,753,562</u>	<u>714,141</u>	<u>(147,349)</u>	<u>(2,365,201)</u>	<u>(850,575)</u>	<u>(895,422)</u>
Other financing sources (uses):						
Issuance of general obligation bonds	—	—	—	3,575,000	—	3,575,000
Net premium on sale of general obligation bonds	—	—	—	6,452	—	6,452
Issuance of Andover Public Building Commission revenue bonds	—	—	—	1,150,000	—	1,150,000
Net premium on sale of Andover Public Building Commission revenue bonds	—	—	—	7,566	—	7,566
Transfers in	283,662	—	130,625	1,124,250	1,507,920	3,046,457
Transfers out	(2,291,880)	(37,833)	—	(169,139)	(290,993)	(2,789,845)
Total other financing sources (uses)	<u>(2,008,218)</u>	<u>(37,833)</u>	<u>130,625</u>	<u>5,694,129</u>	<u>1,216,927</u>	<u>4,995,630</u>
Net change in fund balances	(254,656)	676,308	(16,724)	3,328,928	366,352	4,100,208
Fund balances (deficit), beginning of year	<u>3,061,326</u>	<u>6,178,964</u>	<u>2,136,435</u>	<u>(3,760,710)</u>	<u>3,284,419</u>	<u>10,900,434</u>
Fund balances (deficit), end of year	<u>\$ 2,806,670</u>	<u>\$ 6,855,272</u>	<u>\$ 2,119,711</u>	<u>\$ (431,782)</u>	<u>\$3,650,771</u>	<u>\$ 15,000,642</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, 2017

Net Change in Fund Balances – Total Governmental Funds		\$ 4,100,208
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	\$ 2,695,662	
Depreciation	<u>(4,394,572)</u>	
Excess of capital outlays over depreciation expense		(1,698,910)
In the statement of activities, the sale of bonds is reported as a long-term liability, whereas in the governmental funds, the proceeds increase financial resources:		
General obligation bonds	(3,575,000)	
Andover Public Building Commission revenue bonds	<u>(1,150,000)</u>	
Total issuance of long-term debt		(4,725,000)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		63,231
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
General obligation bond payment	3,180,000	
Andover Public Building Commission revenue bond payment	1,144,000	
Capital lease obligations	<u>45,481</u>	
Total payments on long-term liabilities		4,369,481
Premium on the sale of refunding bonds provides current financial resources to government funds, but is amortized over the life of the bonds in the statement of activities		
Premium on sale of general obligation bonds	(6,452)	
Premium on sale of Andover Public Building Commission revenue bonds	(7,566)	
Amortization on premium on general obligation bonds	85,272	
Amortization of premium on Andover Public Building Commission revenue bonds	<u>14,628</u>	
		85,882
Pension contributions is an expenditure in the governmental funds but reduces the net pension liability in the statement of net position. Additionally, the effect of changes in deferred outflows and inflows for pensions are only recorded in the statement of activities.		(193,587)
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		(170,114)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Prepaid items	2,878	
Compensated absences payable	<u>(62,920)</u>	
Total		<u>(60,042)</u>
Change in Net Position of Governmental Activities		\$ <u>1,771,149</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, 2017
(continued on next page)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 4,619,958	\$ 4,688,827	\$ 5,648,733	\$ 959,906
Licenses, fees and permits	1,302,000	1,302,000	1,422,530	120,530
Charges for services	2,400	2,400	5,772	3,372
Fines and forfeitures	275,000	275,000	305,785	30,785
Use of money and property	32,500	32,500	46,460	13,960
Miscellaneous	3,400	3,400	15,275	11,875
Transfers in	<u>150,000</u>	<u>150,000</u>	<u>283,662</u>	<u>133,662</u>
Total revenues and other sources	<u>6,385,258</u>	<u>6,454,127</u>	<u>7,728,217</u>	<u>1,274,090</u>
Expenditures, encumbrances and other uses:				
General government:				
General department:				
Personal services	568,094	568,094	558,194	9,900
Contractual services	406,700	406,700	421,510	(14,810)
Commodities	24,000	24,000	19,786	4,214
Capital outlay	28,000	28,000	9,299	18,701
Transfers out	1,208,430	2,208,431	2,199,680	8,751
Contingencies	<u>12,000</u>	<u>12,000</u>	<u>—</u>	<u>12,000</u>
Total general government	<u>2,247,224</u>	<u>3,247,225</u>	<u>3,208,469</u>	<u>38,756</u>
Public safety:				
Police department:				
Personal services	1,592,247	1,592,247	1,464,464	127,783
Contractual services	209,240	268,740	246,178	22,562

CITY OF ANDOVER, KANSAS

GENERAL FUND

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

**Year ended December 31, 2017
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Commodities	\$ 135,500	\$ 135,500	\$ 109,515	\$ 25,985
Capital outlay	105,000	105,000	94,922	10,078
Transfers out	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>—</u>
Total police department	<u>2,056,987</u>	<u>2,116,487</u>	<u>1,930,079</u>	<u>186,408</u>
Fire department:				
Personal services	805,334	805,334	828,582	(23,248)
Contractual services	141,935	141,935	61,057	80,878
Commodities	110,502	110,502	73,160	37,342
Capital outlay	50,484	50,484	—	50,484
Debt service	—	—	49,202	(49,202)
Transfers out	<u>25,200</u>	<u>25,200</u>	<u>25,200</u>	<u>—</u>
Total fire department	<u>1,133,455</u>	<u>1,133,455</u>	<u>1,037,201</u>	<u>96,254</u>
Municipal Court department:				
Personal services	69,623	69,623	68,510	1,113
Contractual services	59,300	59,300	56,912	2,388
Commodities	5,800	5,800	4,141	1,659
Transfers out	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>—</u>
Total Municipal Court department	<u>136,723</u>	<u>136,723</u>	<u>131,563</u>	<u>5,160</u>
Total public safety	<u>3,327,165</u>	<u>3,386,665</u>	<u>3,098,843</u>	<u>287,822</u>
Highways and streets:				
Street department:				
Personal services	301,144	301,144	274,525	26,619
Contractual services	22,450	22,450	26,284	(3,834)
Commodities	11,700	11,700	7,635	4,065

CITY OF ANDOVER, KANSAS

GENERAL FUND

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

**Year ended December 31, 2017
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Transfers out	\$ 15,000	\$ 15,000	\$ 15,000	\$ —
Total highways and streets	<u>350,294</u>	<u>350,294</u>	<u>323,444</u>	<u>26,850</u>
Recreation:				
Park department:				
Personal services	362,737	362,737	334,634	28,103
Contractual services	142,660	142,660	108,386	34,274
Commodities	126,450	126,450	133,356	(6,906)
Capital outlay	<u>203,000</u>	<u>203,000</u>	<u>185,772</u>	<u>17,228</u>
Total park department	<u>834,847</u>	<u>834,847</u>	<u>762,148</u>	<u>72,699</u>
Recreation Programs:				
Contractual services	24,465	24,465	20,778	3,687
Commodities	<u>33,935</u>	<u>33,935</u>	<u>17,372</u>	<u>16,563</u>
Total recreation programs	<u>58,400</u>	<u>58,400</u>	<u>38,150</u>	<u>20,250</u>
Total recreation	<u>893,247</u>	<u>893,247</u>	<u>800,298</u>	<u>92,949</u>
Environmental Protection:				
Composting Program:				
Personal services	1,500	1,500	—	1,500
Commodities	<u>450</u>	<u>450</u>	<u>—</u>	<u>450</u>
Total composting program	<u>1,950</u>	<u>1,950</u>	<u>—</u>	<u>1,950</u>
Dispatch/IT Department:				
Personal services	103,751	103,751	104,007	(256)
Contractual services	133,754	133,754	149,978	(16,224)

CITY OF ANDOVER, KANSAS

GENERAL FUND

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

**Year ended December 31, 2017
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Commodities	\$ 42,650	\$ 42,650	\$ 22,231	\$ 20,419
Capital outlay	163,000	163,000	52,335	110,665
Transfers out	<u>5,000</u>	<u>5,000</u>	<u>30,000</u>	<u>(25,000)</u>
 Total Dispatch/IT Department	 <u>448,155</u>	 <u>448,155</u>	 <u>358,551</u>	 <u>89,604</u>
 Building Inspection Department:				
Personal services	161,009	161,009	157,337	3,672
Contractual services	25,308	25,308	18,259	7,049
Commodities	10,950	10,950	6,138	4,812
Transfer out	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>—</u>
 Total Building Inspection Department	 <u>202,267</u>	 <u>202,267</u>	 <u>186,734</u>	 <u>15,533</u>
 Total expenditures, encumbrances and other uses	 <u>7,470,302</u>	 <u>8,529,803</u>	 <u>7,976,339</u>	 <u>553,464</u>
 Revenues and other sources over (under) expenditures, encumbrances and other uses	 (1,085,044)	 (2,075,676)	 (248,122)	 1,827,554
Fund balance, beginning of year	<u>1,230,044</u>	<u>2,845,247</u>	<u>2,790,724</u>	<u>(54,523)</u>
 Fund balance, end of year	 <u>\$ 145,000</u>	 <u>\$ 769,571</u>	 <u>\$ 2,542,602</u>	 <u>\$ 1,773,031</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, 2017

	<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:				
Sales tax	\$2,000,000	\$2,000,000	\$2,313,306	\$ 313,306
Use of money and property	<u>3,000</u>	<u>3,000</u>	<u>99,069</u>	<u>96,069</u>
Total revenues	<u>2,003,000</u>	<u>2,003,000</u>	<u>2,412,375</u>	<u>409,375</u>
Expenditures:				
Contractual services	–	–	137,914	(137,914)
Capital outlay	2,239,400	2,911,800	2,030,779	881,021
Transfers out	<u>37,833</u>	<u>37,833</u>	<u>37,833</u>	<u>–</u>
Total expenditures	<u>2,277,233</u>	<u>2,949,633</u>	<u>2,206,526</u>	<u>743,107</u>
Revenues over (under) expenditures	(274,233)	(946,633)	205,849	1,152,482
Fund balance, beginning of year	<u>5,236,594</u>	<u>5,623,493</u>	<u>5,623,493</u>	<u>–</u>
Fund balance, end of year	<u>\$ 4,962,361</u>	<u>\$ 4,676,860</u>	<u>\$5,829,342</u>	<u>\$1,152,482</u>

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

CITY OF ANDOVER, KANSAS

STATEMENT OF NET POSITION – ALL ENTERPRISE FUNDS

December 31, 2017

	Business-type Activities Enterprise Funds			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Recycling/ Trash Utility</u>	<u>Total Enterprise Funds</u>
ASSETS				
Current assets:				
Cash including investments	\$ 353,745	\$ 2,187,571	\$ 44,970	\$ 2,586,286
Trade accounts receivable	<u>18,179</u>	<u>267,804</u>	<u>67,684</u>	<u>353,667</u>
Total current assets	<u>371,924</u>	<u>2,455,375</u>	<u>112,654</u>	<u>2,939,953</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments restricted for:				
Sewage equipment	–	231,343	–	231,343
Sewage treatment expansion	<u>–</u>	<u>7,616,245</u>	<u>–</u>	<u>7,616,245</u>
Total restricted assets	<u>–</u>	<u>7,847,588</u>	<u>–</u>	<u>7,847,588</u>
Capital assets:				
Land	–	123,946	–	123,946
Water mains and distribution lines	10,629,599	–	–	10,629,599
Sewage mains and distribution lines	–	19,056,303	–	19,056,303
Sewage disposal plant	–	5,613,756	–	5,613,756
Machinery and equipment	<u>13,515</u>	<u>1,122,954</u>	<u>1,297</u>	<u>1,137,766</u>
	10,643,114	25,916,959	1,297	36,561,370
Less accumulated depreciation	<u>(3,539,506)</u>	<u>(9,464,913)</u>	<u>(1,297)</u>	<u>(13,005,716)</u>
Capital assets, net	<u>7,103,608</u>	<u>16,452,046</u>	<u>–</u>	<u>23,555,654</u>
Total assets	<u>7,475,532</u>	<u>26,755,009</u>	<u>112,654</u>	<u>34,343,195</u>

	Business-type Activities Enterprise Funds			Total Enterprise Funds
	Water Utility	Sewer Utility	Recycling/ Trash Utility	
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 484	\$ 20,260	\$ 7	\$ 20,751
Accrued wages payable	—	16,727	1,441	18,168
Current portion of accrued compensated absences payable	—	24,674	—	24,674
Total current liabilities	484	61,661	1,448	63,593
Noncurrent liabilities:				
Long-term portion of accrued compensated absences payable	—	33,029	—	33,029
Total liabilities	484	94,690	1,448	96,622
<u>NET POSITION</u>				
Net position:				
Net investment in capital assets	7,104,523	16,452,046	—	23,556,569
Restricted for:				
Sewage equipment	—	231,343	—	231,343
Sewage treatment expansion	—	7,616,245	—	7,616,245
Unrestricted	370,525	2,360,685	111,206	2,842,416
	<u>\$ 7,475,048</u>	<u>\$ 26,660,319</u>	<u>\$ 111,206</u>	<u>\$ 34,246,573</u>

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

CITY OF ANDOVER, KANSAS

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

Year ended December 31, 2017

	Business-type Activities –Enterprise Funds			
	Water Utility	Sewer Utility	Recycling/ Trash Utility	Total Enterprise Funds
Operating revenues:				
Sales of services	\$ 120,149	\$ 2,906,565	\$ 611,809	\$ 3,638,523
Other	<u>3,402</u>	<u>17,909</u>	<u>–</u>	<u>21,311</u>
Total operating revenues	<u>123,551</u>	<u>2,924,474</u>	<u>611,809</u>	<u>3,659,834</u>
Operating expenses:				
Personal services	24,169	511,496	38,734	574,399
Contractual services	2,553	811,561	583,297	1,397,411
Commodities	–	89,663	1,560	91,223
Depreciation	<u>213,705</u>	<u>608,264</u>	<u>–</u>	<u>821,969</u>
Total operating expenses	<u>240,427</u>	<u>2,020,984</u>	<u>623,591</u>	<u>2,885,002</u>
Operating income (loss)	(116,876)	903,490	(11,782)	774,832
Nonoperating revenues and expenses:				
Interest income	<u>2,945</u>	<u>90,659</u>	<u>738</u>	<u>94,342</u>
Income (loss) before contributions and transfers	(113,931)	994,149	(11,044)	869,174
Contributions from municipality	297,135	702,193	–	999,328
Transfers out	<u>(16,000)</u>	<u>(210,612)</u>	<u>(30,000)</u>	<u>(256,612)</u>
Change in net position	167,204	1,485,730	(41,044)	1,611,890
Net position, beginning of year	<u>7,307,844</u>	<u>25,174,589</u>	<u>152,250</u>	<u>32,634,683</u>
Net position, end of year	<u>\$7,475,048</u>	<u>\$ 26,660,319</u>	<u>\$ 111,206</u>	<u>\$ 34,246,573</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, 2017

(continued on next page)

	Business-type Activities Enterprise Funds			Total Enterprise Funds
	Water Utility	Sewer Utility	Recycling/ Trash Utility	
Cash flows from operating activities:				
Cash received from customers	\$ 111,075	\$ 2,909,918	\$ 607,402	\$ 3,628,395
Cash payments to vendors for materials and supplies	(2,069)	(935,849)	(584,850)	(1,522,768)
Cash paid to employees	(24,977)	(506,488)	(38,544)	(570,009)
Other receipts	<u>3,402</u>	<u>17,909</u>	<u>–</u>	<u>21,311</u>
Net cash provided by (used for) operating activities	<u>87,431</u>	<u>1,485,490</u>	<u>(15,992)</u>	<u>1,556,929</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	<u>–</u>	<u>(108,085)</u>	<u>–</u>	<u>(108,085)</u>
Cash flows from noncapital financing activities:				
Transfers out	<u>(16,000)</u>	<u>(210,612)</u>	<u>(30,000)</u>	<u>(256,612)</u>
Cash flows from investing				
Activities - interest received	<u>2,945</u>	<u>90,659</u>	<u>738</u>	<u>94,342</u>
Net increase (decrease) in cash and cash equivalents	74,376	1,257,452	(45,254)	1,286,574
Cash and cash equivalents at beginning of year	<u>279,369</u>	<u>8,777,707</u>	<u>90,224</u>	<u>9,147,300</u>
Cash and cash equivalents at end of year	<u>\$ 353,745</u>	<u>\$ 10,035,159</u>	<u>\$ 44,970</u>	<u>\$10,433,874</u>
Cash and cash equivalents	\$ 353,745	\$ 2,187,571	\$ 44,970	\$ 2,586,286
Restricted cash and cash equivalents included in restricted cash and investments	<u>–</u>	<u>7,847,588</u>	<u>–</u>	<u>7,847,588</u>
Cash and cash equivalents, end of year	<u>\$ 353,745</u>	<u>\$ 10,035,159</u>	<u>\$ 44,970</u>	<u>\$10,433,874</u>

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

Year ended December 31, 2017

(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)	\$ (116,876)	\$ 903,490	\$ (11,782)	\$ 774,832
Adjustments to reconcile net cash provided by operating income (loss) to net cash provided by operating activities:				
Depreciation	213,705	608,264	–	821,969
Decrease (increase) in accounts receivable	(9,074)	3,353	(4,407)	(10,128)
Increase (decrease) in accounts payable	484	(34,625)	7	(34,134)
Increase (decrease) in accrued wages payable	(808)	627	190	9
Decrease in compensated absences payable	–	4,381	–	4,381
Net cash provided by (used for) operating activities	<u>\$ 87,431</u>	<u>\$ 1,485,490</u>	<u>\$ (15,992)</u>	<u>\$ 1,556,929</u>

Noncash capital and related financing activities:

During 2017, the Water Utility and Sewer Utility funds received assets contributed from the municipality and developers in the amount of \$297,135 and \$702,193, respectively.

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

CITY OF ANDOVER, KANSAS

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

December 31, 2017

	<u>Agency Funds</u>
Assets:	
Cash including investments	<u>\$ 16,572</u>
Liabilities:	
Accrued liabilities payable	12,609
Appearance bonds payable	<u>3,963</u>
Total liabilities	<u>16,572</u>
 Net position	 <u><u>\$ —</u></u>

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

CITY OF ANDOVER, KANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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 and capital project fund types.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Boards

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

Basis of presentation

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

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

Government-wide financial statements

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

Fund financial statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as do the proprietary funds financial statements. Fiduciary funds do not have a measurement focus but they do use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

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

Property taxes, charges for services and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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

The City reports the following major governmental funds:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Project Fund – The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or improvements (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

Water Utility Fund – The Water Utility fund is used to account for the maintenance of the municipal water utility system. The supply, treatment and distribution of water for the City's water utility are provided by the City of Wichita, Kansas, through a twenty-year agreement entered into in 2011. The City of Wichita provides for all billing and collection activities with a surcharge added to provide for City of Andover water system improvements.

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

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

The City also reports the following fund types:

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for franchise fees and other charges between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

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

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

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

Cash and investments

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

Property taxes receivable

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Sales taxes receivable

The City imposes a 1.75% local sales tax that is collected by the State and remitted to the City on a monthly basis. 1% of the sales tax is committed to street rehabilitation within the City and the additional .75% was approved by the citizenry on April 2015 for Central Park restrooms, a new fire ladder truck and a new street shop building. The .75% tax was imposed beginning October 1, 2015 and sunsets on or before October 1, 2020 (see Note 16). The accrued sales tax receivable represents the sales tax collected by the merchants and held by the State at year-end. Such taxes are available to liquidate expenditures of the current period and are accrued as revenues at year-end.

Special assessments receivable

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

Other taxes and revenues

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 monthly.

Inventories and prepaid expenses

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

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

Capital assets

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

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

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

Buildings	50 years
Improvements other than buildings	50 years
Infrastructure	20 to 30 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Compensated absences

The City's policy regarding vacation pay permits all regular employees with one year of service to earn 40 hours vacation pay, two to five years of service to earn 80 hours vacation pay, six to ten years of service to earn 96 hours vacation pay, eleven to fifteen years of service to earn 120 hours vacation pay, sixteen to twenty years of service to earn 160 hours vacation pay, twenty-one to twenty-five years of service to earn 176 hours vacation pay and twenty-six or more years of service to earn 200 hours vacation pay. Employees may accumulate a maximum of 40 to 300 hours of vacation pay depending on the employee's years of service with the City. Upon resignation, employees who have vacation hours in excess of the maximum vacation balance, per their years of service, will receive their current rate of pay for hours up to the maximum vacation balance level. Vacation hours in excess of this level will be paid at the rate of pay on December 31, 2017. The City's policy regarding sick leave permits all regular full-time and probationary employees to earn 8 hours of sick leave for every month of service. Sick leave is allowed to accumulate up to a maximum of 480 hours. After the maximum hours are reached, employees, based on their monthly or hourly salary, will be paid 5/12 of the unused hours over the maximum as of December 31st. Policies require the cancellation of accumulated sick leave upon termination. The liabilities for accrued compensated absences are based on current salary rates and the vested portion of accumulated benefits. The liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

Accrued liabilities and long-term debt

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

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 fund expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred Inflows of Resources/Deferred Outflows of Resources

A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The City has identified changes in the pension liability proportion and differences between expected and actual experience and deferred refunding bond costs as financial items that meet the definition of deferred outflows of resources. The City identified certain items that met the definition of a deferred inflow of resources. These items include property taxes receivable, special assessment taxes receivable, premium received on the sale of general obligation bonds and pension related items of differences between expected and actual experience, differences between projected and actual investment earnings, changes in assumptions and changes in pension liability proportion. These items are classified as deferred inflows of resources and will be recognized in the period that the amounts become available.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications

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

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

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

- Nonspendable – Assets that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.
- Restricted – Assets with externally imposed constraints such as those mandated by creditors, grantors, and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws or regulations.
- Committed – The committed portion of fund balance can only be used for the specific purpose imposed by an ordinance authorized by a majority vote of the City Council. Any changes or removal of specific purposes requires a majority vote by a quorum of the governing body.
- Assigned – The assigned portion of fund balance is that which the City of Andover intends to use for a specific purpose as directed by the City Council. The portion of fund balance that is appropriated by the City Council for next year’s budget that is not already restricted or committed is considered assigned. Encumbrances, which can be approved by designated senior staff, are included in assigned fund balance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund balance for all major and nonmajor governmental funds as of December 31, 2017 were allocated as follows:

	Major Funds				Nonmajor Funds Other Govern- mental Funds	Total Govern- mental Funds
	General	Street Improvement	Debt Service	Capital Projects		
Fund Balances						
Restricted for:						
General Government –						
Employee benefits	\$ –	\$ –	\$ –	\$ –	\$ 340,232	\$ 340,232
Debt Service	–	–	2,119,711	–	14,508	2,134,219
Street improvements	–	6,855,272	–	–	199,514	7,054,786
Recreation for:						
Library	–	–	–	–	13,101	13,101
Park improvements	–	–	–	–	134,212	134,212
Economic development	–	–	–	–	207,637	207,637
Public Safety for:						
Emergency 911 equipment	–	–	–	–	111,979	111,979
Committed to:						
General Government –						
Subsequent year's budget	2,568,968	–	–	–	–	2,568,968
Street improvements for:						
Streets	–	–	–	–	864,397	864,397
Storm water improvements	–	–	–	–	117,851	117,851
Street machinery and bridge building	–	–	–	–	255,158	255,158
Parks and recreation improvements	–	–	–	–	146,975	146,975
Assigned to:						
Recreation – festivals	–	–	–	–	128,485	128,485
Capital outlay for:						
Administration equipment	–	–	–	–	662,957	662,957
Technology equipment	–	–	–	–	167,636	167,636
Inspection/code enforcement equipment	–	–	–	–	55,799	55,799
Police equipment	–	–	–	–	23,092	23,092
Fire equipment	–	–	–	–	173,960	173,960
Storm water equipment	–	–	–	–	33,278	33,278
Unassigned	<u>237,702</u>	<u>–</u>	<u>–</u>	<u>(431,782)</u>	<u>–</u>	<u>(194,080)</u>
Totals	<u>\$ 2,806,670</u>	<u>\$ 6,855,272</u>	<u>\$ 2,119,711</u>	<u>\$ (431,782)</u>	<u>\$ 3,650,771</u>	<u>\$ 15,000,642</u>

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2017:

<u>Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
General	\$ 7,470,302	\$ 8,529,803
Street Improvement	2,277,233	2,949,633
Hotel and Tourism	100,000	337,000
Park Improvement	181,493	284,393
Park Impact Fee	25,000	78,000
Storm Water Utility	145,228	190,228
Festivals	37,500	49,735
Debt Service	4,723,750	5,724,250

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
Water Utility	\$ 24,939	\$ 40,939
Recycling/Trash Utility	700,303	730,303

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

2. DEPOSITS AND INVESTMENTS

Deposits

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

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

Investments

At December 31, 2017 the City had the following investments:

2. DEPOSITS AND INVESTMENTS (continued)

<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	\$ 100,324	\$ 100,324	.03	AAAf/S1+

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

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2017, is as follows:

Kansas Municipal Investment Pool	100%
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Custodial credit risk – deposits

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

The City and its component unit's cash and investments at December 31, 2017 consisted of demand deposit accounts, money market savings accounts, certificates of deposits and investments in the Kansas State Treasurer's Municipal Investment Pool. At year-end, the carrying amount of the City's deposits was \$25,816,325 with the bank balances of such accounts being \$26,206,786. Of the bank balances, \$254,478 was covered by federal depository insurance and the remaining balance of \$25,952,308 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 \$26,131,145 at December 31, 2017.

The City's discretely presented component unit's cash and investments at December 31, 2017 consisted of checking and savings accounts. At year-end, the carrying amount of the

2. DEPOSITS AND INVESTMENTS (continued)

City's component unit's deposits were \$463,572 and the bank balances were \$483,320. Of the bank balances, \$406,307 was covered by federal depository insurance and the remaining balance of \$77,013 was covered by collateral held by the City's component unit custodial bank in joint custody in the name of the City's component unit and its bank. The fair value of those pledged securities held by the City's component unit custodial bank was \$216,283 at December 31, 2017.

A reconciliation of cash and investments as reported in the financial statements at December 31, 2017 is as follows:

2. DEPOSITS AND INVESTMENTS (continued)

Cash on hand	\$ 2,765
Carrying amount of deposits – City	25,816,325
Carrying amount of deposits – component unit	463,572
Carrying amount of investments	<u>100,324</u>
Total	<u>\$ 26,382,986</u>
Amounts per statement of net position:	
Cash including investments	\$ 18,055,254
Component unit cash and investments	463,572
Cash held in fiduciary funds	16,572
Restricted cash and investments	<u>7,847,588</u>
Total	<u>\$ 26,382,986</u>

3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2017 is as follows:

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2017</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,572,628	\$ –	\$ –	\$ 1,572,628
Construction Work in Progress	<u>3,529,743</u>	<u>2,630,096</u>	<u>4,959,713</u>	<u>1,200,126</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
	<u>\$ 5,102,371</u>	<u>\$ 2,630,096</u>	<u>\$ 4,959,713</u>	<u>\$ 2,772,754</u>
Capital assets being depreciated:				
Buildings	14,935,069	—	—	14,935,069
Improvements other than buildings	872,819	9,299	—	882,118
Infrastructure	65,843,675	4,580,238	—	70,423,913
Machinery and equipment	<u>9,320,114</u>	<u>435,742</u>	<u>114,299</u>	<u>9,641,557</u>
Total capital assets being depreciated	<u>90,971,677</u>	<u>5,025,279</u>	<u>114,299</u>	<u>95,882,657</u>
Less accumulated depreciation for:				
Buildings	2,933,259	313,860	—	3,247,119
Improvements other than buildings	481,148	51,040	—	532,188
Infrastructure	28,859,249	3,383,589	—	32,242,838
Machinery and equipment	<u>6,820,475</u>	<u>646,083</u>	<u>114,299</u>	<u>7,352,259</u>
Total accumulated depreciation	<u>39,094,131</u>	<u>4,394,572</u>	<u>114,299</u>	<u>43,374,404</u>
Total capital assets being depreciated, net	<u>51,877,546</u>	<u>630,707</u>	<u>—</u>	<u>52,508,253</u>
Governmental activities capital assets, net	<u>\$ 56,979,917</u>	<u>\$ 3,260,803</u>	<u>\$ 4,959,713</u>	<u>\$ 55,281,007</u>
Business-Type Activities:				
Capital assets, not being depreciated				
Land	<u>\$ 123,946</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 123,946</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital assets being depreciated:				
Buildings	\$ 5,613,756	\$ —	\$ —	\$ 5,613,756
Improvements other than buildings	28,686,574	999,328	—	29,685,902
Machinery and equipment	<u>1,029,681</u>	<u>108,085</u>	<u>—</u>	<u>1,137,766</u>
Total capital assets being depreciated	<u>35,330,011</u>	<u>1,107,413</u>	<u>—</u>	<u>36,437,424</u>
Less accumulated depreciation for:				
Buildings	2,419,916	108,081	—	2,527,997
Improvements other than buildings	9,024,869	591,092	—	9,615,961
Machinery and equipment	<u>738,962</u>	<u>122,796</u>	<u>—</u>	<u>861,758</u>
Total accumulated depreciation	<u>12,183,747</u>	<u>821,969</u>	<u>—</u>	<u>13,005,716</u>
Total capital assets being depreciated, net	<u>23,146,264</u>	<u>285,444</u>	<u>—</u>	<u>23,431,708</u>
Business-type activities capital assets, net	<u>\$ 23,270,210</u>	<u>\$ 285,444</u>	<u>\$ —</u>	<u>\$ 23,555,654</u>

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

Governmental activities:	
General government	\$ 164,885
Public safety	482,150

3. CAPITAL ASSETS (continued)

Highways and streets (including depreciation of infrastructure assets)	\$ 3,486,638
Culture and recreation	<u>260,899</u>
Total depreciation expense – governmental activities	<u>\$ 3,394,572</u>
Business-type activities:	
Water utility	\$ 213,705
Sewer utility	<u>608,264</u>
Tot depreciation expense – business-type activities	<u>\$ 821,969</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, 2017:

	Outstanding January 1, 2017	Additions	Deletions	Outstanding December 31, 2017	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$33,490,000	\$ 3,575,000	\$ 3,180,000	\$ 33,885,000	\$ 3,130,000
Andover Public Building					
Commission revenue					
bonds	4,654,000	1,150,000	1,144,000	4,660,000	1,115,000
Capital lease obligations	93,210	–	45,481	47,729	47,729
Compensated absences	808,292	383,133	320,213	871,212	354,793
Net pension liability	3,873,455	676,496	440,788	4,109,163	–
Net premium on bonds	<u>591,349</u>	<u>14,018</u>	<u>99,900</u>	<u>505,467</u>	<u>89,440</u>
Total long-term liabilities – Governmental activities	<u>\$43,510,306</u>	<u>\$ 5,798,647</u>	<u>\$ 5,230,382</u>	<u>\$ 44,078,571</u>	<u>\$ 4,736,962</u>
<u>Business-type activities</u>					
Compensated absences	<u>\$ 53,322</u>	<u>\$ 27,182</u>	<u>\$ 22,801</u>	<u>\$ 57,703</u>	<u>\$ 24,674</u>

General obligation bonds

General obligation bonds payable are serial bonds to be retired through calendar year 2038. At December 31, 2017 the bonds consist of the following:

	Interest rates	Bonds outstanding
General Obligation Bonds, Series A 2011	2.50 – 4.15%	\$ 200,000

4. LONG-TERM DEBT (continued)

	<u>Interest rates</u>	<u>Bonds outstanding</u>
General Obligation Refunding Bonds, Series B 2011	.60 – 2.25%	\$ 240,000
General Obligation Refunding Bonds, Series A 2012	2.00 – 3.00%	3,385,000
General Obligation Bonds, Series B 2012	2.00 – 2.60%	2,095,000
General Obligation Refunding Bonds, Series A 2013	2.00 – 2.00%	2,490,000
General Obligation Bonds, Series B 2013	2.50 – 4.20%	2,995,000
General Obligation Refunding and Improvement Bonds, Series A 2015	2.00 – 3.00%	6,265,000
Taxable General Obligation Bonds, Series B 2015	.65 – 3.90%	3,325,000
General Obligation Refunding and Equipment Bonds, Series A 2016	2.00 – 2.50%	9,315,000
General Obligation Bonds, Series A 2017	2.00 – 3.25%	<u>3,575,000</u>
		<u>\$ 33,885,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,130,000	\$ 744,914	\$ 3,874,914
2019	3,005,000	857,373	3,862,373
2020	3,180,000	711,726	3,891,726
2021	3,015,000	642,856	3,657,856
2022	3,065,000	575,799	3,640,799
2023	2,865,000	507,026	3,372,026
2024	2,030,000	440,559	2,470,559
2025	1,900,000	394,959	2,294,959
2026	1,540,000	349,436	1,889,436
2027	1,345,000	310,566	1,655,566
2028	1,385,000	273,289	1,658,289
2029	1,415,000	233,730	1,648,730
2030	1,465,000	190,660	1,655,660
2031	1,200,000	144,858	1,344,858
2032	720,000	109,683	829,683
2033	740,000	86,758	826,758
2034	600,000	62,678	662,678
2035	395,000	42,038	437,038

4. LONG-TERM DEBT (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2036	\$ 400,000	\$ 29,338	\$ 429,338
2037	240,000	15,925	255,925
2038	<u>250,000</u>	<u>8,125</u>	<u>258,125</u>
	<u>\$ 33,885,000</u>	<u>\$ 6,732,296</u>	<u>\$ 40,617,296</u>

Capital lease obligation

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

This lease qualifies as a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the net minimum lease payments at the date of the lease inception. The annual requirements to amortize the capital lease obligation outstanding at December 31, 2017, including interest payments, is as follows:

<u>Year ending December 31,</u>	<u>Governmental Funds Fire Truck</u>
2018	\$ 50,086
Less amounts representing interest	<u>(2,357)</u>
Present value of net minimum lease payments	<u>\$ 47,729</u>

The lease payments are being financed from the City's General Fund. The cost and accumulated amortization of the leased fire truck at December 31, 2017 is \$383,272 and \$383,272, respectively.

Andover Public Building Commission revenue bonds

Andover Public Building Commission revenue bonds payable are serial bonds to be retired through calendar year 2032. At December 31, 2017 the bonds consist of the following:

	<u>Interest rates</u>	<u>Bonds outstanding</u>
Park Facilities Revenue Bonds, Series B 2004	4.00 – 6.50%	\$ 40,000
Public Safety Facility Revenue Bonds, Series C 2004	4.32%	1,595,000

4. LONG-TERM DEBT (continued)

	<u>Interest rates</u>	<u>Bonds outstanding</u>
Park Facilities Revenue Bonds, Series A, 2006	4.25 – 4.50%	\$ 20,000
Park Facilities Refunding Revenue Bonds, Series B 2011	.90 – 2.75%	170,000
Andover Public Building Commission Revenue Bonds, Series A 2015 (Shop Maintenance Facility and Central Park Restrooms)	2.00 – 2.00%	1,685,000
Andover Public Building Commission Revenue Bonds, Series A 2017 (Amphitheater)	3.00 – 4.00%	<u>1,150,000</u>
		<u>\$ 4,660,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,115,000	\$ 157,240	\$ 1,272,240
2019	1,145,000	121,410	1,266,410
2020	280,000	92,556	372,556
2021	305,000	81,375	386,375
2022	320,000	69,180	389,180
2023	345,000	56,346	401,346
2024	375,000	42,462	417,462
2025	85,000	27,288	112,288
2026	85,000	24,738	109,738
2027	90,000	22,188	112,188
2028	95,000	19,263	114,263
2029	100,000	16,175	116,175
2030	100,000	12,800	112,800
2031	105,000	8,800	113,800
2032	<u>115,000</u>	<u>4,600</u>	<u>119,600</u>
	<u>\$ 4,660,000</u>	<u>\$ 756,421</u>	<u>\$ 5,416,421</u>

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,

4. LONG-TERM DEBT (continued)

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, 2017 was \$30,195,247. During 2017, there were no new bonds issued and \$794,529 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.

Net Pension Liability

The liability for pension-related debt has typically been liquidated from the City's 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 2017, there were no new temporary notes issued and \$2,170,000 was retired by the City. At December 31, 2017 the City had no outstanding temporary notes.

During 2017, 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>
\$ 2,170,000	\$ —	\$ 2,170,000	\$ —

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

6. SEWAGE TREATMENT RESERVES (continued)

surcharge are restricted for either: (a) the future expansion of the sewage treatment plant or (b) at the discretion of the governing body may be used to reduce the general tax levy in the debt service fund which is levied to fund past sewer expansion costs.

Sewage equipment reserve

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

7. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2017, 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, 2017</u>
Cornerstone Office 2 nd Addition Project	\$ 632,000	531,828
Cornerstone 6 th Addition Project	1,401,000	1,294,773
Cornerstone 7 th Addition Project	1,728,000	1,509,694
Cornerstone Commercial/School Addition Project	96,169	60
Prairie Pointe @ Cornerstone Project		358,075
Prairie Creek 2 nd Addition Project	1,685,000	1,423
Prairie Creek 3 rd Addition Project	1,864,000	2,360
Green Valley Greens 12 th Addition Project	497,000	429,078
Prairie Creek Project	839,000	1,645
Fire Pumper Truck Project	670,000	699,505
Fire Ladder Truck Project	1,000,000	999,011
Street Shop Project	3,074,084	3,074,084
Amphitheater Project	1,475,000	1,189,398

8. PENSION PLANS

Simplified Employee Pension Plan

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 \$3,254,288 and the City's total payroll was \$4,727,919 for the year ended December 31, 2017. All full-time employees are eligible to participate in the Plan after six months of continuous

8. PENSION PLANS (continued)

employment. Benefits are fully vested upon eligibility to participate in the Plan. The employer's contribution as required by the Plan document, for 2017 was based upon 6% of gross compensation and was \$195,257. Employees are not required to make contributions to the Plan but are allowed to make elective contributions, however, the tax deferral of such contributions is dependent upon each individual's situation. The City matches the employee's elective contributions up to a maximum of 3%. During 2017, the employees elective contributions made through payroll deductions were \$58,004. 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 2017.

Kansas Police and Firemen's Retirement System Pension Plan

Plan Description

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. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74-4901 *et. seq.*:

Public employees, which includes:

- State/School employees
- Local employees

Police and Firemen

Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City are included in the Police and Firemen group.

KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, by calling 1-888-275-5737 or via KPERS website at www.kpers.org.

Benefits Provided

KP&F provides retirement benefits, life insurance, disability income benefits and death benefits. Benefits are established by statute and may only be changed by the Legislature.

8. PENSION PLANS (continued)

Members (except Police and Firemen) with ten or more years of credited service may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retire is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points" (Police and Firemen's normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years. Or any age with 36 years of service).

Monthly retirement benefits are based on statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended June 30, 2017.

The actuarially determined employer contribution rates and the statutory contribution rates for KP&F employees (not including the .85% contribution rate for the Death and Disability Program) are 19.03%. Member contribution rates as a percentage of eligible compensation for the fiscal year 2017 are 7.15% for KP&F employees.

8. PENSION PLANS (continued)

The 2015 Legislature passed and the Governor approved Senate Bill 228, which authorized the issuance of \$1 billion in pension obligation bonds. This legislation reset the State/School statutory rate from 11.44% and 16.00% to 10.91% and 10.91%, respectively. The pension obligation bonds were issued in August 2015 and deposited into the trust fund on August 20, 2015.

Employer and Nonemployer Allocations

Although KPERS administers one cost sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group as of June 30, 2017 are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the fiscal year ended June 30, 2017. The contributions used exclude contributions made for prior service excess benefits and irregular payments. At June 30, 2017, the City's proportion was 0.438006%, which was an increase of 0.020951% from its proportion measured at June 30, 2016.

Receivables

In addition to statutorily determined contractually required contributions, certain agencies also make payment through an additional component of their required employer contribution rate or annual installment payments. Both options include interest at 8 percent per year, for the cost of service credited and granted retroactively when the agency initially joined the Retirement System. As of June 30, 2017, the outstanding balance was \$5,606,138. These payments are due over various time periods up through December 31, 2032.

The 2016 Legislature passed and the Governor approved Senate Bill 161, authorizing the delay of up to \$100 million in KPERS State/School contributions. The 2017 Legislature and the Governor approved Substitute for Substitute for HB 2052 which eliminated the funding to repay the delayed 2016 contributions. The amount set up as a long-term receivable in fiscal year 2016 has been written off.

In addition, this bill authorized the delay of \$64.1 million in fiscal year 2017 contributions for unified school districts. This amount has been set up as a long-term receivable and

8. PENSION PLANS (continued)

those contributions are reflected by KPERS in its schedules of employer and nonemployer allocations. Repayment is scheduled in a series of twenty annual payments of \$6.4 million. Senate Substitute for HB 2002 authorized the first two annual payments for fiscal years 2018 and 2019. The first payment of \$6.4 million was received by the Pension Plan in July 2017.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At December 31, 2016⁷ the City reported a liability of \$4,109,163 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2017, the City recognized pension expense of \$440,788. At December 31, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City contributions subsequent to the measurement date	\$ 219,725	\$ —
Differences between expected and actual experience	198,565	30,727
Net difference between projected and actual earnings on pension plan investments	152,167	—
Changes in assumptions	286,825	18,356
Changes in proportion	<u>280,335</u>	<u>—</u>
Total	<u>\$ 1,137,617</u>	<u>\$ 49,083</u>

The City reported \$219,725 as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 189,555
2019	343,389
2020	236,224
2021	56,606
2022	43,035
Thereafter	—

8. PENSION PLANS (continued)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Inflation	2.75 percent
Salary Increase	3.50 percent to 12.00 percent, including price inflation
Investment Rate of Return	7.75 percent compounded annually, net of investment expense, including price inflation

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015. The experience study is dated November 18, 2016.

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study:

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 to 3.50 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major assets class as of the most recent experience study, dated November 18, 2016, as proved by KPERS' investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	47.00%	6.80%
Fixed Income	13.00	1.25
Yield Driven	8.00	6.55

8. PENSION PLANS (continued)

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Real Return	11.00	1.71
Real Estate	11.00	5.05
Alternatives	8.00	9.85
Short-Term Investments	<u>2.00</u>	(0.25)
Total	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions outlined below:

In KPERS, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for fiscal year 2017 was 1.2 percent.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for fiscal year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates of the State/School group to 10.91 percent for fiscal year 2016 and 10.81 percent for fiscal year 2017 in anticipation of the issuance of \$1 billion in pension obligation bonds. Legislation in the 2016 (BS 161) provided for the delay of up to \$100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the payment provisions included in SB 161.

In addition, 2017 Senate Substitute For Substitute HB 2052 delayed \$64.1 million in Fiscal Year State/School contributions to be repaid over 20 years in level dollar installments. The first year payment of \$6.4 million was received in July 2017 and appropriations for fiscal year 2018 are intended to fully fund the State/School group statutory contribution rate of 12.01 percent for that year. Additional legislation in the 2017 Session (S Sub for HB 2002) provided for a reduction of \$194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for fiscal year 2019. Like the fiscal year 2017 reduction, it is to be paid back over a 20-year period, beginning in fiscal year 2020. Therefore, both reductions will be accounted for as long-term receivables by the Pension Plan.

8. PENSION PLANS (continued)

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the Pension Plan as of June 30, 2017 calculated using the discount rate of 7.75%, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	June 30, 2017		
	1.00% Decrease (7.00%)	Current Discount Rate (8.00%)	1.00% Increase (9.00%)
Amount due within one year	\$5,827,191	\$4,109,163	\$2,668,016

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

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	\$ 283,662	\$ 2,291,880
Street Improvement	—	37,833
Debt Service	130,625	—
Capital Project	1,124,250	169,139
Water Utility	—	16,000
Sewer Utility	—	210,612

9. INTERFUND TRANSFERS (continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Recycling/Trash Utility	\$ —	\$ 30,000
	<u>1,538,537</u>	<u>2,755,464</u>
Nonmajor Funds:		
Park Improvement	30,000	211,493
Special Building	1,051,593	—
Park Impact Fee	—	15,000
Storm Water Utility	—	55,000
Festivals	—	9,500
Street Machinery and Bridge Building	15,000	—
Capital Equipment Reserve	<u>411,327</u>	<u>—</u>
	<u>1,507,920</u>	<u>290,993</u>
Total transfers	<u>\$ 3,046,457</u>	<u>\$ 3,046,457</u>

Transfers from the General Fund to the Street Machinery and Bridge Building Fund and Capital Equipment Reserve Fund in the amounts of \$15,000 and \$411,327, respectively, are related to improvement and equipment replacement reserves. In addition, the Storm Water Utility Fund transferred \$10,000 to the Capital Equipment Reserve Fund to fund future equipment.

The General Fund received a nonroutine transfer of \$150,000 from the Sewer Utility Fund to defray administrative expenses. In addition, the General Fund received nonroutine transfers from the Capital Project Fund in the amount of \$133,662 for administrative expense charges.

The Special Building Fund received \$1,051,593 of routine transfers from the General Fund to assist in the lease payments from the City to the Public Building Commission.

The Park Improvement Fund received a non-routine transfer from the Recycling/Trash Fund to assist in funding park improvements in the amount of \$30,000.

The Debt Service Fund received non-routine transfers from Street Improvement Fund and Sewer Utility Fund in the amounts of \$37,833 and \$60,612, respectively, to forestall the need for a property tax increase in the Debt Service Fund. In addition, the Debt Service Fund received \$32,180 from the Capital Projects Fund related to a closed project with excess funds.

9. INTERFUND TRANSFERS (continued)

Nonroutine transfers from the General Fund, Park Improvement Fund, Park Impact Fee Fund, Storm Water Utility, Festivals Fund, and Water Utility and in the amounts of \$823,960, \$211,493, \$15,000, \$45,000, \$9,500 and \$16,000, respectively, were made to the Capital Projects Fund to assist in funding certain projects.

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:

	General Fund	Street Improve- ment Fund	Debt Service Fund	Other Nonmajor Governmental Funds
GAAP Fund Balances at December 31, 2017	\$ 2,806,670	\$ 6,855,272	\$ 2,119,711	\$ 3,650,771
Adjustments:				
Reserved for encumbrances (budgeted funds only)	(24,789)	(850,932)	—	(64,197)
Accrued sales tax revenues	(131,249)	(174,998)	—	—
Accrued franchise fee revenues	(108,030)	—	—	—
Accrued accounts receivable	—	—	—	(38,042)
Fund balances of funds not subject to Kansas budget law	—	—	—	(1,457,743)
Budgetary Fund Balances at December 31, 2017	<u>\$ 2,542,602</u>	<u>\$ 5,829,342</u>	<u>\$ 2,119,711</u>	<u>\$ 2,090,789</u>

11. FUND DEFICITS

At December 31, 2017, the Capital Projects Fund had incurred a fund deficit in the amount of \$431,782. This fund deficit will be financed through the sale of bonds authorized by the City Council, not yet sold at December 31, 2017, or through other revenue sources available to the City.

12. ADVANCE REFUNDING

On March 1, 2016, the City entered into an advance refunding transaction whereby it issued \$9,640,000 of General Obligation Refunding and Equipment Bonds, Series A 2016 with interest rates from 2.00% to 2.50% to advance refund \$2,425,000 of outstanding General Obligation Bonds Series A, 2007 with interest rates from 4.30% to 4.75%, \$1,925,000 of General Obligation Bonds, Series B 2010 with interest rates from 2.75% to \$4.25%, and \$4,395,000 of General Obligation Bonds, Series A 2011 with interest rates from 2.60% to 4.15%. Proceeds from the Series A 2016 Bonds in the amount of \$9,150,512 were placed in an irrevocable escrow fund to provide for all debt service

12. ADVANCE REFUNDING (continued)

payments on the refunded Series A 2007, Series B 2010 and Series A 2011 Bonds to the redemption date. The Series B 2010 and Series A 2011 Bonds were called for redemption on October 1, 2016. The Series A 2007 Bonds were called for redemption on October 1, 2017.

The City advance refunded the Series A 2007, Series B 2010 and Series A 2011 Bonds to reduce its total debt service payments over the next 15 years by \$1,129,658 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,027,578.

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 and City management believes the effect on the City's financial statements is not significant. 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. TAX ABATEMENTS

The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. The objective of GASB Statement No. 77 is to improve financial reporting by giving financial statement users essential information regarding the nature and magnitude of tax abatements. The City operates two economic development programs that qualify as tax abatements under GASB No. 77. Those programs are summarized as follows.

Neighborhood Revitalization Programs Property Tax Abatements

The City approves property tax abatements in accordance with K.S.A. 79-201a Second and Twenty-Fourth and K.S.A. 12-1740 to 12-1749d, inclusive. The City has two separate Neighborhood Revitalization Plan (NRP) incentive programs which were established January 1, 2010 (revised May 8, 2012), expiring December 31, 2013, and August 11, 2015, expiring December 31, 2018. The first NRP program requires that the construction or improvements for residential properties be at least \$5,000 based upon building permit value. Valuation increases above \$400,000 will not be eligible under the program.

14. TAX ABATEMENTS (continued)

Commercial/industrial construction or improvements must be at least \$10,000 based on permit value. Valuation increases above \$800,000 will not be eligible under the program. Properties within the designated area within the City of Andover are eligible. Upon timely payment in full of all real estate tax and special assessments for the property, a rebate of the taxes related to the valuation improvement (less a 5% administrative fee retained by Butler County, Kansas) will be made to the property owner within 45 days of the due date of taxes. Butler County issues the rebate checks directly to the individual taxpayers. The rebate period is 10 years for rehabilitations, alterations or additions and 5 years for new construction on a vacant lot. The rebate amount is 95% of the tax corresponding to the increase in appraised value resulting from the specific improvements identified on the application on rehabilitations, alterations, or additions to residential or commercial properties and new residential and commercial projects. All taxing subdivisions overlapping the City of Andover participate in this NRP program.

The second NRP program requires that the construction or improvements for residential properties be at least \$25,000 based upon building permit value. Commercial/industrial construction or improvements must be at least \$50,000 based on permit value. Properties within the designated area within the City of Andover are eligible. Upon timely payment in full of all real estate tax and special assessments for the property, a rebate of the taxes related to the valuation improvement (less a 5% administrative fee retained by Butler County, Kansas) will be made to the property owner within 45 days of the due date of taxes. Butler County issues the rebate checks directly to the individual taxpayers. The rebate period is 5 years for rehabilitations, alterations or additions and 5 years for new construction on a vacant lot. The rebate amount is 45% of the property tax corresponding to the increase in appraised value resulting from new construction as identified on the application. The rebate amount is 95% of the property tax corresponding to the increase in appraised value resulting from rehabilitation/repair as identified in the application. All taxing subdivisions overlapping the City of Andover participate in this NRP program with the exception of Unified School District No. 385.

The property taxes rebated under the NRP programs during 2017 totaled \$120,722.

Industrial Revenue Bond (IRB) Tax Abatements

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with seven entities as of December 31, 2017. The City expects property tax abatements to help achieve some or all of the following objectives:

- Retention and/or expansion of existing businesses located in the City;
- Diversification of the local economy;
- Positive net impact on the City or a particular areas of the City where economic assistance is needed;
- Enhance the City's economic climate and increase/maintain the City's job market;
- Increase the property tax base of commercial properties to further support the cost of City services;

14. TAX ABATEMENTS (continued)

- Enhance the City's credit worthiness by broadening the tax base;
- Promote the completion of existing City business park and encourage development of new business enterprises.

The City has granted tax abatements ranging from 0% to 100% of property taxes for a maximum period of 10 years.

For the year ended December 31, 2017, the total property taxes abated under the City's IRB agreements were approximately \$1,190,815 with the City's portion of that total being \$300,004.

15. 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, 2017, the City had outstanding construction and engineering commitments related to these projects in the amount of \$1,198,148. 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.

16. SUBSEQUENT EVENTS

In May 2018, the City Council approved the repeal of Ordinance 1590 to repeal the additional .75% sales tax effective October 1, 2018, two years in advance of its established sunset date. This additional sales tax was initiated to finance a new street maintenance shop, ladder truck and restrooms in Central park.

Management has evaluated subsequent events through June 20, 2018, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANDOVER, KANSAS
REQUIRED SUPPLEMENTARY INFORMATION
KANSAS POLICE AND FIREMEN'S RETIREMENT PENSION PLAN

Schedule of City's Proportionate Share of the Net Pension Liability
Last Four Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportionate percentage of the net pension liability	.438006%	.417055%	.408608%	.382706%
City's proportionate share of the net pension liability	\$4,109,163	3,873,455	\$2,966,975	\$2,509,947
City's covered employee payroll	\$2,268,789	\$2,028,512	\$1,860,078	\$1,704,024
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	55.23%	52.37%	62.69%	67.89%
Plan fiduciary net position as a percentage of the Total pension liability	70.99%	69.30%	74.60%	76.28%

Schedule of City's Contributions
Last Four Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 440,788	\$ 418,402	\$ 402,811	\$ 352,976
Contributions in relation to the contractually required contribution	<u>(440,778)</u>	<u>(418,402)</u>	<u>(402,811)</u>	<u>(352,976)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered employee payroll	\$2,316,279	\$2,048,982	\$1,885,819	\$1,771,968
Contributions as a percentage of covered employee payroll	19.03%	20.42%	21.36%	19.92%

* – Data became available with the inception of GASB Statement No. 68 during fiscal year 2014, therefore 10 years of data is unavailable.

**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 that 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.

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.

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

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 that may be lawfully utilized for such purposes.

CITY OF ANDOVER, KANSAS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

December 31, 2017

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash including short-term investments	\$ 2,214,004	\$1,457,743	\$ 3,671,747
Property taxes receivable	2,293,638	—	2,293,638
Accounts receivable	<u>50,635</u>	<u>—</u>	<u>50,635</u>
Total	<u>\$ 4,558,277</u>	<u>\$1,457,743</u>	<u>\$ 6,016,020</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accrued wages payable	\$ 898	\$ —	\$ 898
Accounts payable	<u>70,713</u>	<u>—</u>	<u>70,713</u>
Total liabilities	<u>71,611</u>	<u>—</u>	<u>71,611</u>
Deferred inflows of resources:			
Property taxes receivable	<u>2,293,638</u>	<u>—</u>	<u>2,293,638</u>
Fund Balances:			
Restricted:			
General government	340,232	—	340,232
Debt service	14,508	—	14,508
Street improvements	199,514	—	199,514
Recreation	147,313	—	147,313
Economic development	207,637	—	207,637
Public safety	111,979	—	111,979
Committed:			
Street improvements	896,385	341,021	1,237,406
Parks and recreation	146,975	—	146,975
Assigned:			
Recreation	128,485	—	128,485
Capital outlay	<u>—</u>	<u>1,116,722</u>	<u>1,116,722</u>
Total fund balances	<u>2,193,028</u>	<u>1,457,743</u>	<u>3,650,771</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,558,277</u>	<u>\$1,457,743</u>	<u>\$ 6,016,020</u>

CITY OF ANDOVER, KANSAS

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

Year ended December 31, 2017

	Special Revenue <u>Funds</u>	Capital Projects <u>Fund</u>	<u>Total</u>
Revenues:			
Taxes	\$ 2,433,268	\$ —	\$ 2,433,268
Intergovernmental	395,773	—	395,773
Licenses, fees and permits	255,840	—	255,840
Charges for services	111,370	—	111,370
Use of money and property	1,378,741	11,062	1,389,803
Miscellaneous	<u>273,087</u>	<u>5,000</u>	<u>278,087</u>
Total revenues	<u>4,848,079</u>	<u>16,062</u>	<u>4,864,141</u>
Expenditures:			
Current:			
General government	240,660	—	240,660
Public Safety	1,424,800	—	1,424,800
Highways and streets	1,227,929	—	1,227,929
Culture and recreation	982,717	—	982,717
Economic development	296,874	—	296,874
Capital improvements	—	259,543	259,543
Debt service:			
Principal	1,144,000	—	1,144,000
Interest and fiscal charges	<u>138,193</u>	<u>—</u>	<u>138,193</u>
Total expenditures	<u>5,455,173</u>	<u>259,543</u>	<u>5,714,716</u>
Revenues over (under) expenditures	<u>(607,094)</u>	<u>(243,481)</u>	<u>(850,575)</u>
Other financing sources (uses):			
Transfers in	1,081,593	426,327	1,507,920
Transfers out	<u>(290,993)</u>	<u>—</u>	<u>(290,993)</u>
Total other financing sources (uses)	<u>790,600</u>	<u>426,327</u>	<u>1,216,927</u>
Net change in fund balances	183,506	182,846	366,352
Fund balances, beginning of year	<u>2,009,522</u>	<u>1,274,897</u>	<u>3,284,419</u>
Fund balances, end of year	<u>\$ 2,193,028</u>	<u>\$1,457,743</u>	<u>\$ 3,650,771</u>

CITY OF ANDOVER, KANSAS

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

December 31, 2017

	Special Highway	Employee Benefits	Library	Hotel and Tourism	Park Improve- ment	Emergency 911	Street Impact Fee	Special Building
<u>ASSETS</u>								
Cash and short-term investments	\$ 503,599	\$ 377,728	\$ 13,101	\$ 191,995	\$ 134,212	\$ 112,099	\$ 485,094	\$ 14,508
Accounts receivable	—	—	—	33,455	—	4,587	—	—
Property taxes receivable	—	1,656,434	421,946	—	—	—	—	215,258
Total assets	<u>\$ 503,599</u>	<u>\$ 2,034,162</u>	<u>\$ 435,047</u>	<u>\$ 225,450</u>	<u>\$ 134,212</u>	<u>\$ 116,686</u>	<u>\$ 485,094</u>	<u>\$ 229,766</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>								
Liabilities:								
Accrued wages payable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accounts payable	10,645	37,496	—	17,813	—	4,707	—	—
Total liabilities	10,645	37,496	—	17,813	—	4,707	—	—
Deferred inflows of resources:								
Property taxes receivable	—	1,656,434	421,946	—	—	—	—	215,258
Fund balances:								
Restricted:								
General government	—	340,232	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—	14,508
Street improvements	199,514	—	—	—	—	—	—	—
Recreation	—	—	13,101	—	134,212	—	—	—
Economic development	—	—	—	207,637	—	—	—	—
Public safety	—	—	—	—	—	111,979	—	—
Committed:								
Street improvements	293,440	—	—	—	—	—	485,094	—
Parks and recreation	—	—	—	—	—	—	—	—
Assigned:								
Recreation	—	—	—	—	—	—	—	—
Total fund balances	492,954	340,232	13,101	207,637	134,212	111,979	485,094	14,508
Total liabilities, deferred Inflows and fund balances	<u>\$ 503,599</u>	<u>\$ 2,034,162</u>	<u>\$ 435,047</u>	<u>\$ 225,450</u>	<u>\$ 134,212</u>	<u>\$ 116,686</u>	<u>\$ 485,094</u>	<u>\$ 229,766</u>

CITY OF ANDOVER, KANSAS

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

December 31, 2017

	Park Impact Fee	Storm Water Utility	Festivals	Andover Public Building Commission	Total Nonmajor Special Revenue Funds
<u>ASSETS</u>					
Cash and short-term investments	\$ 146,975	\$ 106,198	\$ 128,495	\$ –	\$ 2,214,004
Accounts receivable	–	12,593	–	–	50,635
Property taxes receivable	–	–	–	–	2,293,638
Total assets	<u>\$ 146,975</u>	<u>\$ 118,791</u>	<u>\$ 128,495</u>	<u>\$ –</u>	<u>\$ 4,558,277</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>					
Liabilities:					
Accrued wages payable	\$ –	\$ 898	\$ –	\$ –	\$ 898
Accounts payable	–	42	10	–	70,713
Total liabilities	–	940	10	–	71,611
Deferred inflows of resources:					
Property taxes receivable	–	–	–	–	2,293,638
Fund balances:					
Restricted:					
General government	–	–	–	–	340,232
Debt service	–	–	–	–	14,508
Street improvements	–	–	–	–	199,514
Recreation	–	–	–	–	147,313
Economic development	–	–	–	–	207,637
Public safety	–	–	–	–	111,979
Committed:					
Street improvements	–	117,851	–	–	896,385
Parks and recreation	146,975	–	–	–	146,975
Assigned:					
Recreation	–	–	128,485	–	128,485
Total fund balances	<u>146,975</u>	<u>117,851</u>	<u>128,485</u>	<u>–</u>	<u>2,193,028</u>
Total liabilities, deferred Inflows and fund balances	<u>\$ 146,975</u>	<u>\$ 118,791</u>	<u>\$ 128,495</u>	<u>\$ –</u>	<u>\$ 4,558,277</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, 2017

	<u>Special Highway</u>	<u>Employee Benefits</u>	<u>Library</u>	<u>Hotel and Tourism</u>	<u>Park Improve- ment</u>	<u>Emergency 911</u>	<u>Street Impact Fee</u>	<u>Special Building</u>
Revenues:								
Taxes	\$ —	\$1,506,879	\$ 453,514	\$131,739	\$ 61,527	\$ 54,933	\$ —	\$ 224,676
Intergovernmental	395,773	—	—	—	—	—	—	—
Licenses and permits	—	—	—	—	52,500	—	107,595	—
Charges for services	—	—	—	—	—	—	—	—
Use of money and property	3,890	6,297	167	1,554	73,145	1,063	3,988	3,304
Miscellaneous	—	—	—	153,958	—	—	—	—
Total revenues	<u>399,663</u>	<u>1,513,176</u>	<u>453,681</u>	<u>287,251</u>	<u>187,172</u>	<u>55,996</u>	<u>111,583</u>	<u>227,980</u>
Expenditures:								
General government	—	240,660	—	—	—	—	—	—
Public Safety	—	1,130,510	—	—	—	63,690	—	230,600
Highways and streets	252,567	152,954	—	—	—	—	—	739,585
Culture and recreation	—	149,161	471,900	—	1,633	—	—	312,008
Economic development	—	—	—	296,874	—	—	—	—
Debt service	—	—	—	—	—	—	—	—
Total expenditures	<u>252,567</u>	<u>1,673,285</u>	<u>471,900</u>	<u>296,874</u>	<u>1,633</u>	<u>63,690</u>	<u>—</u>	<u>1,282,193</u>
Revenues over (under) expenditures	<u>147,096</u>	<u>(160,109)</u>	<u>(18,219)</u>	<u>(9,623)</u>	<u>185,539</u>	<u>(7,694)</u>	<u>111,583</u>	<u>(1,054,213)</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	30,000	—	—	1,051,593
Transfers out	—	—	—	—	(211,493)	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(181,493)</u>	<u>—</u>	<u>—</u>	<u>1,051,593</u>
Net change in fund balances	147,096	(160,109)	(18,219)	(9,623)	4,046	(7,694)	111,583	(2,620)
Fund balances, beginning of year	<u>345,858</u>	<u>500,341</u>	<u>31,320</u>	<u>217,260</u>	<u>130,166</u>	<u>119,673</u>	<u>373,511</u>	<u>17,128</u>
Fund balances, end of year	<u>\$ 492,954</u>	<u>\$ 340,232</u>	<u>\$ 13,101</u>	<u>\$ 207,637</u>	<u>\$ 134,212</u>	<u>\$ 111,979</u>	<u>\$ 485,094</u>	<u>\$ 14,508</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, 2017

	Park Impact Fee	Storm Water Utility	Festivals	Andover Public Building Commission	Total Nonmajor Special Revenue Funds
Revenues:					
Taxes	\$ —	\$ —	\$ —	\$ —	\$2,433,268
Intergovernmental	—	—	—	—	395,773
Licenses and permits	95,745	—	—	—	255,840
Charges for services	—	111,370	—	—	111,370
Use of money and property	1,174	1,273	693	1,282,193	1,378,741
Miscellaneous	—	—	119,129	—	273,087
Total revenues	<u>96,919</u>	<u>112,643</u>	<u>119,822</u>	<u>1,282,193</u>	<u>4,848,079</u>
Expenditures:					
General government	—	—	—	—	240,660
Public safety	—	—	—	—	1,424,800
Highways and streets	—	82,823	—	—	1,227,929
Culture and recreation	7,948	—	40,067	—	982,717
Economic development	—	—	—	—	296,874
Debt service	—	—	—	1,282,193	1,282,193
Total expenditures	<u>7,948</u>	<u>82,823</u>	<u>40,067</u>	<u>1,282,193</u>	<u>5,455,173</u>
Revenues over (under) expenditures	<u>88,971</u>	<u>29,820</u>	<u>79,755</u>	<u>—</u>	<u>(607,094)</u>
Other financing sources (uses):					
Transfers in	—	—	—	—	1,081,593
Transfers out	(15,000)	(55,000)	(9,500)	—	(290,993)
Total other financing sources (uses)	<u>(15,000)</u>	<u>(55,000)</u>	<u>(9,500)</u>	<u>—</u>	<u>790,600</u>
Net change in fund balances	73,971	(25,180)	70,255	—	183,506
Fund balances, beginning of year	<u>73,004</u>	<u>143,031</u>	<u>58,230</u>	<u>—</u>	<u>2,009,522</u>
Fund balances, end of year	<u>\$ 146,975</u>	<u>\$ 117,851</u>	<u>\$ 128,485</u>	<u>\$ —</u>	<u>\$ 2,193,028</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 373,519	\$ 373,519	\$ 395,773	\$ 22,254
Use of money and property	<u>200</u>	<u>200</u>	<u>3,890</u>	<u>3,690</u>
Total revenues	<u>373,719</u>	<u>373,719</u>	<u>399,663</u>	<u>25,944</u>
Expenditures and other uses:				
Personal services	55,000	55,000	55,000	–
Contractual services	64,550	64,550	39,981	24,569
Commodities	230,275	230,275	157,586	72,689
Capital Outlay	<u>60,500</u>	<u>60,500</u>	<u>43,848</u>	<u>16,652</u>
Total expenditures and other uses	<u>410,325</u>	<u>410,325</u>	<u>296,415</u>	<u>113,910</u>
Revenues over (under) expenditures and other uses	(36,606)	(36,606)	103,248	139,854
Fund balance, beginning of year	<u>245,889</u>	<u>245,889</u>	<u>345,858</u>	<u>99,969</u>
Fund balance, end of year	<u>\$ 209,283</u>	<u>\$ 209,283</u>	<u>\$ 449,106</u>	<u>\$ 239,823</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, 2017

	<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:				
Taxes	\$1,480,816	\$1,480,816	\$ 1,506,879	\$ 26,063
Use of money and property	<u>1,000</u>	<u>1,000</u>	<u>6,297</u>	<u>5,297</u>
Total revenues	1,481,816	1,481,816	1,513,176	31,360
Expenditures:				
Personal services	<u>1,797,001</u>	<u>1,797,001</u>	<u>1,673,285</u>	<u>123,716</u>
Revenues over (under) expenditures	(315,185)	(315,185)	(160,109)	155,076
Fund balance, beginning of year	<u>330,186</u>	<u>330,186</u>	<u>500,341</u>	<u>170,155</u>
Fund balance, end of year	<u>\$ 15,001</u>	<u>\$ 15,001</u>	<u>\$ 340,232</u>	<u>\$ 325,231</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, 2017

	<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:				
Taxes	\$ 443,181	\$ 443,181	\$ 453,514	\$ 10,333
Use of money and property	<u>—</u>	<u>—</u>	<u>167</u>	<u>167</u>
Total revenues	443,181	443,181	453,681	10,500
Expenditures and other uses:				
Appropriations to Library Board	<u>471,900</u>	<u>471,900</u>	<u>471,900</u>	<u>—</u>
Revenues over (under) expenditures and other uses	(28,719)	(28,719)	(18,219)	10,500
Fund balance, beginning of year	<u>28,719</u>	<u>28,719</u>	<u>31,320</u>	<u>2,601</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,101</u>	<u>\$ 13,101</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, 2017

	<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:				
Motel tax	\$ 100,000	\$ 100,000	\$ 126,148	\$ 26,148
Use of money and property	–	1,200	1,554	354
Concert Proceeds/Donations	<u>–</u>	<u>153,950</u>	<u>153,958</u>	<u>8</u>
Total revenues	<u>100,000</u>	<u>255,150</u>	<u>281,660</u>	<u>26,510</u>
Expenditures:				
Personal services	–	–	17,008	(17,008)
Contractual services	100,000	337,000	274,946	62,054
Commodities	<u>–</u>	<u>–</u>	<u>4,920</u>	<u>(4,920)</u>
Total expenditures	<u>100,000</u>	<u>337,000</u>	<u>296,874</u>	<u>40,126</u>
Revenues over (under) expenditures	–	(81,850)	(15,214)	66,636
Fund balance, beginning of year	<u>192,393</u>	<u>189,396</u>	<u>189,396</u>	<u>–</u>
Fund balance, end of year	<u>\$ 192,393</u>	<u>\$ 107,546</u>	<u>\$ 174,182</u>	<u>\$ 66,636</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, 2017

	<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:				
Liquor tax	\$ 50,361	\$ 60,000	\$ 61,527	\$ 1,527
Licenses, permits and fees	37,500	52,500	52,500	–
Use of money and property	58,133	64,158	73,145	8,987
Transfers in	<u>–</u>	<u>30,000</u>	<u>30,000</u>	<u>–</u>
Total revenues	<u>145,994</u>	<u>206,658</u>	<u>217,172</u>	<u>10,514</u>
Expenditures:				
Contractual services	–	–	1,633	(1,633)
Capital outlay	–	102,900	–	102,900
Debt service	181,493	181,493	–	181,493
Transfers out	<u>–</u>	<u>–</u>	<u>211,493</u>	<u>(211,493)</u>
Total expenditures	<u>181,493</u>	<u>284,393</u>	<u>213,126</u>	<u>71,267</u>
Revenues over (under) expenditures	(35,499)	(77,735)	4,046	81,781
Fund balance, beginning of year	<u>96,687</u>	<u>130,166</u>	<u>130,166</u>	<u>–</u>
Fund balance, end of year	<u>\$ 61,188</u>	<u>\$ 52,431</u>	<u>\$ 134,212</u>	<u>\$ 81,781</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, 2017

	<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:				
Telephone tax	\$ 48,000	\$ 48,000	\$ 55,044	\$ 7,044
Use of money and property	<u>100</u>	<u>100</u>	<u>1,063</u>	<u>963</u>
Total revenues	<u>48,100</u>	<u>48,100</u>	<u>56,107</u>	<u>8,007</u>
Expenditures:				
Contractual services	52,716	52,716	58,091	(5,375)
Capital outlay	<u>13,140</u>	<u>13,140</u>	<u>5,599</u>	<u>7,541</u>
Total expenditures	<u>65,856</u>	<u>65,856</u>	<u>63,690</u>	<u>2,166</u>
Revenues over (under) expenditures	(17,756)	(17,756)	(7,583)	10,173
Fund balance, beginning of year	<u>64,499</u>	<u>64,499</u>	<u>114,975</u>	<u>50,476</u>
Fund balance, end of year	<u>\$ 46,743</u>	<u>\$ 46,743</u>	<u>\$ 107,392</u>	<u>\$ 60,649</u>

CITY OF ANDOVER, KANSAS

STREET IMPACT FEE FUND

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

Year Ended December 31, 2017

	<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	\$ 34,600	\$ 34,600	\$ 107,595	\$ 72,995
Use of money and property	<u>250</u>	<u>250</u>	<u>3,988</u>	<u>3,738</u>
Total revenues	34,850	34,850	111,583	76,733
Expenditures:				
Capital outlay	<u>52,906</u>	<u>52,906</u>	<u>—</u>	<u>52,906</u>
Revenues over (under)				
expenditures	(18,056)	(18,056)	111,583	129,639
Fund balance,				
beginning of year	<u>323,128</u>	<u>323,128</u>	<u>373,511</u>	<u>50,383</u>
Fund balance, end of year	<u>\$ 305,072</u>	<u>\$ 305,072</u>	<u>\$ 485,094</u>	<u>\$ 180,022</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, 2017

	<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 and other sources:				
Property taxes	\$ 222,273	\$ 222,273	\$ 224,676	\$ 2,403
Use of money and property	100	100	3,304	3,204
Transfers in	<u>1,051,593</u>	<u>1,051,593</u>	<u>1,051,593</u>	<u>—</u>
 Total revenues and other sources	 1,273,966	 1,273,966	 1,279,573	 5,607
Expenditures and other uses:				
Appropriation to Andover Public Building Commission	<u>1,282,243</u>	<u>1,282,243</u>	<u>1,282,193</u>	<u>50</u>
Revenues and other sources over (under) expenditures and other uses	(8,277)	(8,277)	(2,620)	5,657
Fund balance, Beginning of year	<u>18,277</u>	<u>18,277</u>	<u>17,128</u>	<u>(1,149)</u>
Fund balance, end of year	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 14,508</u>	<u>\$ 4,508</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, 2017

	<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	\$ 27,000	\$ 27,000	\$ 95,745	\$ 68,745
Use of money and property	<u>250</u>	<u>250</u>	<u>1,174</u>	<u>924</u>
Total revenues	<u>27,250</u>	<u>27,250</u>	<u>96,919</u>	<u>69,669</u>
Expenditures:				
Contractual services	–	–	2,623	(2,623)
Capital outlay	25,000	78,000	25,325	52,675
Transfers out	<u>–</u>	<u>–</u>	<u>15,000</u>	<u>(15,000)</u>
Total expenditures	<u>25,000</u>	<u>78,000</u>	<u>42,948</u>	<u>35,052</u>
Revenues over (under)				
expenditures	2,250	(50,750)	53,971	104,721
Fund balance,				
beginning of year	<u>44,760</u>	<u>73,004</u>	<u>73,004</u>	<u>–</u>
Fund balance, end of year	<u>\$ 47,010</u>	<u>\$ 22,254</u>	<u>\$ 126,975</u>	<u>\$ 104,721</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, 2017

	<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	\$ 105,000	\$ 105,000	\$ 111,370	\$ 6,370
Use of money and property	<u>100</u>	<u>100</u>	<u>1,273</u>	<u>1,173</u>
Total revenues	<u>105,100</u>	<u>105,100</u>	<u>112,643</u>	<u>7,543</u>
Expenditures:				
Personal services	54,003	54,003	54,008	(5)
Contractual services	20,025	20,025	15,607	4,418
Commodities	11,200	11,200	13,557	(2,357)
Capital outlay	50,000	95,000	–	95,000
Transfers out	<u>10,000</u>	<u>10,000</u>	<u>55,000</u>	<u>(45,000)</u>
Total expenditures	<u>145,228</u>	<u>190,228</u>	<u>138,172</u>	<u>52,056</u>
Revenues over (under) expenditures	(40,128)	(85,128)	(25,529)	59,599
Fund balance, beginning of year	<u>123,936</u>	<u>131,580</u>	<u>143,031</u>	<u>11,451</u>
Fund balance, end of year	<u>\$ 83,808</u>	<u>\$ 46,452</u>	<u>\$ 117,502</u>	<u>\$ 71,050</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, 2017

	<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, charges and donations	\$ 37,500	\$ 38,668	\$ 119,129	\$ 80,461
Use of money and property	<u>—</u>	<u>—</u>	<u>693</u>	<u>693</u>
Total revenues and other sources	<u>37,500</u>	<u>38,668</u>	<u>119,822</u>	<u>81,154</u>
Expenditures:				
Personnel services	6,000	11,735	11,735	—
Contractual services	21,000	20,000	19,922	78
Commodities	10,500	8,500	8,410	90
Capital outlay	—	9,500	—	9,500
Transfers out	<u>—</u>	<u>—</u>	<u>9,500</u>	<u>(9,500)</u>
Total expenditures	<u>37,500</u>	<u>49,735</u>	<u>49,567</u>	<u>168</u>
Revenues and other sources over expenditures	—	(11,067)	70,255	81,322
Fund balance, beginning of year	<u>56,555</u>	<u>58,230</u>	<u>58,230</u>	<u>—</u>
Fund balance, end of year	<u>\$ 56,555</u>	<u>\$ 47,163</u>	<u>\$ 128,485</u>	<u>\$ 81,322</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, 2017

	<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 and other sources:				
Taxes	\$ 114,924	\$ 407,176	\$ 115,063	\$ (292,113)
Special assessments	3,464,153	3,464,153	3,861,460	397,307
Use of money and property	–	–	29,658	29,658
Miscellaneous	–	–	12,400	12,400
Transfers in	<u>450,631</u>	<u>1,129,801</u>	<u>130,625</u>	<u>(999,176)</u>
 Total revenues and other sources	 <u>4,029,708</u>	 <u>5,001,130</u>	 <u>4,149,206</u>	 <u>(851,924)</u>
Expenditures and other uses:				
Bond Principal	3,180,000	3,180,000	3,180,000	–
Bond interest and commission	986,250	986,750	985,930	820
Debt service – Fire Station				
Temporary notes	17,500	1,017,500	–	1,017,500
Cash basis reserve	<u>540,000</u>	<u>540,000</u>	<u>–</u>	<u>540,000</u>
 Total expenditures and other uses	 <u>4,723,750</u>	 <u>5,724,250</u>	 <u>4,165,930</u>	 <u>1,558,320</u>
Revenues and other sources over (under) expenditures and other uses	(694,042)	(723,120)	(16,724)	706,396
Fund balance, beginning of year	<u>879,042</u>	<u>2,140,181</u>	<u>2,136,435</u>	<u>(3,746)</u>
Fund balance, end of year	<u>\$ 185,000</u>	<u>\$ 1,417,061</u>	<u>\$2,119,711</u>	<u>\$ 702,650</u>

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

December 31, 2017

	<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	\$ 85,863	\$ 255,158	\$ 1,116,722	\$ 1,457,743
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ —	\$ —	\$ —	\$ —
Fund balances:				
Committed:				
Street improvements	85,863	255,158	—	341,021
Assigned:				
Capital outlay	—	—	1,116,722	1,116,722
Total fund balances	85,863	255,158	1,116,722	1,457,743
Total liabilities and fund balances	\$ 85,863	\$ 255,158	\$ 1,116,722	\$ 1,457,743

CITY OF ANDOVER, KANSAS

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

Year ended December 31, 2017

	<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	\$ 760	\$ 2,143	\$ 8,159	\$ 11,062
Miscellaneous	<u>—</u>	<u>—</u>	<u>5,000</u>	<u>5,000</u>
Total revenues	760	2,143	13,159	16,062
Expenditures:				
Capital outlay	<u>—</u>	<u>—</u>	<u>259,543</u>	<u>259,543</u>
Revenues over (under) expenditures	760	2,143	(246,384)	(243,481)
Other financing sources (uses):				
Transfers in	<u>—</u>	<u>15,000</u>	<u>411,327</u>	<u>426,327</u>
Net change in fund balances	760	17,143	164,943	182,846
Fund balances, beginning of year	<u>85,103</u>	<u>238,015</u>	<u>951,779</u>	<u>1,274,897</u>
Fund balances, end of year	<u>\$ 85,863</u>	<u>\$ 255,158</u>	<u>\$ 1,116,722</u>	<u>\$ 1,457,743</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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 125,000	\$ 125,000	\$ 111,075	\$ (13,925)
Use of money and property	–	2,700	2,945	245
Reimbursed expenditures	<u>–</u>	<u>–</u>	<u>3,402</u>	<u>3,402</u>
Total revenues	<u>125,000</u>	<u>127,700</u>	<u>117,422</u>	<u>(10,278)</u>
Expenditures, encumbrances and other uses:				
Personal services	20,939	20,939	24,169	(3,230)
Contractual services	4,000	4,000	2,553	1,447
Capital outlay	–	16,000	–	16,000
Transfers out	<u>–</u>	<u>–</u>	<u>16,000</u>	<u>(16,000)</u>
Total expenditures, encumbrances and other uses	24,939	40,939	42,722	(1,783)
Budget credit – reimbursed expenditures	<u>–</u>	<u>3,402</u>	<u>–</u>	<u>3,402</u>
Totals for budgetary comparison	<u>24,939</u>	<u>44,341</u>	<u>42,722</u>	<u>1,619</u>
Revenues over (under) expenditures, encumbrances and other uses	100,061	86,761	74,700	(12,061)
Fund balance, beginning of year	<u>439,445</u>	<u>278,561</u>	<u>278,561</u>	<u>–</u>
Fund balance, end of year	<u>\$ 539,506</u>	<u>\$ 365,322</u>	<u>\$ 353,261</u>	<u>\$ (12,061)</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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 2,421,625	\$2,421,625	\$ 2,561,332	\$ 139,707
Use of money and property	13,237	13,237	30,131	16,894
Miscellaneous	<u>—</u>	<u>—</u>	<u>18,061</u>	<u>18,061</u>
Total revenues	<u>2,434,862</u>	<u>2,434,862</u>	<u>2,609,524</u>	<u>174,662</u>
Expenditures, encumbrances and other uses:				
Personal services	557,324	557,324	507,114	50,210
Contractual services	385,755	385,755	339,938	45,817
Commodities	96,200	96,200	78,721	17,479
Capital outlay	1,057,000	1,057,000	77,838	979,162
Transfers out	<u>650,000</u>	<u>650,000</u>	<u>1,400,000</u>	<u>(750,000)</u>
Total expenditures, encumbrances and other uses	<u>2,746,279</u>	<u>2,746,279</u>	<u>2,403,611</u>	<u>342,668</u>
Revenues over (under) expenditures, encumbrances and other uses	(311,417)	(311,417)	205,913	517,330
Fund balance, beginning of year	<u>1,254,453</u>	<u>1,254,453</u>	<u>2,211,710</u>	<u>957,257</u>
Fund balance, end of year	<u>\$ 943,036</u>	<u>\$ 943,036</u>	<u>\$ 2,417,623</u>	<u>\$1,474,587</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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 700,000	\$ 700,000	\$ 611,809	\$ (88,191)
Use of money and property	<u>75</u>	<u>75</u>	<u>739</u>	<u>664</u>
Total revenues	<u>700,075</u>	<u>700,075</u>	<u>612,548</u>	<u>(87,527)</u>
Expenditures, encumbrances and other uses:				
Personal services	43,428	43,428	38,734	4,694
Contractual services	654,425	654,425	584,695	69,730
Commodities	2,450	2,450	1,560	890
Transfers out	<u>—</u>	<u>30,000</u>	<u>30,000</u>	<u>—</u>
Total expenditures, encumbrances and other uses	<u>700,303</u>	<u>730,303</u>	<u>654,989</u>	<u>75,314</u>
Expenditures, encumbrances and other uses over revenues	(228)	(30,228)	(42,441)	(12,213)
Fund balance, beginning of year	<u>92,138</u>	<u>152,250</u>	<u>152,250</u>	<u>—</u>
Fund balance, end of year	<u>\$ 91,910</u>	<u>\$ 122,022</u>	<u>\$ 109,809</u>	<u>\$ (12,213)</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, 2017

	Balance January 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2017</u>
<u>PAYROLL AGENCY FUND</u>				
<u>ASSETS</u>				
Cash and short-term investments	\$ 15,820	\$ 473,907	\$ 477,118	\$ 12,609
Due from employees	<u>388</u>	<u>—</u>	<u>388</u>	<u>—</u>
Total assets	<u>\$ 16,208</u>	<u>\$ 473,907</u>	<u>\$ 477,506</u>	<u>\$ 12,609</u>
<u>LIABILITIES</u>				
Accrued liabilities	<u>\$ 16,208</u>	<u>\$ 473,907</u>	<u>\$ 477,506</u>	<u>\$ 12,609</u>
<u>MUNICIPAL COURT BOND DEPOSIT FUND</u>				
<u>ASSETS</u>				
Cash and short-term investments	<u>\$ 5,978</u>	<u>\$ 6,015</u>	<u>\$ 8,030</u>	<u>\$ 3,963</u>
<u>LIABILITIES</u>				
Appearance bonds payable	<u>\$ 5,978</u>	<u>\$ 6,015</u>	<u>\$ 8,030</u>	<u>\$ 3,963</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and short-term investments	\$ 21,798	\$ 479,922	\$ 485,148	\$ 16,572
Due from employees	<u>388</u>	<u>—</u>	<u>388</u>	<u>—</u>
Total assets	<u>\$ 22,186</u>	<u>\$ 479,922</u>	<u>\$ 485,536</u>	<u>\$ 16,572</u>
<u>LIABILITIES</u>				
Accrued liabilities	\$ 16,208	\$ 473,907	\$ 477,506	\$ 12,609
Appearance bonds payable	<u>5,978</u>	<u>6,015</u>	<u>8,030</u>	<u>3,963</u>
Total liabilities	<u>\$ 22,186</u>	<u>\$ 479,922</u>	<u>\$ 485,536</u>	<u>\$ 16,572</u>

COMPONENT UNIT

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

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

CITY OF ANDOVER, KANSAS
GENERAL FUND BALANCE SHEET – ANDOVER PUBLIC LIBRARY
December 31, 2017

ASSETS

Cash and investments	\$ <u>463,572</u>
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LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ <u>38</u>

Fund balance:	
Committed:	
Capital improvements	304,707
Unassigned	<u>158,827</u>
Total fund balance	<u>463,534</u>

Total liabilities and fund balance	\$ <u>463,572</u>
------------------------------------	-------------------

Reconciliation to total net position:	
Total fund balance per above	\$ 463,534
Add long-term capital assets	397,849
Less accumulated depreciation on long-term capital assets	(252,920)
Less accrued compensated absences payable	<u>(5,851)</u>
Total net position	\$ <u>602,612</u>

CITY OF ANDOVER, KANSAS

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

Year ended December 31, 2017

Revenues:

Appropriation from City of Andover	\$ 471,900
South Central Kansas Library System grants	62,141
State aid	3,843
Interest earnings	1,301
Room rentals	2,103
Fines and fees	62,893
Memorial donations	12,445
Miscellaneous	<u>147</u>
 Total revenues	 <u>616,773</u>

Expenditures:

Salaries, wages and payroll taxes	350,207
Purchase of books, periodicals and other media	95,941
Advertising	17,320
Postage, supplies and equipment maintenance	20,747
Workshops and training	279
Capital equipment outlays	63,926
Telephone and utilities	23,757
Building maintenance and supplies	33,854
Special programs	11,145
Miscellaneous	<u>10,840</u>
 Total expenditures	 <u>628,016</u>

Net change in fund balance	(11,243)
Fund balance, beginning of year	<u>474,777</u>

Fund balance, end of year	<u>\$ 463,534</u>
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Reconciliation of change in net position:

Net change in fund balance per above	\$ (11,243)
Add assets capitalized	51,948
Less current year depreciation on capital assets	(23,702)
Less loss on disposal of capital assets	(1,295)
Change in accrued compensated absences payable	<u>(1,556)</u>
 Change in net position	 <u>\$ 14,152</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.	104
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source.	111
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.	115
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.	120
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.	125
Sources:	<i>Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.</i>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 3,812,742	\$ 3,723,622	\$ 907,527	\$ 3,069,080	\$ 3,742,281	\$ 8,119,579	\$ 11,794,001	\$ 13,165,372	\$ 16,359,323	\$ 16,317,435
Restricted	30,640,036	28,160,493	29,429,901	39,086,258	39,920,413	39,719,179	36,211,840	54,135,658	44,993,484	45,388,280
Unrestricted	(3,324,809)	114,925	4,233,375	1,476,823	2,394,760	2,523,635	2,365,887 *	(5,985,537)	(626,354)	791,887
Total governmental activities net position	<u>\$ 31,127,969</u>	<u>\$ 31,999,040</u>	<u>\$ 34,570,803</u>	<u>\$ 43,632,161</u>	<u>\$ 46,057,454</u>	<u>\$ 50,362,393</u>	<u>\$ 50,371,728</u>	<u>\$ 61,315,493</u>	<u>\$ 60,726,453</u>	<u>\$ 62,497,602</u>
Business-type activities										
Net investment in capital assets	\$ 18,208,045	\$ 18,150,921	\$ 19,924,848	\$ 21,678,530	\$ 21,753,996	\$ 22,273,648	\$ 22,984,734	\$ 23,832,006	\$ 23,270,210	\$ 23,556,569
Restricted	3,278,991	3,266,458	3,318,137	2,402,826	2,921,829	4,291,105	3,703,266	5,140,790	6,777,916	7,847,588
Unrestricted	1,080,787	1,013,248	441,443	726,966	963,898	1,079,885	2,316,686	2,541,334	2,586,557	2,842,416
Total business-type activities net position	<u>\$ 22,567,823</u>	<u>\$ 22,430,627</u>	<u>\$ 23,684,428</u>	<u>\$ 24,808,322</u>	<u>\$ 25,639,723</u>	<u>\$ 27,644,638</u>	<u>\$ 29,004,686</u>	<u>\$ 31,514,130</u>	<u>\$ 32,634,683</u>	<u>\$ 34,246,573</u>
Primary government										
Net investment in capital assets	\$ 22,020,787	\$ 21,874,543	\$ 20,832,375	\$ 24,747,610	\$ 25,496,277	\$ 30,393,227	\$ 34,778,735	\$ 36,997,378	\$ 39,629,533	\$ 39,874,004
Restricted	33,919,027	31,426,951	32,748,038	41,489,084	42,842,242	44,010,284	39,915,106	59,276,448	51,771,400	53,235,868
Unrestricted	(2,244,022)	1,128,173	4,674,818	2,203,789	3,358,658	3,603,520	4,682,573	(3,444,203)	1,960,203	3,634,303
Total primary government net position	<u>\$ 53,695,792</u>	<u>\$ 54,429,667</u>	<u>\$ 58,255,231</u>	<u>\$ 68,440,483</u>	<u>\$ 71,697,177</u>	<u>\$ 78,007,031</u>	<u>\$ 79,376,414</u>	<u>\$ 92,829,623</u>	<u>\$ 93,361,136</u>	<u>\$ 96,744,175</u>

* Amount adjusted for the restatement to record the Kansas Police & Fire Net Pension liability

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 1,050,874	\$ 1,064,690	\$ 809,915	\$ 1,373,335	\$ 2,370,028	\$ 3,828,947	\$ 986,656	\$ 1,148,674	\$ 1,282,819	\$ 1,479,757
Public Safety	2,885,107	3,349,588	3,623,780	3,843,380	3,980,400	3,898,147	6,880,918	4,481,867	5,121,031	5,637,427
Highways and street	2,062,097	2,091,853	3,084,834	3,424,155	3,895,179	4,273,557	3,312,108	2,498,517	5,133,968	5,633,951
Health and sanitation	83,213	96,071	107,215	170,363	125,110	119,216	130,326	137,997	6,150	-
Culture and recreation	985,226	1,015,734	1,210,123	1,996,474	1,590,511	1,536,769	2,007,531	1,657,370	1,667,924	2,204,387
Economic development	69,185	67,333	23,974	44,995	53,280	112,099	130,072	135,006	243,518	296,874
Environment protection	13,077	9,995	10,601	13,729	12,331	7,352	5,225	8,089	235	-
Interest on long-term debt	1,859,286	1,590,175	1,602,859	1,751,294	1,849,110	1,353,866	1,114,864	978,136	1,157,417	992,824
Total governmental activities expenses	9,008,065	9,285,439	10,473,301	12,617,725	13,875,949	15,129,953	14,567,700	11,045,656	14,613,062	16,245,220
Business-type activities:										
Water	168,405	191,202	197,173	208,667	213,041	244,919	222,484	232,378	232,321	240,427
Wastewater	1,151,411	1,243,054	1,260,543	1,136,863	1,237,691	1,333,983	1,260,875	1,342,371	1,418,164	2,020,984
Recycle/Trash Utility	-	-	234,422	411,880	495,219	514,556	540,964	522,325	600,488	623,591
Total business-type activities expenses	1,319,816	1,434,256	1,692,138	1,757,410	1,945,951	2,093,458	2,024,323	2,097,074	2,250,973	2,885,002
Total primary government expenses	\$ 10,327,881	\$ 10,719,695	\$ 12,165,439	\$ 14,375,135	\$ 15,821,900	\$ 17,223,411	\$ 16,592,023	\$ 13,142,730	\$ 16,864,035	\$ 19,130,222
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	\$ 252,497	\$ 163,687	\$ 397,086	\$ 734,966	\$ 1,591,067	\$ 3,248,958	\$ 229,545	\$ 248,586	\$ 224,524	\$ 198,402
Public Safety	265,563	281,886	236,339	424,870	482,306	476,277	507,507	567,177	578,202	591,318
Highway and streets	189,213	145,137	151,010	179,709	187,229	295,032	172,974	186,033	922,541	958,550
Health and sanitation	-	-	-	-	-	-	-	-	-	-
Culture and recreation	233,101	264,351	286,418	1,019,634	429,033	571,110	426,200	479,150	644,381	739,548
Economic development	-	-	-	-	-	-	7,356	29,153	126,542	153,958
Operating grants and contributions	323,982	344,869	330,462	341,771	364,185	360,538	446,607	409,569	392,880	395,773
Capital grants and contributions	9,705,795	1,999,911	5,721,800	10,502,266	3,735,910	5,435,805	2,083,544	14,945,134	119,752	3,934,517
Total governmental activities program revenue	10,970,151	3,199,841	7,123,115	13,203,216	6,789,730	10,387,720	3,873,733	16,864,802	3,008,822	6,972,066
Business-type activities:										
Charges for services:										
Water	108,528	112,236	113,690	128,631	127,247	114,995	129,913	123,165	117,660	123,551
Wastewater	1,275,241	1,215,218	1,205,873	1,452,342	1,920,091	2,686,307	2,510,086	2,729,919	2,832,351	2,924,474
Recycle/Trash Utility	-	-	254,149	405,133	501,154	540,809	568,547	590,341	611,424	611,809
Capital grants and contributions	-	-	-	-	-	-	-	26,100	-	-
Total business-type activities program revenues	1,383,769	1,327,454	1,573,712	1,986,106	2,548,492	3,342,111	3,208,546	3,469,525	3,561,435	3,659,834
Total primary government program revenues	\$ 12,353,920	\$ 4,527,295	\$ 8,696,827	\$ 15,189,322	\$ 9,338,222	\$ 13,729,831	\$ 7,082,279	\$ 20,334,327	\$ 6,570,257	\$ 10,631,900
Net (Expense) Revenue										
Governmental activities	\$ 1,962,086	\$ (6,085,598)	\$ (3,350,186)	\$ 585,491	\$ (7,086,219)	\$ (4,742,233)	\$ (10,693,967)	\$ 5,819,146	\$ (11,604,240)	\$ (9,273,154)
Business-type activities	63,953	(106,802)	(118,426)	228,696	602,541	1,248,653	1,184,223	1,372,451	1,310,462	774,832
Total primary government net expenses	\$ 2,026,039	\$ (6,192,400)	\$ (3,468,612)	\$ 814,187	\$ (6,483,678)	\$ (3,493,580)	\$ (9,509,744)	\$ 7,191,597	\$ (10,293,778)	\$ (8,498,322)

* Amount adjusted for the restatement to record the Kansas Police & Fire Net Pension liability

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 4,131,474	\$ 4,573,036	\$ 4,927,084	\$ 6,653,922	\$ 7,158,713	\$ 6,597,597	\$ 5,171,284	\$ 5,704,724	\$ 5,560,591	\$ 6,213,885
Sales taxes	1,639,405	1,539,327	1,567,061	1,909,229	1,852,510	2,348,084	1,988,869	2,400,178	3,931,686	4,039,350
Franchise taxes	633,556	615,928	683,013	667,299	631,758	693,676	748,782	778,129	1,130,232	1,130,789
Other Taxes	92,085	130,221	76,391	97,294	89,554	95,831	104,455	145,676	111,814	131,739
Investment earnings	254,423	31,811	26,563	30,944	78,043	46,363	32,538	32,810	59,411	271,256
Transfers	(2,581,635)	66,346	(1,358,163)	(882,821)	(299,066)	(734,379)	(153,477)	(1,126,047)	221,466	(742,716)
Total governmental activities	4,169,308	6,956,669	5,921,949	8,475,867	9,511,512	9,047,172	7,892,451	7,935,470	11,015,200	11,044,303
Business-type activities										
Investment earnings	116,061	35,952	14,064	12,377	10,462	21,883	22,348	10,946	31,557	94,342
Transfers	2,581,635	(66,346)	1,358,163	882,821	299,066	734,379	153,477	1,126,047	(221,466)	742,716
Total business-type activities	2,697,696	(30,394)	1,372,227	895,198	309,528	756,262	175,825	1,136,993	(189,909)	837,058
Total primary government	\$ 6,867,004	\$ 6,926,275	\$ 7,294,176	\$ 9,371,065	\$ 9,821,040	\$ 9,803,434	\$ 8,068,276	\$ 9,072,463	\$ 10,825,291	\$ 11,881,361
Change in Net Position										
Governmental activities	\$ 6,131,394	\$ 871,071	\$ 2,571,763	\$ 9,061,358	\$ 2,425,293	\$ 4,304,939	\$ (2,801,516)	\$ 13,754,616	\$ (589,040)	\$ 1,771,149
Business-type activities	2,761,649	(137,196)	1,253,801	1,123,894	912,069	2,004,915	1,360,048	2,509,444	1,120,553	1,611,890
Total primary government	8,893,043	733,875	3,825,564	10,185,252	3,337,362	6,309,854	(1,441,468)	16,264,060	531,513	3,383,039

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
General government	\$ 264,497	\$ 182,883	\$ 400,513	\$ 734,966	\$ 1,591,067	\$ 3,266,898	\$ 280,079	\$ 248,586	\$ 251,629	\$ 208,010
Public Safety	656,880	604,940	271,508	684,937	511,690	476,277	529,406	1,253,686	649,855	601,682
Highways and streets	896,049	810,966	1,308,709	1,207,207	759,192	670,314	1,081,513	1,140,412	1,336,415	1,563,797
Health and sanitation	---	---	---	---	---	---	---	---	---	---
Culture and recreation	738,441	291,976	286,418	1,019,634	429,033	572,610	426,200	479,150	644,381	740,873
Environmental protection	---	---	---	---	---	---	---	---	---	---
Economic development	---	---	---	---	---	384,528	341,945	29,153	126,542	153,958
Interest on long term debt	8,414,284	1,309,076	4,855,967	9,556,472	3,498,748	5,017,093	1,214,590	13,713,815	---	3,703,746
Subtotal governmental activities	10,970,151	3,199,841	7,123,115	13,203,216	6,789,730	10,387,720	3,873,733	16,864,802	3,008,822	6,972,066
Business-type activities										
Water	108,528	112,236	113,690	128,631	127,247	114,995	129,913	123,165	117,660	123,551
Wastewater	1,275,241	1,215,218	1,205,873	1,452,342	1,920,091	2,686,307	2,510,086	2,756,019	2,832,351	2,924,474
Recycling/Trash Utility	---	---	254,149	405,133	501,154	540,809	568,547	590,341	611,424	611,809
Subtotal business-type activities	1,383,769	1,327,454	1,573,712	1,986,106	2,548,492	3,342,111	3,208,546	3,469,525	3,561,435	3,659,834
Total primary government	\$ 12,353,920	\$ 4,527,295	\$ 8,696,827	\$ 15,189,322	\$ 9,338,222	\$ 13,729,831	\$ 7,082,279	\$ 20,334,327	\$ 6,570,257	\$ 10,631,900

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

Fiscal Year	Property	Sales	Franchise	Other	Total
2008	\$ 4,131,474	\$ 1,639,405	\$ 633,556	\$ 92,085	\$ 6,496,520
2009	4,573,036	1,539,327	615,928	130,221	6,858,512
2010	4,927,084	1,567,061	683,013	76,391	7,253,549
2011	6,653,922	1,909,229	667,299	97,294	9,327,744
2012	7,158,716	1,852,510	631,758	89,554	9,732,538
2013	5,308,073	3,637,608	693,676	95,831	9,735,188
2014	5,158,711	1,988,869	748,782	104,455	8,000,817
2015	5,584,723	2,400,178	778,129	145,676	8,908,706
2016	5,560,591	3,931,686	1,130,232	111,814	10,734,323
2017	6,213,885	4,039,350	1,130,789	131,739	11,515,763
Change 2008-2017	50.4%	146.4%	78.5%	43.1%	77.3%

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 167,325	\$ 90,130	\$ 78,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,194,699	1,842,643	1,840,011	-	-	-	-	-	-	-
Committed	-	-	-	1,002,945	201,425	146,492	1,241,811	855,533	1,230,044	2,568,968
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	1,167,321	1,703,753	1,914,689	644,814	1,292,746	1,831,282	237,702
Total General Fund	<u>\$ 2,362,024</u>	<u>\$ 1,932,773</u>	<u>\$ 1,918,050</u>	<u>\$ 2,170,266</u>	<u>\$ 1,905,178</u>	<u>\$ 2,061,181</u>	<u>\$ 1,886,625</u>	<u>\$ 2,148,279</u>	<u>\$ 3,061,326</u>	<u>\$ 2,806,670</u>
All Other Governmental Funds										
Reserved	\$ 1,809,311	\$ 5,679,912	\$ 2,459,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported In:										
Special revenue funds	3,239,665	4,222,157	4,424,197	-	-	-	-	-	-	-
Capital projects funds	(9,557,490)	(17,376,276)	(10,126,128)	-	-	-	-	-	-	-
Debt service funds	943,582	656,850	1,029,435	-	-	-	-	-	-	-
Restricted	-	-	-	4,683,970	6,321,097	6,179,834	5,789,033	14,671,992	9,431,256	9,996,166
Committed	-	-	-	1,362,590	1,165,931	1,400,263	984,159	1,150,733	1,158,553	1,384,381
Assigned	-	-	-	473,721	551,394	1,031,833	1,321,830	1,251,675	1,010,009	1,245,207
Unassigned, Reported In:										
Capital projects funds	-	-	-	(5,182,631)	(2,989,640)	(1,033,476)	(3,343,458)	(1,193,272)	(3,760,710)	(431,782)
Total all other governmental funds	<u>\$ (3,564,932)</u>	<u>\$ (6,817,357)</u>	<u>\$ (2,213,182)</u>	<u>\$ 1,337,650</u>	<u>\$ 5,048,782</u>	<u>\$ 7,578,454</u>	<u>\$ 4,751,564</u>	<u>\$ 15,881,128</u>	<u>\$ 7,839,108</u>	<u>\$ 12,193,972</u>

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

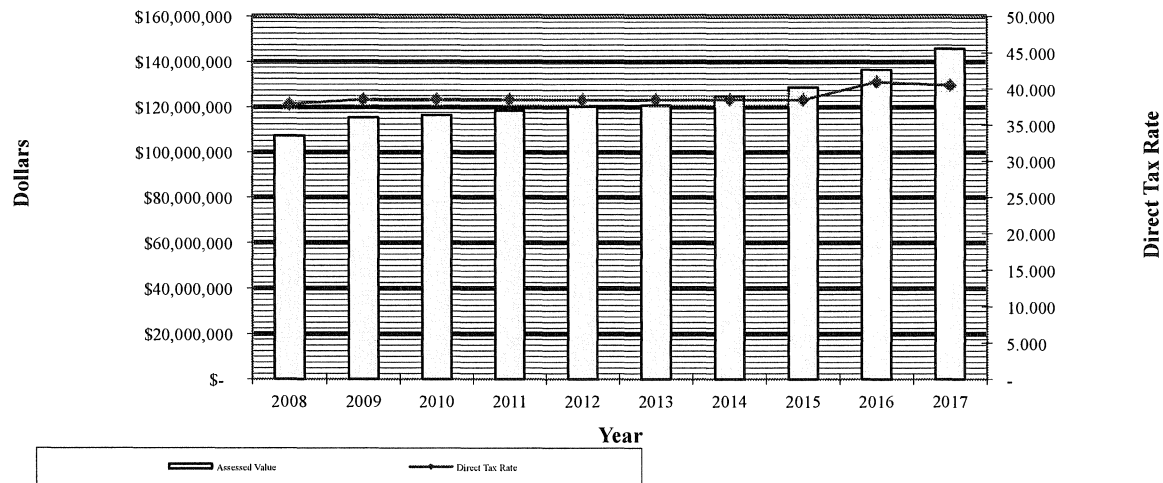
City of Andover
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 5,914,419	\$ 6,292,335	\$ 6,611,832	\$ 8,561,022	\$ 8,961,924	\$ 9,159,094	\$ 7,352,507	\$ 8,228,841	\$ 9,713,288	\$ 10,501,434
Licenses and permits	1,208,174	1,003,377	1,069,365	1,089,780	1,004,942	1,434,731	1,130,436	1,199,498	1,646,193	1,665,017
Fines, forfeiture and other	213,502	230,394	195,043	217,806	233,615	257,888	272,990	282,595	305,138	305,785
Charges for service	93,670	96,376	335,330	561,423	164,075	365,319	110,534	156,601	116,138	117,142
Special assessments	3,406,561	3,556,849	4,468,964	3,864,630	4,585,505	5,077,064	4,406,235	4,885,697	3,881,969	4,069,289
Intergovernmental	703,639	956,999	708,740	1,165,934	552,772	359,038	918,438	911,622	449,533	395,773
Use of Property and Money	254,423	50,859	62,497	1,053,699	1,758,877	3,506,378	762,069	474,720	1,334,847	1,567,352
Other revenues	212,147	95,786	54,633	45,788	141,570	69,730	82,990	121,560	216,425	307,407
Total revenues	<u>12,006,535</u>	<u>12,282,975</u>	<u>13,506,404</u>	<u>16,560,082</u>	<u>17,403,280</u>	<u>20,229,242</u>	<u>15,036,199</u>	<u>16,261,134</u>	<u>17,663,531</u>	<u>18,929,199</u>
Expenditures										
General government	1,059,531	798,555	786,501	1,170,046	2,180,550	3,665,697	938,715	991,438	1,142,504	1,248,490
Public Safety	2,674,912	3,138,988	3,329,243	3,859,594	3,735,576	3,763,868	3,851,325	4,382,478	4,744,620	4,942,525
Highways and streets	2,460,374	2,229,491	2,053,746	2,252,666	1,698,017	2,311,639	3,699,507	1,759,329	2,029,426	3,229,502
Health and sanitation	82,196	96,071	106,043	112,767	125,110	131,979	128,704	136,581	-	-
Culture and recreation	913,568	1,165,620	1,030,539	1,879,487	1,373,101	1,472,168	1,874,893	1,532,216	1,576,796	1,773,325
Environmental protection	13,077	9,995	10,601	13,729	12,331	7,115	5,225	8,089	235	-
Economic development	69,185	67,333	22,178	63,327	49,205	110,044	130,072	135,006	243,518	296,874
Capital improvements	8,977,921	3,769,137	8,325,641	3,915,453	571,113	1,609,139	2,526,708	2,447,393	10,487,278	2,808,469
Debt Service										
Interest	1,513,207	1,849,905	3,419,695	1,661,155	1,632,006	1,110,790	1,101,193	1,164,163	806,626	1,155,955
Principal	2,415,228	2,437,347	1,557,935	5,421,754	5,188,736	6,830,502	3,892,355	3,780,299	4,762,340	4,369,481
Total expenditures	<u>20,179,199</u>	<u>15,562,442</u>	<u>20,642,122</u>	<u>20,349,978</u>	<u>16,565,745</u>	<u>21,012,941</u>	<u>18,148,697</u>	<u>16,336,992</u>	<u>25,793,343</u>	<u>19,824,621</u>
Excess of revenues over (under) expenditures	<u>(8,172,664)</u>	<u>(3,279,467)</u>	<u>(7,135,718)</u>	<u>(3,789,896)</u>	<u>837,535</u>	<u>(783,699)</u>	<u>(3,112,498)</u>	<u>(75,858)</u>	<u>(8,129,812)</u>	<u>(895,422)</u>
Other financing sources (uses)										
Issuance of general obligation bonds	7,583,000	10,842,000	6,876,000	5,958,000	2,444,000	3,295,000	---	7,820,000	660,000	3,575,000
Issuance of general obligation refunding bonds	---	---	---	1,780,000	5,960,000	6,610,000	---	2,500,000	8,980,000	---
Issuance of Andover Public Building Commission revenue bonds/certificates of participation	---	---	4,350,000	4,936,000	---	---	---	3,320,000	---	1,150,000
Issuance of certificates of participation	---	---	79,000	---	---	---	---	---	---	---
Issuance of capital lease obligations	129,998	62,999	---	---	---	---	---	---	---	---
Premium on bonds issued	---	---	---	---	111,751	163,497	---	320,684	289,885	14,018
Payment to escrow agent	---	(11,373,554)	---	(5,156,301)	(5,982,573)	(6,663,247)	---	(2,600,411)	(9,150,512)	---
Transfers in	1,435,137	736,842	2,060,490	534,363	580,405	870,941	643,232	694,832	1,532,468	3,046,457
Transfers out	<u>(1,174,379)</u>	<u>(670,496)</u>	<u>(1,640,320)</u>	<u>(459,118)</u>	<u>(505,074)</u>	<u>(806,817)</u>	<u>(532,180)</u>	<u>(588,029)</u>	<u>(1,311,002)</u>	<u>(2,789,845)</u>
Total other financing sources (uses)	<u>7,973,756</u>	<u>(402,209)</u>	<u>11,725,170</u>	<u>7,592,944</u>	<u>2,608,509</u>	<u>3,469,374</u>	<u>111,052</u>	<u>11,467,076</u>	<u>1,000,839</u>	<u>4,995,630</u>
Net change in fund balances	\$ (198,908)	\$ (3,681,676)	\$ 4,589,452	\$ 3,803,048	\$ 3,446,044	\$ 2,685,675	\$ (3,001,446)	\$ 11,391,218	\$ (7,128,973)	\$ 4,100,208
Debt service as a percentage of non capital expenditures	42.8%	44.5%	38.6%	45.0%	43.0%	41.4%	39.9%	38.8%	36.9%	32.3%

**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
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	998,162,127	11.86%
2012	114,586,801	5,578,196	120,164,997	38.464	1,015,000,952	11.84%
2013	115,452,153	5,231,981	120,684,134	38.519	1,021,371,702	11.82%
2014	119,751,159	4,934,858	124,686,017	38.518	1,057,763,953	11.79%
2015	123,531,493	5,221,466	128,752,959	38.525	1,091,591,782	11.79%
2016	131,232,952	5,403,728	136,636,680	40.973	1,159,168,531	11.79%
2017	140,168,302	5,639,865	145,808,167	40.511	1,237,654,350	11.78%

**Assessed Valuation / Direct Tax Rate
Comparison 2008 - 2017**



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

Fiscal Year	City Direct Rates						Overlapping Rates			
	Basic Rate	Special Public Building Fund	Bond & Interest	Library	Employee Benefits	Total Direct	Andover School District USD #385	Butler County	Butler Community College	State of Kansas
2008	23.125	1.808	1.561	3.001	8.415	37.910	62.325	36.434	18.195	1.500
2009	21.860	1.965	2.511	3.051	9.156	38.543	63.352	36.522	18.194	1.500
2010	22.248	1.806	1.022	3.001	10.478	38.555	67.126	35.822	18.002	1.500
2011	22.399	1.858	0.382	3.005	10.905	38.549	67.837	35.755	18.005	1.500
2012	22.397	1.532	1.083	3.002	10.450	38.464	65.350	35.273	18.005	1.500
2013	23.410	0.956	0.460	3.004	10.689	38.519	65.993	35.164	18.021	1.500
2014	23.120	1.694	0.027	3.000	10.677	38.518	63.918	35.133	18.003	1.500
2015	23.856	1.446	0.027	3.001	10.195	38.525	65.289	35.012	18.063	1.500
2016	25.706	1.489	0.873	2.995	9.910	40.973	65.341	34.747	20.074	1.500
2017	24.291	1.513	0.097	2.966	11.644	40.511	67.592	34.749	20.075	1.500

Source: Butler County Clerk

**Principal Property Tax Payers
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>2017</u>			<u>2008</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	\$ 3,520,848	1	2.41 %	\$ 3,631,823	1	3.38 %
Dillons Companies Inc.	2,448,598	2	1.68	1,090,488	6	1.02
Kansas Gas & Electric	2,362,112	3	1.62	1,238,622	4	1.15
Flint Hills National Golf Club	1,721,856	4	1.18	1,282,500	3	1.20
Paul Properties II Family LP	1,368,076	5	0.94	---		---
Vornado Air LLC	1,244,486 *	6	0.85	1,396,463	2	1.30
Kansas Gas Service	934,507	7	0.64	621,699	9	0.58
Andover Senior Care LLC	814,898	8	0.56	---		---
LE and Sons LLC	812,925	9	0.56	---		---
Andover State Bank	549,953	10	0.38	621,653	10	0.58
Southwestern Bell Telephone	---		---	1,151,676	5	1.07
Terradyne Country Club LLC	---		---	860,718	8	0.80
Sherwin Williams Co	---		---	974,767	7	0.29

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

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
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	5,621,634	4,222,997	75.12%	197,944	4,420,941	78.64%
2012	4,632,240	4,300,802	92.84%	254,590	4,555,392	98.34%
2013	4,641,995	4,416,045	95.13%	156,281	4,572,326	98.50%
2014	4,802,749	4,318,371	89.91%	293,963	4,612,334	96.04%
2015	4,959,306	4,585,186	92.46%	145,952	4,731,138	95.40%
2016	4,960,163	4,701,925	94.79%	146,642	4,848,567	97.75%
2017	5,598,375	5,328,654	95.18%	-	5,328,654	95.18%

* 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	Capital Lease Obligations	Premium on Bonds	Wastewater Revenue Bonds	Capital Lease Obligations	Total Primary Government	Percentage of Personal Income *	Per Capita
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	-	575,191	-	2,615,000	6,313	36,960,504	-	3,494
2010	33,884,000	7,902,000	-	79,000	359,496	-	2,025,000	-	44,249,496	11.30%	3,753
2011	36,642,000	7,355,000	-	40,000	290,442	-	1,735,000	-	46,062,442	-	3,854
2012	35,793,000	5,850,000	-	-	254,706	96,157	1,425,000	-	43,418,863	-	3,589
2013	35,534,000	2,976,000	-	-	217,204	215,517	1,095,000	-	40,037,721	-	3,264
2014	31,920,000	2,737,000	-	-	177,849	172,030	-	-	35,006,879	-	2,799
2015	36,195,000	5,773,000	-	-	136,550	411,457	-	-	42,516,007	-	3,336
2016	33,490,000	4,654,000	-	-	93,210	591,349	-	-	38,828,559	-	2,991
2017	33,885,000	4,660,000	-	-	47,729	505,467	-	-	39,098,196	-	2,982

* Personal income numbers, only calculated in census years.

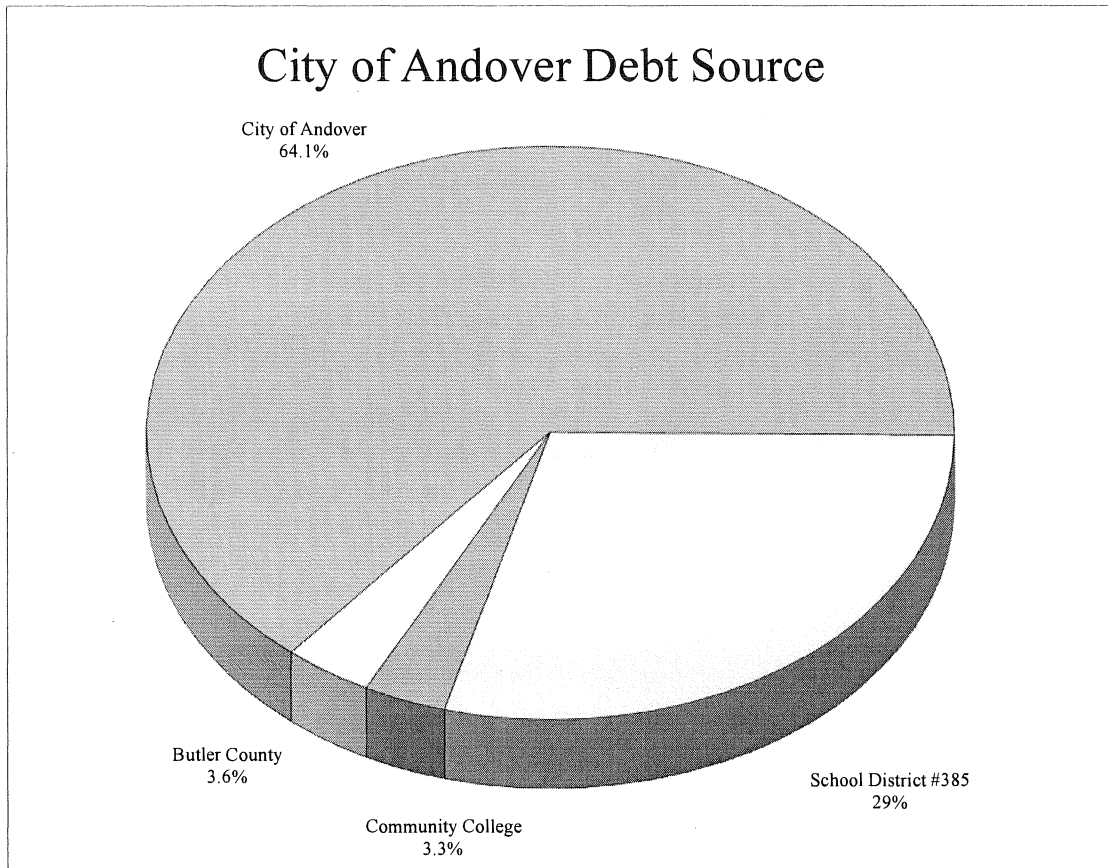
City of Andover
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

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	Premium on Bonds	Total				
2008	\$ 32,428,000	-	\$ 32,428,000	\$ 943,582	\$ 31,484,418	30.21	\$ 3,181
2009	30,054,000	-	30,054,000	656,850	29,397,150	26.03	2,779
2010	33,884,000	-	33,884,000	1,029,435	32,854,565	29.11	2,786
2011	36,642,000	-	36,642,000	831,419	35,810,581	30.96	2,996
2012	35,793,000	96,157	35,889,157	753,112	35,136,045	29.87	2,904
2013	35,534,000	215,517	35,749,517	1,478,676	34,270,841	29.62	2,794
2014	31,920,000	172,030	32,092,030	1,662,174	30,429,856	25.74	2,433
2015	36,195,000	411,457	36,606,457	2,249,803	34,356,654	28.43	2,696
2016	33,490,000	591,349	34,081,349	2,136,435	31,944,914	24.94	2,461
2017	33,885,000	505,467	34,390,467	2,119,711	32,270,756	23.59	2,461

CITY OF ANDOVER
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2017

<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	\$ 40,770,000	43.461% *	\$ 17,719,050
Butler Community College	9,804,454	20.718% **	2,031,287
Butler County	10,566,000	20.718% **	<u>2,189,064</u>
Subtotal overlapping debt			21,939,401
City direct debt	39,098,196		<u>39,098,196</u>
Total Direct and overlapping debt			<u>\$ 61,037,597</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 36,602,315	\$ 39,130,934	\$ 39,207,765	\$ 39,813,359	\$ 40,375,067	\$ 40,893,561	\$ 42,355,674	\$ 43,831,202	\$ 46,327,536	\$ 49,184,488
Total net debt applicable to limit	<u>7,975,634</u>	<u>9,956,124</u>	<u>12,306,743</u>	<u>13,501,696</u>	<u>11,241,657</u>	<u>10,508,664</u>	<u>10,397,783</u>	<u>14,841,301</u>	<u>14,308,003</u>	<u>12,771,565</u>
Legal debt margin	\$ 28,626,681	\$ 29,174,810	\$ 26,901,022	\$ 26,311,663	\$ 29,133,410	\$ 30,384,897	\$ 31,957,891	\$ 28,989,901	\$ 32,019,533	\$ 36,412,923
Total net debt applicable to the limit as a percentage of debt limit	21.79%	25.44%	31.39%	33.91%	27.84%	25.70%	24.55%	33.86%	30.88%	25.97%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value	\$ 163,948,294 *
Debt limit (30% of assessed value)	49,184,488
Debt applicable to limit:	
General Obligation Bonds	33,885,000
Temporary Notes	-
Less: Amount exempted by state statute	<u>(21,113,435) **</u>
Total net debt applicable to limit	<u>12,771,565</u>
Legal debt margin	\$ 36,412,923

* Includes motor vehicles assessed value

**** Exempted Debt**

K.S.A. 12-624 - Sewer Mains	\$ 636,867
K.S.A. 10-309 - Wastewater & Water	7,747,263
K.S.A. 10-309 - Stormwater	12,680,977
K.S.A. 10-309 - Intersections	48,328
Total 2017 exempted debt	<u>\$ 21,113,435</u>

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

Debt Service							
<i>Year</i>	<i>Gross Revenue *</i>	<i>Less Operating Expense **</i>	<i>Net Revenue Available Revenue</i>	<i>Principal ***</i>	<i>Interest ***</i>	<i>Total</i>	<i>Coverage (1)</i>
2008	\$ 1,385,440	\$ 616,094	\$ 769,346	\$ 225,000	\$ 115,988	\$ 340,988	2.26
2009	1,250,360	697,942	552,418	250,000	108,563	358,563	1.54
2010	1,219,500	715,280	504,220	250,000	5,544	255,544	1.97
2011	1,464,521	597,329	867,192	290,000	41,015	331,015	2.62
2012	1,930,295	727,795	1,202,500	310,000	37,390	347,390	3.46
2013	2,707,878	819,595	1,888,283	330,000	32,740	362,740	5.21
2014	2,531,994	760,441	1,771,553	350,000	27,130	377,130	4.70
2015	2,766,351	773,776	1,992,575	-	-	-	N/A
2016	2,862,565	845,650	2,016,915	-	-	-	N/A
2017	3,015,133	1,412,720	1,602,413	-	-	-	N/A

* Total revenue includes interest but excludes all contributions from municipality

** Total operating expenses exclusive of depreciation

*** Excludes principal and interest on advance refunded bonds during 2014

(1) The Sewer System Refunding Revenue Bond Reolution requires debt service coverage of 1.25

**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
2008	9,898					4,755	4.80%	
2009	10,351					4,844	6.90%	
2010 *	11,791	\$ 391,603	\$ 33,212	34.80	96.10%	4,776	6.80%	\$162,900
2011	11,951					5,077	6.60%	
2012	12,099					4,960	5.80%	
2013	12,265					4,975	5.00%	
2014	12,509					5,253	4.50%	
2015	12,745					4,947	3.70%	
2016	12,980					5,202	4.00%	
2017	13,111					5,279	3.20%	

* 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>2017</u>		<u>2008</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
USD 385	543	1	584	1
Kansas Medical Center	252	2	250	2
YMCA	157	3		
Sherwin-Williams Co.	141	4	141	4
Butler Community College	130	5		
Victoria Falls	122	6		
Life Care Center of Andover	110	7	145	3
Vornado	98	8	58	7
City of Andover	98	8	83	5
Dillons Real Estate Co. Inc	73	10	51	8
International Cold Storage			75	6
Andover State Bank			30	9
The Fountains			28	10
Total	1,724		1,445	

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, 2017

<u>Trustee</u>	<u>Bonds</u>	<u>Outstanding</u>
UMB Bank N.A. Wichita, Kansas	Vornado Air, LLC Series B 2011	\$ 449,785
Emprise Bank Wichita, Kansas	Andover Apartments, LLC Series A 2013	15,278,524
Emprise Bank Wichita, Kansas	Andover Apartments, LLC Series A 2013	5,500,000
UMB Bank Wichita, Kansas	Vornado Air, LLC Series A 2014	846,593
Community Nation Bank Newton, Kansas	KMC MOB, LLC Series A 2014	1,781,748
Community Nation Bank Newton, Kansas	KMC MOB, LLC Series B 2014	490,000
Security Bank of Kansas City Wichita, KS 67212	Founders' Real Estate, LLC Series A 2014	2,542,000
Security Bank of Kansas City Wichita, KS 67212	Aveda Institute Project Series A 2014	2,906,597
Security Bank of Kansas City Wichita, KS 67212	Aveda Institute Project Series B 2014	400,000

CITY OF ANDOVER
SCHEDULE OF INDUSTRIAL REVENUE BONDS
December 31, 2017
(Continued from previous page)

	<i>Date of Issue</i>	<i>Interest Rate</i>	<i>Payment Year</i>	<i>Payment Schedule</i>	<i>Outstanding Issues</i> <i>01/01/17</i>	<i>Additions</i>	<i>Retirements</i>	<i>Outstanding</i> <i>12/31/17</i>
Vornado Air, LLC	11/17/11	4.00%	2012	81,373	\$ 551,309	\$ -	101,524	\$ 449,785
		4.00%	2013	86,347				
		4.00%	2014	89,915				
		4.00%	2015	93,630				
		4.00%	2016	97,426				
		Variable	2017	101,524				
		Variable	2018	105,719				
		Variable	2019	110,087				
		Variable	2020	114,610				
		Variable	2021	119,371				
Andover Apartments, LLC Series A 2013	3/7/13	3.99%	2015	245,017	\$ 15,700,331	\$ -	\$ 421,807	\$ 15,278,524
			2016	403,598				
			2017	421,807				
			2018	438,948				
			2019	456,786				
			2020	473,737				
			2021	494,600				
			2022	514,699				
			2023	535,616				
			2024	555,999				
			2025	579,977				
			2026	603,545				
			2027	628,072				
			2028	652,482				
			2029	680,111				
			2030	707,749				
			2031	736,511				
			2032	765,641				
			2033	797,555				
			2034	829,966				
			2035	863,693				
			2036	898,362				
			2037	935,299				
			2038	973,308				
			2039	1,012,861				
			2040	143,008				
Andover Apartments, LLC Series B 2013	3/7/13	5.00%	2023	5,500,000	\$ 5,500,000	\$ -	\$ -	\$ 5,500,000
Vornado Air, LLC	12/11/14	3.56%	2015	98,318	\$ 951,037	\$ -	\$ 104,444	\$ 846,593
			2016	100,645				
			2017	104,444				
			2018	108,277				
			2019	112,250				
			2020	116,308				
			2021	120,638				
			2022	125,065				
			2023	129,654				
			2024	134,401				

CITY OF ANDOVER
SCHEDULE OF INDUSTRIAL REVENUE BONDS
December 31, 2017
(Continued from previous page)

	<i>Date of Issue</i>	<i>Interest Rate</i>	<i>Payment Year</i>	<i>Payment Schedule</i>	<i>Outstanding Issues</i> <i>01/01/17</i>	<i>Additions</i>	<i>Retirements</i>	<i>Outstanding</i> <i>12/31/17</i>
KMC MOB, LLC Series A 2014	12/16/14	4.35%	2015	46,342	\$ 1,849,271	\$ -	67,523	\$ 1,781,748
			2016	64,387				
			2017	67,523				
			2018	70,562				
			2019	73,737				
			2020	76,853				
			2021	80,515				
			2022	84,139				
			2023	87,925				
			2024	91,721				
			2025	1,216,296				
KMC MOB, LLC Series B 2014	12/16/14	3.00%	2025	490,000	\$ 490,000	\$ -	-	\$ 490,000
Founders' Real Estate, LLC	12/22/14	5.00%	2025	2,542,000	\$ 2,542,000	\$ -	-	\$ 2,542,000
Aveda Institute Project Series A	12/23/14	4.75%	2016	94,172	\$ 3,005,828	\$ -	99,231	\$ 2,906,597
			2017	99,231				
			2018	104,117				
			2019	109,243				
			2020	114,256				
			2021	120,248				
			2022	126,168				
			2023	132,380				
			2024	138,601				
			2025	145,723				
			2026	152,898				
			2027	160,426				
			2028	168,109				
			2029	176,602				
			2030	185,297				
			2031	194,421				
			2032	203,878				
			2033	214,032				
			2034	224,570				
			2035	235,628				
Aveda Institute Project Series B	12/23/14	3.00%	2025	400,000	\$ 400,000	\$ -		\$ 400,000
				-	-	-	-	-
Total Industrial Revenue Bonds				<u>\$ 46,785,817</u>	<u>\$ 30,989,776</u>	<u>\$ -</u>	<u>\$ 794,529</u>	<u>\$ 30,195,247</u>

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

Function/Program	Full-time Equivalent Employees as of December 31									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government	11	11	11	12	12	12	12	13	15	15
Public safety										
Police	20	21	21	22	23	23	23	24	26	25
Fire	14	14	14	14	14	14	14	14	16	18
Fire Reservist	13	12	11	12	10	8	11	9	8	9
Civilians	6	7	7	8	8	8	8	8	9	11
Streets and highways	7	7	7	7	7	7	7	7	7	6
Culture and recreation	6	6	7	9	9	9	9	9	9	8
Stormwater	1	1	1	1	1	1	1	1	1	1
Wastewater	5	5	5	5	5	5	5	5	5	5
Total	83	84	84	90	89	87	90	90	96	98

Source: City of Andover Human Resources

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

Function/Program	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police										
Arrests	519	421	350	405	374	451	423	349	315	325
Accidents	309	333	354	352	366	380	352	343	256	272
Citations (including parking)	2,237	2,702	2,737	3,650	3,642	4,599	3,868	3,722	3,830	3,565
Calls for service	15,488	15,021	15,723	18,050	19,329	19,750	19,470	23,079	19,265	21,942
Fire										
Structure fires	70	11	22	28	30	30	27	22	20	25
Other fires	43	74	53	80	57	53	61	59	65	50
Medical calls	862	819	801	926	891	893	847	1,065	1,060	1,100
Other calls	377	327	366	380	376	358	384	380	470	433
Inspections	250	362	410	430	419	391	252	240	105	159
Training hours	2,886	3,652	4,098	2,895	2,526	3,536	3,932	4,550	4,747	6,200
Streets and highways										
Streets sealed (square yards)	110,313	122,141	89,074	88,824	81,896	91,764	82,259	84,123	80,806	-0- *
Water										
Public water service connections	3,950	4,023	4,051	4,073	4,096	4,143	4,181	4,257	4,351	4,407
GPD average consumption	1,046,750	1,053,828	1,062,240	1,069,532	1,070,118	1,123,324	1,133,627	1,137,921	1,158,823	1,180,387
Wastewater										
Service Connections	4,829	4,879	4,988	5,110	5,199	5,490	5,683	5,751	5,866	5,942
Average Daily Flow (thousands of gallons)	921	882	772	698	724	749	729	755	801	806

Source: Various City of Andover departments

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	18	17	18	18	18	18	18	20	21	21
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Nonstaffed substations	2	2	2	2	1	1	1	1	1	1
Streets and highways										
Miles of paved streets	55	58	61	61	61	61	63	63	64	65
Miles of unpaved streets	12	14	13	13	13	13	13	13	13	13
Traffic Signals	6	6	7	7	7	7	7	7	7	7
Parks & Recreation										
Neighborhood parks	3	3	3	3	3	3	3	3	3	3
Playground areas										2
56 Acre recreation complex:										
Baseball/softball diamonds	6	6	6	6	6	6	4	4	4	4
Soccer fields	1	1	1	2	3	3	3	3	3	3
Playground areas	2	2	2	2	2	2	2	2	2	2
Tennis/basketball courts	3	3	3	3	3	3	3	4	4	4
Picnic Shelters	2	2	2	2	3	3	4	4	4	4
FEMA Storm Shelter/Restroom/Concession	1	1	1	1	1	1	1	1	1	1
Community center	1	1	1	1	1	1	1	1	1	1
9 hole golf course	1	1	1	1	1	1	1	1	1	1
Clubhouse	1	1	1	1	1	1	1	1	1	1
80 Acre Passive Recreation Park:										
Fishing Lake	1	1	1	1	1	1	1	1	1	1
Playground areas		1	1	1	1	1	1	1	1	1
Picnic Shelters	1	1	1	1	1	1	1	1	1	1
Handicap accessible paved walking path	1	1	1	1	1	1	1	1	1	1
Conference Cabin	1	1	1	1	1	1	1	1	1	1
Scout Lodge	1	1	1	1	1	1	1	1	1	1
Lodge	1	1	1	1	1	1	1	1	1	1
Gazebo	1	1	1	1	1	1	1	1	1	1
FEMA Storm Shelter/Restroom									1	1
Community 5 acre park										
Playground areas			1	1	1	1	1	1	1	1
Outdoor basketball court					1	1	1	1	1	1
Picnic Shelters			1	1	1	1	1	1	1	1
2 Mile Redbud Hike/Bike trail								1	1	1
Water *										
Fire hydrants	549	578	587	596	596	596	607	611	614	615
Miles of water lines	67	70	71	73	73	73	74	75	75	76
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	84	88	90	90	111	111	112	113	113	113

* 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, 2017

Direct Expense Items:

Health/Dental Insurance		\$ 884,085
Social Security		334,869
Worker's Compensation		89,656
Unemployment Insurance		2,856
Retirement		619,045
Flex Spending Account Fees		3,407
New Hire Physicals		<u>5,694</u>
		<u>\$ 1,939,612</u>

Indirect Expense Items (time off with pay):

Vacation	7,993	Hours	\$ 187,923
Sick Leave	4,178	Hours	84,563
Holiday	<u>6,655</u>	Hours	<u>144,243</u>
	<u>18,826</u>	Hours	<u>\$ 416,729</u>

Total Payroll \$ 4,706,787

Total Hours Worked 197,106

Total Hours Paid 218,768

Cost of Direct Expense Items \$ 1,939,612

Cost of Indirect Expense Items 416,729

Total Cost of Fringe Benefits \$ 2,356,341

Cost Per Hour Worked \$ 11.95

Cost as Percent of Payroll 50.06%

CITY OF ANDOVER
SICK LEAVE AND VACATION USAGE

	<u>Vacation</u>	<u>Sick Leave</u>
Balance 1/1/17	8,409	29,349
Value of Accumulated Days	\$ 205,445	\$ 702,028
Hours Accumulated During Year	9,620	8,636
Hours Used During Year	7,946	4,170
Hours Lost Due to Termination	24	2,028
Paid Hours Over 480 Hours		1,079
Lost Hours Over 480 Hours		1,511
Hours Balance 12/31/17	10,059	29,197
Value of Accumulated Days 12/31/17	\$ 238,627	\$ 690,288

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

Non-Emergency	Police	Fire	
2.15	2.31	2.77	hours per pay period for the first year of employment;
3.38	3.46	3.69	hours per pay period for the second thru fifth year of employment;
4.31	4.38	4.62	hours per pay period for the sixth thru tenth year of employment;
5.23	5.31	5.54	hours per pay period for the eleventh thru fifteenth year of employment;
6.15	6.23	6.46	hours per pay period for the sixteenth thru twentieth year of employment;
7.08	7.15	7.38	hours per pay period for the twenty-first year of employment and on;
7.692	N/A	N/A	hours per pay period for the twenth-sixth year of employment and on; (Only those employees grandfathered in as of 8/1/16)

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

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

Sick leave can only be used in the event of illness, except in the case of a death in the employee's immediate family. The employee may take three days off, that will be chargeable to sick leave, in addition to the three days of funeral leave. At termination, any sick leave balance is canceled. Accumulation cannot exceed 12 weeks/480 hours. After the maximum hours of 480 is reached, the employee, based on their hourly salary, will be paid 5/12 of the unused hours over the maximum as of December 31st.

The vacation policy was revised August 1, 2016