

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT
YEAR ENDED DECEMBER 31, 2009**



THE CITY OF
ANDOVER, KS

EST. 1957

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF ANDOVER, KANSAS

FOR THE YEAR ENDED DECEMBER 31, 2009

Ben Lawrence, Mayor
Sheri Geisler, Council Member
Caroline Hale, Council Member
Ray Jessen, Jr., Council Member
Clark Nelson, Council Member
Julie Reams, Council Member
Dave Tingley, Council Member

PREPARED BY ADMINISTRATIVE SERVICES DIRECTOR
DONNA K. DAVIS

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INTRODUCTORY SECTION

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June 30, 2010

To the Citizens of ANDOVER

The Comprehensive Annual Financial Report of the City of Andover, Kansas for the fiscal year ended December 31, 2009 is submitted herewith. The reports were prepared through the efforts of the Administrative Services Director and the City staff. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's Financial activity have been included.

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

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

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

PROFILE OF THE CITY

The City of Andover is located in western Butler County, which is in the south central portion of Kansas. Andover's western edge borders the City of Wichita and is 14 miles southwest of El Dorado, the county seat. The City was incorporated in 1957 with a population of 166, and covering less than 1 square mile. In the 50 years since then the population had grown to 10,351 and the city currently covers 10 square miles.

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

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

ECONOMIC CONDITIONS AND OUTLOOK

Housing starts in the City of Andover continued to be slow in the first half of 2009, but began to make a slight rebound in the second half. For the previous ten-year period a yearly average of 161 new residential building permits were issued. During 2009 there were 62 new residential building permits, and 9 commercial permits. Of the commercial permits one was for a \$4 million skilled nursing facility, and another was for a \$1 million bank. The commercial development is looking strong for the next several years. Due to the economic uncertainty, a couple of new housing developments had been put on hold, but are reentering the housing market in 2010. Families are moving to the smaller communities around the Wichita area for the quiet lifestyle and quality schools.

The Wichita based aircraft industries' economic condition overall continues to face tough times. Due to the proximity to Wichita, this condition has a bearing on the economic condition in Andover. At the end of the year, the average unemployment rate was 6.3% for the state and 6.9% for Butler County, which is an increase of 2% from 2008.

The City has developed an industrial park where our three major industries, International Cold Storage, Vornado Air Circulation Systems, Inc., and Sherwin Williams (fka Pratt & Lambert) as well as other smaller companies have located. These businesses employ approximately 300 people. The City of Andover Industrial Park has the necessary infrastructure needed to provide access, water, sewer and fiber optic service for new companies wishing to locate in Andover. The number of small retail and service jobs held steady in 2009.

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

MAJOR INITIATIVES

Parks and Recreation Department

Improvements in ADA compliance continue to be made at the City parks. In addition to multiple sidewalks being installed, cement pads for wheelchairs have been added at each ball diamond. Construction began on a new City Hall in Central Park. A playground near the new library was completed and is always in use. The City is also in the planning stages for a playground in the new 5 acre parkland that was donated to the City.

Street Department

A slat storage dome and salt brine building were built at the Street Department yard in 2009. New traffic lights were installed at Cloud Avenue and Andover Road, to ease traffic flow into a new commercial development. The Street Department sealed 78,898 square yards of streets, and micro-surfaced 3 major arterial streets. Using funds from the City's 1% sales tax road improvement fund 3rd Street was rebuilt. The Andover Road improvement project (which is primarily paid for with funds from the American Recovery & Reinvestment Act) between US Highway 54 and Harry Street was started. Major projects this past year included improvements to gravel roads, ditch work, sidewalks and curb repairs, and the inventory of the city's 2,005 street signs.

Wastewater Department

Approximately 320,580,000 gallons of raw sewage were treated. Nearly 6,180,588 gallons of treated sludge were spread on City owned agricultural fields using a sludge sprinkler system. 39,191,295 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 72,000 feet of sewer lines. As part of an ongoing maintenance program, 4,719' of sewer pipes, and 19 manholes and 223' of vertical pipe were rehabbed and/or lined. The rehabilitation of the sewer lines and manholes has allowed the average daily flows to remain steady, while the number of sewer connections continues to increase.

Fire Department

Andover Fire/Rescue responded to 1,231 requests for assistance in 2009, a decrease of 6% from 2008. Of the total, 819 were medical or rescue responses, 85 fires and 327 “other” types of responses. A federal grant was received in 2009 for a “protective clothing washing machine and an ambient air dryer for bunker gear” totaling approximately \$16,000. The department replaced 20 year old hydraulic rescue tools with the latest tools available. The automobile industry has made great strides in protecting passengers, and in doing so has made it more difficult to extricate passengers that become trapped in the vehicle as the result of an accident. These new tools will allow the department to perform these extrications. Training continues to be a priority within the department. In 2009 Andover firefighters received 3,652 hours of training for an average of 158 hours of training per firefighter – career and reserve firefighters.

Police Department

During 2009, the Police Department completed a reorganization plan in an effort to improve communications, maximize resources and to facilitate the future growth anticipated for Andover. In 2009, the department responded to 15,021 calls, approximately a 3% decrease from 2008. Consistently, there were significant reductions in specific crimes such as rapes (60%), residential burglaries (14.7%), non-residential burglaries (5.9%), criminal threats (11.9%), and simple assaults (46.7%). Consistent with the reduction in calls and crime, there were 1,650 incident reports made which was approximately a 12.8% decrease from the prior year. In an effort to make the City streets safer 2,473 citations were issued, which is relatively steady with 2008, but included a 118% increase in residential speeding citations and a 63% increase in school zone citations, which is a direct result of the Department’s responsiveness to the community and the development in 2009 of a Specialized Policing, Education, Enforcement and Deterrence (SPEED) program that proactively targets residential streets and school zones. Additionally, in 2009 the department began preparing for entering into the Communications Assistance for Law Enforcement Act (CALEA) process and seeking national accreditation.

Storm Water Department

The main focus of the Storm Water Department continues to be public education concerning compliance with Federal, State and local laws governing storm water discharge. Meetings with homeowner associations, community groups and builders were held throughout the year. Utilizing Eagle Scouts, 15 rain barrels were built and given away. Additionally, a new walking trail adjacent to a creek in Central Park is being built using mulched wood as the surface material. This department also continued the expansion of the city’s GIS (Geographic Information System). The process of scanning all the public works plans and linking them to the GIS started in 2009.

Building Inspection/Code Enforcement Department

Progress continues to be made in streamlining the permit and plan review process, including the review of inspection services and building standards in order to insure compliance. Staff performs plan reviews and inspections, which includes the support and review of several hundred permit and jobs that are currently active within the community. Approximately 3,200 scheduled inspections were performed in 2009.

Communications/Information Technology

In 2009, Communications/IT continued to evolve as its own department. IT handled migration to new file and mail servers, as well as a Continuous Data Protection plan for data security. More mobile devices were issued to city employees to allow them to better perform their duties from the field. Mobile devices now number more than 30 citywide. 911 handled 4,979 emergency calls, an 8.4% decrease from 2008, and 15,201 calls for service for Police and Fire, a 3% decrease. Andover 911 had no staff turnover in 2009, and two Communications Officers achieved the Master Communications Officer I level. The Director of Communications/IT obtained the Association of Public Safety Communications Officials' (APCO) Registered Public Leader certification, only the second such certification in the State of Kansas.

FINANCIAL PLANNING

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

Under the laws of the State of Kansas, special assessment debt incurred constitutes a general obligation of the City. This debt is controlled and serviced through the Debt Service fund. The City of Andover, on October 13, 1998 adopted a resolution that approved a debt management and fiscal policy that became effective January 1, 1999. Included in the resolution is a measure of debt affordability, which provides that the amount of new general obligation debt, including temporary notes, issued in any one fiscal year shall not exceed sixty percent of the amount of new growth in the prior year of the assessed valuation of the City.

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.

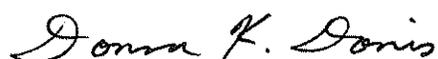
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Andover, Kansas, for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2008.

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 30 years.

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

Respectfully submitted,

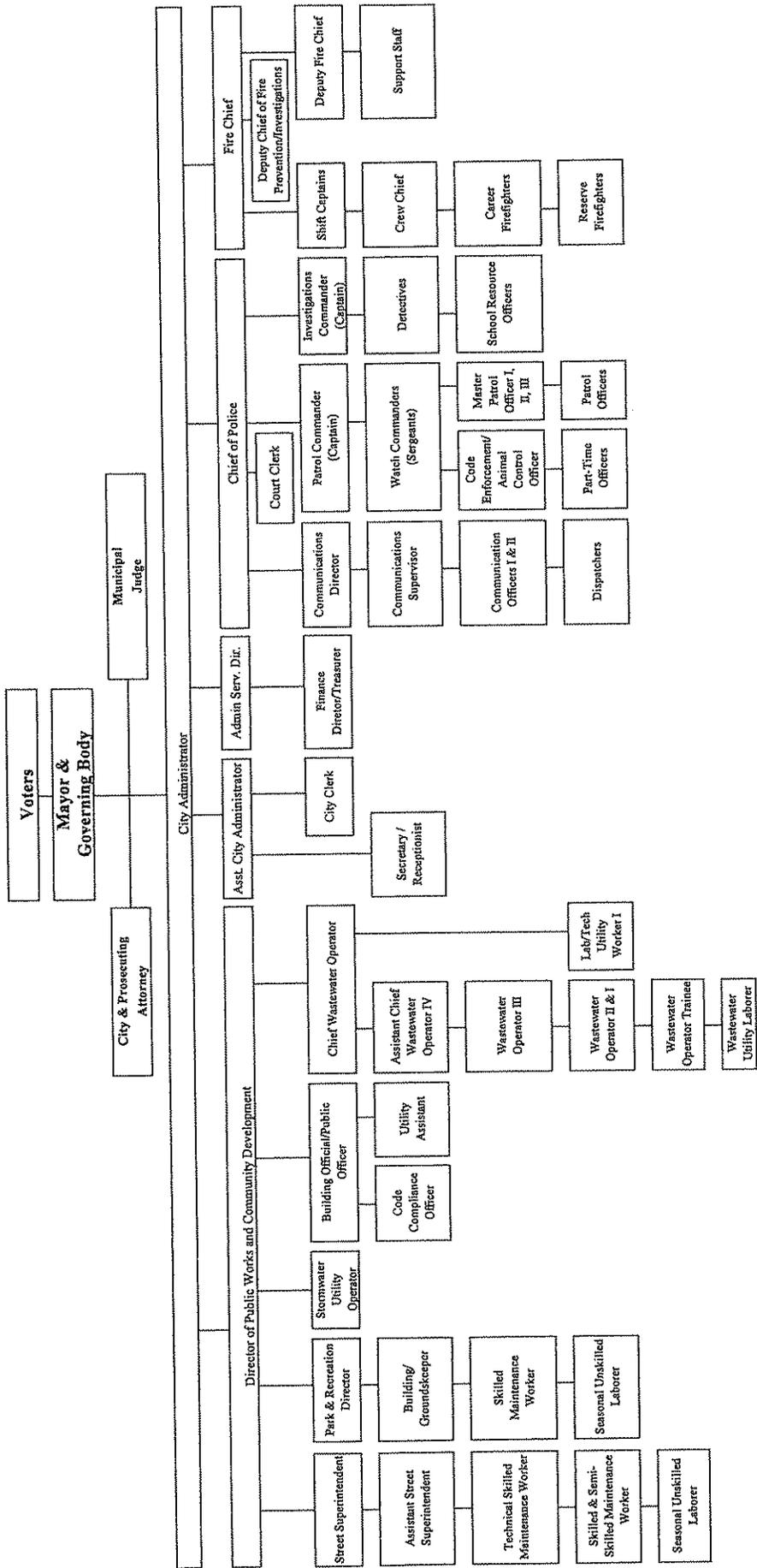


Donna K. Davis
Administrative Services Director

CITY OF ANDOVER, KANSAS
LIST OF PRINCIPAL OFFICIALS
December 31, 2009

<u>Title</u>	<u>Name</u>
Mayor	Ben Lawrence
Council Member	Sheri Geisler
Council Member	Caroline Hale
Council Member	Ray Jessen, Jr.
Council Member	Clark Nelson
Council Member	Julie Reams
Council Member	Dave Tingley
City Administrator	Sasha Stiles
City Superintendent	Leslie Mangus
City Clerk	Susan Renner
Administrative Services Director	Donna K. Davis
Financial Director/Treasurer	Julie Spyres
Chief of Police	Michael Keller
Chief of Fire	Jimmie Shaver
Wastewater Superintendent	Brian Walls
Street Superintendent	William Braitsch
Park & Recreation Director	Ralph Rust
City Consulting Engineer	Mike Thompson, POE & Associates
Municipal Judge	Eugene White
City Attorney	Norman Manley
Planning Consultant	Bickley Foster, Foster & Associates
Financial Advisor	Mark Detter, DeWaay Financial
Prosecuting Attorney	Cami Baker

CITY OF ANDOVER, KANSAS ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Andover
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

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



President

Executive Director

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FINANCIAL SECTION

George, Bowerman & Noel, P.A.

Certified Public Accountants
Management Consultants
Tax Advisors

Paul R. Bowerman
Gary L. George

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
Andover, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Andover, Kansas (City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Andover's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical section 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in the introductory section and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on such information.

George, Bowerman & Noel, P.A.

Wichita, Kansas
June 24, 2010

**CITY OF ANDOVER, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, and the CAFR transmittal letter in the preceding Introductory Section.

FINANCIAL HIGHLIGHTS

- The total assets of the City of Andover exceeded its liabilities at the close of 2009 by \$54,439,667. Of this amount, \$21,874,543 represents net assets invested in capital assets, net of related debt. Also included is \$31,426,951 restricted for future debt service and wastewater facility expansion.
- The City's total net assets increased \$733,875 during the fiscal year.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund deficits of \$4,884,584, an increase in the deficit of \$3,681,676 in comparison with the prior year.
- At the end of 2009, the General Fund fund balance was \$1,932,773, a decrease of 18.2% from 2008, which consisted of \$90,130 of reserved fund balance and \$1,842,643 of unreserved fund balance. Of the \$1,842,643 unreserved balance \$1,177,734 was designated for subsequent years' expenditures, and \$664,909 was unreserved and undesignated.
- The City of Andover's total bonded debt decreased \$2,752,000 during 2009. The key factor was no issuance of new general obligation bonds to finance capital projects. The only general obligation bonds issued were for refinancing purposes, to capitalize on lower interest rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Reporting the City's Most Significant Funds

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

Fund Financial Statements

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

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

The governmental funds financial statements can be found on pages 25 through 33 of this report.

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

The proprietary funds financial statements can be found at pages 34 through 38 of this report.

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

The fiduciary funds financial statements can be found on page 39 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 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$54,429,667 at the close of 2009.

As shown on Table 1, the largest portion of the City’s assets, \$65,442,047, reflects its investment in capital assets less accumulated depreciation. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s net investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

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Table 1
City of Andover
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 33,733,142	\$ 33,491,815	\$ 4,363,298	\$ 4,442,853	\$ 38,096,440	\$ 37,934,668
Capital assets	44,669,813	40,794,281	20,772,234	21,089,921	65,442,047	61,884,202
Total assets	<u>78,402,955</u>	<u>74,286,096</u>	<u>25,135,532</u>	<u>25,532,774</u>	<u>103,538,487</u>	<u>99,818,870</u>
Current and other liabilities	11,523,897	5,708,386	41,693	45,772	11,565,590	5,754,158
Long-term liabilities	34,880,018	37,449,741	2,663,212	2,919,179	37,543,230	40,368,920
Total liabilities	<u>46,403,915</u>	<u>43,158,127</u>	<u>2,704,905</u>	<u>2,964,951</u>	<u>49,108,820</u>	<u>46,123,078</u>
Net assets						
Invested in capital assets, net of related debt	3,723,622	7,635,742	18,150,921	18,208,045	21,874,543	25,843,787
Restricted	28,160,493	30,640,036	3,266,458	3,278,991	31,426,951	33,919,027
Unrestricted	114,925	(7,147,809)	1,013,248	1,080,787	1,128,173	(6,067,022)
Total net assets	<u>\$ 31,999,040</u>	<u>\$ 31,127,969</u>	<u>\$ 22,430,627</u>	<u>\$ 22,567,823</u>	<u>\$ 54,429,667</u>	<u>\$ 53,695,792</u>

The city's net assets increased \$733,875 during 2009

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Table 2
City of Andover
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenue						
Program revenue:						
Charges for services	\$ 855,061	\$ 940,374	\$ 1,327,454	\$ 1,383,769	\$ 2,182,515	\$ 2,324,143
Operating grants and contributions	344,869	323,982	-0-	-0-	344,869	323,982
Capital grants and contributions	1,999,911	9,705,795	-0-	-0-	1,999,911	9,705,795
General revenues:						
Sales tax	1,539,327	1,639,405	-0-	-0-	1,539,327	1,639,405
Property tax	4,573,036	4,131,474	-0-	-0-	4,573,036	4,131,474
Other taxes	746,149	725,641	-0-	-0-	746,149	725,641
Other general revenues	31,811	254,423	35,952	116,061	67,763	370,484
Total Revenues	10,090,164	17,721,094	1,363,406	1,499,830	11,453,570	19,220,924
Expenses						
General government	1,064,690	1,050,874	-0-	-0-	1,064,690	1,050,874
Public safety	3,349,588	2,885,107	-0-	-0-	3,349,588	2,885,107
Highways and street	2,091,853	2,062,097	-0-	-0-	2,091,853	2,062,097
Health and sanitation	96,071	83,213	-0-	-0-	96,071	83,213
Culture and recreation	1,015,734	985,226	-0-	-0-	1,015,734	985,226
Economic development	67,333	69,185	-0-	-0-	67,333	69,185
Environment protection	9,995	13,077	-0-	-0-	9,995	13,077
Interest on long-term debt	1,590,175	1,859,286	-0-	-0-	1,590,175	1,859,286
Water	-0-	-0-	191,202	168,405	191,202	168,405
Sewer	-0-	-0-	1,243,054	1,151,411	1,243,054	1,151,411
Total Expenses	9,285,439	9,008,065	1,434,256	1,319,816	10,719,695	10,327,881
Excess (deficiency) of revenues over expenses before transfers						
	804,725	8,713,029	(70,850)	180,014	733,875	8,893,043
Transfers						
	66,346	(2,581,635)	(66,346)	2,581,635	-0-	-0-
Change in net assets	\$ 871,071	\$ 6,131,394	\$ (137,196)	\$ 2,761,649	\$ 733,875	\$ 8,893,043

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Governmental Activities. Governmental activities increased the City's net assets by \$871,071 in 2009. This increase was primarily due to an increase in property tax revenue and a decrease in interest paid on long term debt in 2009.

Business-type Activities. Business-type activities decreased the City's net assets by \$137,196 in 2009. This was due primarily to a decrease in net capital assets.

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 unreserved 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 2009, the City's governmental funds reported total fund deficits of \$4,884,584 compared to fund balance deficits of \$1,202,908 for the prior year, an increase of \$3,681,676.

General Fund

The General Fund is the primary operating fund of the City. At the end of 2009, the unreserved (designated and undesignated) fund balance of the General fund was \$1,842,643, while total fund balance was \$1,932,773, which was \$429,251 or 22% less than the prior year's General Fund total fund balance. The primary reasons for the decrease were an additional \$335,992 in expenditures, a decrease in transfers from capital projects of \$284,718 and a decrease of \$135,542 in licenses and permits revenue. Those changes were partially offset by an increase in property tax revenue of \$284,718.

The City's management may also designate unreserved fund balance to a particular function, project or activity. Fund balance may also be designated for purposes beyond the current year. However, undesignated fund balance is available for appropriation at any time. Of the \$1,842,643 General Fund unreserved fund balance, 63.9% is designated. The designated 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 \$590,612 or 62.1%. This was due to an increase in receipts of intergovernmental grants.

Debt Service Fund

In the Debt Service Fund, the fund balance decreased \$286,732 or 30.4%, as a direct result of refinancing several general obligation bonds, from which saving will be realized in subsequent years.

Capital Projects Fund

During 2009, the Capital Projects Fund incurred \$5,365,153 less in expenditures than in 2008.

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

The total net assets of the enterprise funds decreased \$137,196. This was due primarily to a decrease in net capital assets. Utility user fees did not increase in 2009.

Water Utility Fund

The total net assets of the Water Fund decreased by \$98,882, primarily due to the increase in depreciation expense. Expenses increased \$22,797 from the prior year due to slightly higher cost to repair the infrastructure.

Sewer Utility Fund

The total net assets of the Sewer Utility Fund decreased slightly by \$38,314. Utility user fees collected showed a decrease of \$39,303 from the prior year.

General Fund Budgetary Highlights

Actual General Fund revenues were higher than the final budget by \$354,624, of which \$228,040 can be attributed to higher than normal volume of commercial construction permits. The remainder is primarily due to an increase in taxes collected of \$105,196. The final expenditures from the General Fund at year-end were \$365,131 less than the final budget. The budget to actual variance in appropriations was principally due to personnel service expenditures coming in \$170,597 less than projected and \$130,128 less spent on capital outlay than estimated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of December 31, 2009, amounted to \$65,442,047 (net of accumulated depreciation). This investment, detailed in Table 3, in a broad range of capital assets includes land, infrastructure, buildings and improvements, equipment, and construction in progress. This amount represents a net increase of \$3,557,845, or 5.7%, for 2009.

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,364,841	\$ 1,364,841	\$ 123,946	\$ 123,946	\$ 1,488,787	\$ 1,488,787
Buildings and improvements	5,895,326	5,747,183	2,952,090	3,044,838	8,847,416	8,792,021
Impr. other than buildings	421,072	453,038	17,626,140	17,862,134	18,047,212	18,315,172
Machinery and equipment	1,694,497	1,668,944	70,058	59,003	1,764,555	1,727,947
Infrastructure	22,750,609	21,871,920	-0-	-0-	22,750,609	21,871,920
Construction in progress	12,543,468	9,688,355	-0-	-0-	12,543,468	9,688,355
Capital assets, net	<u>\$44,669,813</u>	<u>\$40,794,281</u>	<u>\$20,772,234</u>	<u>\$21,089,921</u>	<u>\$65,442,047</u>	<u>\$61,884,202</u>

Some of the City's major capital asset events in 2009 were:

- In the capital projects there was a net infrastructure increase of \$878,689, resulting from street improvements. In addition, there was net increase in construction in progress of \$2,855,113, which was comprised of streets and drainage systems being constructed in a new commercial development.
- There was a net increase in machinery and equipment in governmental activities of \$25,553. This was primarily due to the purchase of additional vehicles for police.

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, 2009, the City had total bonded debt outstanding of \$32,669,000. Of this amount, \$30,054,000 comprises debt backed by the full faith and credit of the government. The remainder of the City debt represents revenue bonds for the sewer utility. In addition, the City is obligated for \$6,607,000 of temporary notes for capital projects. The City's total bonded debt increased \$4,233,000 or 11.5% in 2009 due to the issuance of additional temporary notes to finance capital projects.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for Butler County, in which Andover is located, is currently 6.9%, which is an increase from the rate of 4.8% a year ago. This compares to the state's average unemployment rate of 6.3% and the national average of 10%. Inflationary trends in the region compare favorably to national indices. Assessed valuation increased 9.4% between the 2009 and 2010 budgets. These and other factors were considered in preparing the City of Andover's budget for the 2010 fiscal year.

During 2009, unreserved fund balance in the general fund decreased to \$1,780,707. The City anticipated an unreserved fund balance of \$1,177,734 when it adopted its 2009 operating budget.

The rates for the sewer utility remained steady in 2009, but there is an increase planned for 2010.

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, 909 N. Andover Road, 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 ASSETS

December 31, 2009

	<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component</u>
	<u>Activities</u>	<u>Activities</u>		<u>Unit</u>
<u>ASSETS</u>				
Cash and investments	\$ 1,849,961	\$ 401,399	\$ 2,251,360	\$ 202,211
Receivables:				
Property taxes	4,159,818	-	4,159,818	-
Special assessment taxes	27,503,643	-	27,503,643	-
Sales taxes	105,452	-	105,452	-
Franchise fees	60,483	-	60,483	-
Trade accounts, net	26,104	268,911	295,015	-
Unconditional promises to give	-	-	-	10,337
Prepaid items	23,850	-	23,850	-
Restricted assets	3,831	3,588,151	3,591,982	-
Unamortized debt issuance costs	-	75,108	75,108	-
Unamortized deferred costs on refunding	-	29,729	29,729	-
Capital assets:				
Land	1,364,841	123,946	1,488,787	-
Buildings	7,052,977	4,623,732	11,676,709	-
Improvements other than buildings	623,419	22,900,555	23,523,974	-
Infrastructure	34,266,294	-	34,266,294	-
Machinery and equipment	5,015,485	650,385	5,665,870	293,809
Less accumulated depreciation	(16,196,671)	(7,526,384)	(23,723,055)	(122,106)
Construction work in progress	12,543,468	-	12,543,468	-
	<u>78,402,955</u>	<u>25,135,532</u>	<u>103,538,487</u>	<u>384,251</u>
<u>LIABILITIES</u>				
Accounts payable	295,765	-	295,765	7,737
Accrued interest payable	466,699	41,693	508,392	-
Matured bonds and coupons payable	2,380	-	2,380	-
Temporary notes payable	6,607,000	-	6,607,000	-
Unearned revenue	4,152,053	-	4,152,053	-
Noncurrent liabilities:				
Due within one year	3,579,207	303,043	3,882,250	-
Due in more than one year	31,300,811	2,360,169	33,660,980	-
	<u>46,403,915</u>	<u>2,704,905</u>	<u>49,108,820</u>	<u>7,737</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	3,723,622	18,150,921	21,874,543	171,703
Restricted for:				
Debt service	28,160,493	1,844,771	30,005,264	-
Wastewater expansion and equipment	-	1,421,687	1,421,687	-
Library building	-	-	-	5,515
Unrestricted	114,925	1,013,248	1,128,173	199,296
	<u>\$ 31,999,040</u>	<u>\$ 22,430,627</u>	<u>\$ 54,429,667</u>	<u>\$ 376,514</u>

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

**CITY OF ANDOVER, KANSAS
STATEMENT OF ACTIVITIES**

Year ended December 31, 2009

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Component Unit	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities		Total
Governmental Activities:						
General government	\$ 1,064,690	\$ 148	\$ (881,807)	\$ (881,807)	\$ -	
Public safety	3,349,588	323,054	(2,744,648)	(2,744,648)	-	
Highways and streets	2,091,853	19,867	(1,280,887)	(1,280,887)	-	
Health and sanitation	96,071	-	(96,071)	(96,071)	-	
Culture and recreation	1,015,734	1,800	(723,758)	(723,758)	-	
Economic development	67,333	-	(67,333)	(67,333)	-	
Environmental protection	9,995	-	(9,995)	(9,995)	-	
Interest on long-term debt	1,590,175	-	(281,099)	(281,099)	-	
Total Governmental Activities	\$ 9,285,439	\$ 344,869	\$ (6,085,598)	\$ (6,085,598)	-	
Business-Type Activities:						
Water Utility	\$ 191,202	\$ -	(78,966)	(78,966)	-	
Sewer Utility	1,243,054	-	(27,836)	(27,836)	-	
Total Business-Type Activities	\$ 1,434,256	\$ -	\$ (106,802)	\$ (106,802)	-	
Component Unit: Andover Public Library	\$ 468,947	\$ 37,289	-	-	(396,055)	
General Revenues and Transfers:						
Property taxes levied for:						
General purposes			4,163,259	-	4,163,259	
Debt service			409,777	-	409,777	
Sales taxes			1,539,327	-	1,539,327	
Franchise taxes			615,928	-	615,928	
Tourism taxes			130,221	-	130,221	
Payment from City of Andover			-	-	-	
Investment earnings			31,811	35,952	67,763	
Transfers			66,346	(66,346)	-	
Total general revenues and transfers			\$ 6,956,669	\$ (30,394)	\$ 6,926,275	
Change in net assets			871,071	(137,196)	733,875	
Net assets at beginning of year			31,127,969	22,567,823	53,695,792	
Net assets at end of year			\$ 31,999,040	\$ 22,430,627	\$ 54,429,667	

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

FUND FINANCIAL STATEMENTS

CITY OF ANDOVER, KANSAS
BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2009

	<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	\$ 373,775	\$ 164,559	\$ 156,850	\$ –	\$ 1,154,777	\$ 1,849,961
Cash held by escrow agent	1,451	–	–	–	–	1,451
Cash with fiscal agent	–	–	2,380	–	–	2,380
Due from other funds	1,500,000	1,500,000	500,000	–	1,668,155	5,168,155
Property taxes receivable	2,354,856	–	270,459	–	1,534,503	4,159,818
Special assessment taxes receivable	–	–	27,503,643	–	–	27,503,643
Franchise fees receivable	60,483	–	–	–	–	60,483
Sales taxes receivable	–	105,452	–	–	–	105,452
Accounts receivable	–	–	–	–	26,104	26,104
Total assets	<u>\$4,290,565</u>	<u>\$ 1,770,011</u>	<u>\$28,433,332</u>	<u>\$ –</u>	<u>\$ 4,383,539</u>	<u>\$ 38,877,447</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 2,936	\$ 228,226	\$ –	\$ 64,603	\$ –	\$ 295,765
Due to other funds	–	–	–	5,168,155	–	5,168,155
Accrued interest payable	–	–	–	33,035	–	33,035
Matured bonds and coupons payable	–	–	2,380	–	–	2,380
Temporary notes payable	–	–	–	6,607,000	–	6,607,000
Deferred revenue	<u>2,354,856</u>	<u>–</u>	<u>27,774,102</u>	<u>–</u>	<u>1,526,738</u>	<u>31,655,696</u>
Total liabilities	<u>2,357,792</u>	<u>228,226</u>	<u>27,776,482</u>	<u>11,872,793</u>	<u>1,526,738</u>	<u>43,762,031</u>
Fund balances (deficit):						
Reserved for encumbrances	90,130	4,050	–	5,503,483	172,379	5,770,042
Unreserved:						
Designated for subsequent years' expenditures for:						
General fund	1,177,734	–	–	–	–	1,177,734
Debt Service fund	–	–	555,058	–	–	555,058
Special Revenue funds	–	252,535	–	–	1,256,830	1,509,365
Designed for debt service	–	–	101,792	–	–	101,792
Undesignated for:						
General fund	664,909	–	–	–	–	664,909
Construction fund	–	–	–	(17,376,276)	–	(17,376,276)
Special Revenue funds	–	1,285,200	–	–	1,427,592	2,712,792
Total fund balances (deficit)	<u>1,932,773</u>	<u>1,541,785</u>	<u>656,850</u>	<u>(11,872,793)</u>	<u>2,856,801</u>	<u>(4,884,584)</u>
Total liabilities and fund balances	<u>\$4,290,565</u>	<u>\$ 1,770,011</u>	<u>\$28,433,332</u>	<u>\$ –</u>	<u>\$ 4,383,539</u>	<u>\$ 38,877,447</u>

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

CITY OF ANDOVER, KANSAS

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

December 31, 2009

Total Governmental Fund Balances (Deficit)		\$ (4,884,584)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (capital assets net of accumulated depreciation):		
Cost	\$ 60,866,484	
Accumulated depreciation	<u>(16,196,671)</u>	44,669,813
Other assets not available to pay for current period expenditures and therefore are not reported in the governmental funds:		
Special assessments receivable		27,503,643
Prepaid expenses		23,850
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	383,653	
Accrued interest payable on Andover Public Building Commission revenue bonds payable	50,011	
Compensated absences payable	540,827	
General obligation bonds payable	30,054,000	
Andover Public Building Commission Revenue bonds payable	3,695,000	
Capital lease obligations payable	<u>590,191</u>	<u>(35,313,682)</u>
Net Assets of Governmental Activities		<u>\$ 31,999,040</u>

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

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

Year ended December 31, 2009

	<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>
Revenues:						
Property and sales taxes	\$ 2,785,355	\$ 1,539,327	\$ 183,574	\$ -	\$ 1,784,079	\$ 6,292,335
Special assessment taxes	-	-	3,501,887	54,962	-	3,556,849
Intergovernmental	22,331	590,000	-	25,825	318,843	956,999
Licenses and permits	853,562	-	-	-	149,815	1,003,377
Charges for services	2,763	-	-	-	93,613	96,376
Fines and forfeitures	230,394	-	-	-	-	230,394
Use of money and property	26,887	3,811	11,498	257	8,406	50,859
Miscellaneous	2,926	-	-	-	92,860	95,786
Total revenues	<u>3,924,218</u>	<u>2,133,138</u>	<u>3,696,959</u>	<u>81,044</u>	<u>2,447,616</u>	<u>12,282,975</u>
Expenditures:						
Current:						
General government	667,578	-	-	-	130,977	798,555
Public safety	2,441,214	-	-	-	697,774	3,138,988
Highways and streets	282,265	1,363,877	-	-	583,349	2,229,491
Health and sanitation	-	-	-	-	96,071	96,071
Culture and recreation	645,348	-	-	-	520,272	1,165,620
Environmental protection	7,464	-	-	-	2,531	9,995
Economic development	-	-	-	-	67,333	67,333
Capital improvements	-	-	-	3,769,137	-	3,769,137
Debt Service	237,767	-	3,697,132	52,739	299,614	4,287,252
Total expenditures	<u>4,281,636</u>	<u>1,363,877</u>	<u>3,697,132</u>	<u>3,821,876</u>	<u>2,397,921</u>	<u>15,562,442</u>
Revenues over (under) expenditures	<u>(357,418)</u>	<u>769,261</u>	<u>(173)</u>	<u>(3,740,832)</u>	<u>49,695</u>	<u>(3,279,467)</u>
Other financing sources (uses):						
Issuance of general obligation refunding bonds	-	-	10,842,000	-	-	10,842,000
Payment to refunded bond escrow agent	-	-	(11,373,554)	-	-	(11,373,554)
Issuance of capital lease obligations	62,999	-	-	-	-	62,999
Transfers in	17,402	-	244,995	6,499	467,946	736,842
Transfers out	(152,234)	(178,649)	-	(17,402)	(322,211)	(670,496)
Total other financing sources (uses)	<u>(71,833)</u>	<u>(178,649)</u>	<u>(286,559)</u>	<u>(10,903)</u>	<u>145,735</u>	<u>(402,209)</u>
Net change in fund balances	(429,251)	590,612	(286,732)	(3,751,735)	195,430	(3,681,676)
Fund balances (deficit), beginning of year	<u>2,362,024</u>	<u>951,173</u>	<u>943,582</u>	<u>(8,121,058)</u>	<u>2,661,371</u>	<u>(1,202,908)</u>
Fund balances (deficit), end of year	<u>\$ 1,932,773</u>	<u>\$ 1,541,785</u>	<u>\$ 656,850</u>	<u>\$(11,872,793)</u>	<u>\$ 2,856,801</u>	<u>\$(4,884,584)</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, 2009

Net Change in Fund Balances – Total Governmental Funds		\$ (3,681,676)
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	\$ 5,919,442	
Depreciation	<u>(2,043,910)</u>	
Excess of capital outlays over depreciation expense and asset dispositions		3,875,532
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets for:		
General obligation bonds	10,842,000	
Capital lease obligations	<u>62,999</u>	
Total issuance of long-term debt		(10,904,999)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		
		299,049
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
General obligation bond payment	13,216,000	
Andover Public Building Commission revenue bond payment	128,000	
Capital lease obligations	<u>203,347</u>	
Total payments on long-term liabilities		13,547,347
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		
		(2,192,811)
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	1,254	
Compensated absences payable	<u>(72,625)</u>	
Total		<u>(71,371)</u>
Change in Net Assets of Governmental Activities		<u>\$ 871,071</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, 2009
(continued on next page)**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 2,680,159	\$ 2,680,159	\$ 2,785,355	\$ 105,196
Intergovernmental	–	–	22,331	22,331
Licenses, fees and permits	662,000	662,000	890,040	228,040
Charges for services	98,929	98,929	2,763	(96,166)
Fines and forfeitures	160,000	160,000	230,394	70,394
Use of money and property	55,000	55,000	26,887	(28,113)
Miscellaneous	600	600	96,140	95,540
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>17,402</u>	<u>(42,598)</u>
Total revenues and other sources	<u>3,716,688</u>	<u>3,716,688</u>	<u>4,071,312</u>	<u>354,624</u>
Expenditures, encumbrances and other uses:				
General government:				
General department:				
Personal services	412,091	412,091	393,470	18,621
Contractual services	292,500	292,500	235,759	56,741
Commodities	35,800	35,800	13,969	21,831
Debt service	–	–	9,458	(9,458)
Contingency reserve	12,000	12,000	–	12,000
Transfers out	<u>68,834</u>	<u>68,834</u>	<u>68,834</u>	<u>–</u>
Total general government	<u>821,225</u>	<u>821,225</u>	<u>721,490</u>	<u>99,735</u>
Public safety:				
Police department:				
Personal services	888,802	888,802	826,920	61,882
Contractual services	136,200	136,200	111,541	24,659
Commodities	132,000	132,000	117,850	14,150
Capital outlay	106,385	106,385	110,076	(3,691)
Debt service	–	–	60,945	(60,945)
Transfers out	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>–</u>
Total police department	<u>1,273,387</u>	<u>1,273,387</u>	<u>1,237,332</u>	<u>36,055</u>

CITY OF ANDOVER, KANSAS

GENERAL FUND

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

**Year ended December 31, 2009
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fire department:				
Personal services	\$ 540,470	\$ 540,470	\$ 539,945	\$ 525
Contractual services	77,236	77,236	42,659	34,577
Commodities	52,886	52,886	46,571	6,315
Capital outlay	112,976	112,976	15,612	97,364
Debt service	–	–	95,589	(95,589)
Transfers out	<u>16,400</u>	<u>16,400</u>	<u>16,400</u>	<u>–</u>
Total fire department	<u>799,968</u>	<u>799,968</u>	<u>756,776</u>	<u>43,192</u>
Municipal Court department:				
Personal services	63,135	63,135	68,405	(5,270)
Contractual services	9,980	9,980	13,628	(3,648)
Commodities	200	200	187	13
Transfers out	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>–</u>
Total Municipal Court department	<u>75,315</u>	<u>75,315</u>	<u>84,220</u>	<u>(8,905)</u>
Total public safety	<u>2,148,670</u>	<u>2,148,670</u>	<u>2,078,328</u>	<u>70,342</u>
Highways and streets:				
Street department:				
Personal services	265,116	265,116	224,741	40,375
Contractual services	18,875	18,875	14,811	4,064
Commodities	14,640	14,640	10,833	3,807
Capital outlay	65,846	65,846	–	65,846
Debt service	–	–	36,312	(36,312)
Transfers out	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>–</u>
Total highways and streets	<u>404,477</u>	<u>404,477</u>	<u>326,697</u>	<u>77,780</u>
Recreation:				
Park department:				
Personal services	285,815	285,815	242,454	43,361
Contractual services	95,815	95,815	69,057	26,758
Commodities	112,150	112,150	75,472	36,678

CITY OF ANDOVER, KANSAS

GENERAL FUND

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

**Year ended December 31, 2009
(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>		
Capital outlay	\$ 97,500	\$ 97,500	\$ 172,231	\$ (74,731)
Debt service	<u> –</u>	<u> –</u>	<u> 9,387</u>	<u> (9,387)</u>
Total park department	<u> 591,280</u>	<u> 591,280</u>	<u> 568,601</u>	<u> 22,679</u>
Recreation Programs:				
Contractual services	36,270	36,270	29,609	6,661
Commodities	<u> 62,659</u>	<u> 62,659</u>	<u> 43,532</u>	<u> 19,127</u>
Total recreation programs	<u> 98,929</u>	<u> 98,929</u>	<u> 73,141</u>	<u> 25,788</u>
Total recreation	<u> 690,209</u>	<u> 690,209</u>	<u> 641,742</u>	<u> 48,467</u>
Environmental Protection:				
Composting Program:				
Personal services	10,175	10,175	7,464	2,711
Commodities	<u> 1,000</u>	<u> 1,000</u>	<u> –</u>	<u> 1,000</u>
Total composting program	<u> 11,175</u>	<u> 11,175</u>	<u> 7,464</u>	<u> 3,711</u>
Computer/IT Department:				
Personal services	262,067	262,067	250,732	11,335
Contractual services	85,682	85,682	49,580	36,102
Commodities	21,700	21,700	47,687	(25,987)
Capital outlay	76,130	76,130	30,790	45,340
Debt service	–	–	13,460	(13,460)
Transfers out	<u> 10,000</u>	<u> 10,000</u>	<u> 10,000</u>	<u> –</u>
Total Computer/IT Department	<u> 455,579</u>	<u> 455,579</u>	<u> 402,249</u>	<u> 53,330</u>
Building Inspection Department:				
Personal services	161,254	161,254	164,197	(2,943)
Contractual services	30,000	30,000	16,780	13,220
Commodities	10,850	10,850	10,329	521

CITY OF ANDOVER, KANSAS

GENERAL FUND

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

**Year ended December 31, 2009
(continued from previous page)**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay	\$ 13,583	\$ 13,583	\$ 12,615	\$ 968
Transfer out	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
 Total Building Inspection Department	 <u>220,687</u>	 <u>220,687</u>	 <u>208,921</u>	 <u>11,766</u>
 Total expenditures, encumbrances and other uses	 <u>4,752,022</u>	 <u>4,752,022</u>	 <u>4,386,891</u>	 <u>365,131</u>
Revenues and other sources over (under) expenditures, encumbrances and other uses	(1,035,334)	(1,035,334)	(315,579)	719,755
Fund balance, beginning of year	<u>1,260,334</u>	<u>1,260,334</u>	<u>2,096,286</u>	<u>835,952</u>
Fund balance, end of year	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ 1,780,707</u>	<u>\$ 1,555,707</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, 2009

	<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	\$1,500,000	\$1,500,000	\$1,562,163	\$ 62,163
Intergovernmental	4,530,000	5,250,000	590,000	(4,660,000)
Use of money and property	25,000	25,000	3,811	(21,189)
Miscellaneous	<u>–</u>	<u>–</u>	<u>46,982</u>	<u>46,982</u>
Total revenues	<u>6,055,000</u>	<u>6,775,000</u>	<u>2,202,956</u>	<u>(4,572,044)</u>
Expenditures:				
Contractual services	–	–	84,066	(84,066)
Capital outlay	5,928,804	7,396,226	1,281,623	6,114,603
Transfers out	<u>178,649</u>	<u>178,649</u>	<u>178,649</u>	<u>–</u>
Total expenditures	<u>6,107,453</u>	<u>7,574,875</u>	<u>1,544,338</u>	<u>6,030,537</u>
Revenues over (under) expenditures	(52,453)	(799,875)	658,618	1,458,493
Fund balance, beginning of year	<u>138,530</u>	<u>1,037,410</u>	<u>773,664</u>	<u>(263,746)</u>
Fund balance, end of year	<u>\$ 86,077</u>	<u>\$ 237,535</u>	<u>\$1,432,282</u>	<u>\$1,194,747</u>

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

CITY OF ANDOVER, KANSAS

STATEMENT OF NET ASSETS – ALL ENTERPRISE FUNDS

December 31, 2009

	Business-type Activities –Enterprise Funds		Total Enterprise Funds
	Water Utility	Sewer Utility	
<u>ASSETS</u>			
Current assets:			
Cash including investments	\$ 283,625	\$ 117,774	\$ 401,399
Trade accounts receivable	8,860	260,051	268,911
Restrict assets:			
Cash and investments restricted for:			
Revenue bond requirements	–	321,693	321,693
Total current assets	292,485	699,518	992,003
Noncurrent assets:			
Restricted assets:			
Cash and investments restricted for:			
Sewage revenue bond Requirements	–	1,844,771	1,844,771
Sewage equipment	–	206,281	206,281
Sewage treatment expansion	–	1,215,406	1,215,406
Total restricted assets	–	3,266,458	3,266,458
Capital assets:			
Land	–	123,946	123,946
Water mains and distribution lines	7,652,493	–	7,652,493
Sewage mains and distribution lines	–	15,248,062	15,248,062
Sewage disposal plant	–	4,623,732	4,623,732
Machinery and equipment	2,025	648,360	650,385
Less accumulated depreciation	7,654,518 (1,977,892)	20,644,100 (5,548,492)	28,298,618 (7,526,384)
Capital assets, net	5,676,626	15,095,608	20,772,234
Other assets:			
Unamortized bond issue costs, net	–	75,108	75,108
Deferred amount on refunding, net	–	29,729	29,729
Total other assets	–	104,837	104,837
Total noncurrent assets	5,676,626	18,466,903	24,143,529
Total assets	5,969,111	19,166,421	25,135,532

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>		<u>Total</u> <u>Enterprise</u> <u>Funds</u>
	<u>Water</u> <u>Utility</u>	<u>Sewer</u> <u>Utility</u>	
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Current portion of accrued compensated absences payable	-	16,730	16,730
Current portion on capital lease payable	-	6,313	6,313
Current liabilities payable from restrict assets:			
Accrued revenue bond interest payable	-	41,693	41,693
Current portion of revenue bonds payable	<u>-</u>	<u>280,000</u>	<u>280,000</u>
Total current liabilities	<u>-</u>	<u>344,736</u>	<u>344,736</u>
Noncurrent liabilities:			
Long-term portion of accrued compensated absences payable	-	25,169	25,169
Long-term portion of revenue bonds payable	<u>-</u>	<u>2,335,000</u>	<u>2,335,000</u>
Total noncurrent liabilities	<u>-</u>	<u>2,360,169</u>	<u>2,360,169</u>
Total liabilities	<u>-</u>	<u>2,704,905</u>	<u>2,704,905</u>
<u>NET ASSETS</u>			
Net assets:			
Net assets invested in capital assets, net of related debt	5,676,626	12,474,295	18,150,921
Restricted for:			
Sewer revenue bond requirements	-	1,844,771	1,844,771
Sewage equipment	-	206,281	206,281
Sewage treatment expansion	-	1,215,406	1,215,406
Unrestricted	<u>292,485</u>	<u>720,763</u>	<u>1,013,248</u>
	<u>\$ 5,969,111</u>	<u>\$ 16,461,516</u>	<u>\$ 22,430,627</u>

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

CITY OF ANDOVER, KANSAS

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

Year ended December 31, 2009

	<u>Business-type Activities</u> <u>–Enterprise Funds</u>		Total Enterprise Funds
	<u>Water Utility</u>	<u>Sewer Utility</u>	
Operating revenues:			
Sales of services	\$ 112,236	\$ 1,188,961	\$ 1,301,197
Other	<u>–</u>	<u>26,257</u>	<u>26,257</u>
Total operating revenues	<u>112,236</u>	<u>1,215,218</u>	<u>1,327,454</u>
Operating expenses:			
Personal services	19,430	325,569	344,999
Contractual services	19,448	305,371	324,819
Commodities	–	67,002	67,002
Depreciation	<u>152,324</u>	<u>412,636</u>	<u>564,960</u>
Total operating expenses	<u>191,202</u>	<u>1,110,578</u>	<u>1,301,780</u>
Operating income (loss)	<u>(78,966)</u>	<u>104,640</u>	<u>25,674</u>
Nonoperating revenues and expenses:			
Interest income	810	35,142	35,952
Interest expense	–	(106,372)	(106,372)
Amortization of bond issuance costs	<u>–</u>	<u>(26,104)</u>	<u>(26,104)</u>
Net nonoperating revenues (expenses)	<u>810</u>	<u>(97,334)</u>	<u>(96,524)</u>
Income (loss) before transfers	(78,156)	7,306	(70,850)
Transfers out	<u>(20,726)</u>	<u>(45,620)</u>	<u>(66,346)</u>
Change in net assets	(98,882)	(38,314)	(137,196)
Net assets, beginning of year	<u>6,067,993</u>	<u>16,499,830</u>	<u>22,567,823</u>
Net assets, end of year	<u>\$ 5,969,111</u>	<u>\$ 16,461,516</u>	<u>\$22,430,627</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, 2009

(continued on next page)

	<u>Business-type Activities</u> <u>–Enterprise Funds</u>		<u>Total</u> <u>Enterprise</u> <u>Funds</u>
	<u>Water</u> <u>Utility</u>	<u>Sewer</u> <u>Utility</u>	
Cash flows from operating activities:			
Cash received from customers	\$ 112,746	\$ 1,212,971	\$ 1,325,717
Cash payments to vendors for materials and supplies	(19,448)	(372,911)	(392,359)
Cash paid to employees	(19,430)	(320,973)	(340,403)
Other cash receipts	<u>–</u>	<u>26,257</u>	<u>26,257</u>
Net cash provided by operating activities	<u>73,868</u>	<u>545,344</u>	<u>619,212</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(43,050)	(204,223)	(247,273)
Principal paid on revenue bonds	–	(250,000)	(250,000)
Interest paid on revenue bonds	–	(108,563)	(108,563)
Principal paid on capital lease	–	(10,563)	(10,563)
Interest paid on capital lease	<u>–</u>	<u>(1,351)</u>	<u>(1,351)</u>
Net cash used by financing activities	<u>(43,050)</u>	<u>(574,700)</u>	<u>(617,750)</u>
Cash flows from noncapital financing activities:			
Repayment of advances to other funds	250,000	1,585,000	1,835,000
Transfers out	<u>(20,726)</u>	<u>(45,620)</u>	<u>(66,346)</u>
Net cash used by noncapital financing activities	<u>229,274</u>	<u>1,539,380</u>	<u>1,768,654</u>
Cash flows from investing			
Activities - interest received	<u>810</u>	<u>35,142</u>	<u>35,952</u>
Net increase in cash and cash equivalents	260,902	1,545,166	1,806,068
Cash and cash equivalents at beginning of year	<u>22,723</u>	<u>2,160,758</u>	<u>2,183,481</u>
Cash and cash equivalents at end of year	<u>\$ 283,625</u>	<u>\$ 3,705,924</u>	<u>\$ 3,989,549</u>

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

Year ended December 31, 2009

(continued from previous page)

	Business-type Activities –Enterprise Funds		Total Enterprise Funds
	Water Utility	Sewer Utility	
Cash and cash equivalents	\$ 283,625	\$ 117,774	\$ 401,399
Restricted cash and cash equivalents included in restricted cash and investments	–	3,588,150	3,588,150
Cash and cash equivalents, end of year	\$ 283,625	\$ 3,705,924	\$ 3,989,549
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Cash flows from operating activities:			
Operating income (loss)	\$ (78,966)	\$ 104,640	\$ 25,674
Adjustments to reconcile net cash provided by operating income (loss) to net cash provided by operating activities:			
Depreciation	152,324	412,636	564,960
Decrease (increase) in accounts receivable	510	24,010	24,520
Decrease in accounts payable	–	(538)	(538)
Increase in compensated absences payable	–	4,596	4,596
Net cash provided by operating activities	\$ 73,868	\$ 545,344	\$ 619,212

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

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

December 31, 2009

	<u>Agency Funds</u>
Assets:	
Cash including investments	<u>\$ 6,318</u>
Liabilities:	
Accrued liabilities payable	1,195
Appearance bonds payable	<u>5,123</u>
Total liabilities	<u>6,318</u>
Net assets	<u><u>\$ –</u></u>

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

CITY OF ANDOVER, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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 three-member board appointed by the City Council with one member consisting of a City Council Member. Although it is legally separate from the City, the Andover Public Building Commission is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. The financial activities of the Andover Public Building Commission are reflected in the Andover Public Building Commission special revenue fund type and the Andover Public Building Commission Park Improvements capital project fund type.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance in their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

Government-wide financial statements

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

Fund financial statements

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

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

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

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

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

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

Debt Service Fund – The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term debt general obligation debt of governmental funds.

Capital Projects Fund – The Capital Projects Fund is used to account for the resources accumulated and payments made for the acquisition and construction of major capital projects not being financed by proprietary funds.

The City reports the following major proprietary funds:

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

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

The City also reports the following fund types:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and Sewer 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes receivable

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

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

Special assessments receivable

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

Other taxes and revenues

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Utility accounts receivable

The City records water revenues billed to its customers when meters are read on a bimonthly basis. Charges for sewage treatment and solid waste services are billed quarterly. Unbilled service accounts receivable have been estimated at December 31, 2009, and are appropriately recorded as revenues.

Unconditional promises to give

The Andover Public Library Board had unconditional promises to give consisting of Capital Campaign pledges of \$12,750. The pledges are collectible through the year 2019. The expected payment stream of the pledges has been discounted using a rate of 2.42%. The pledges collectible at December 31, 2009 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2010	\$ 8,700
2011	1,900
2012	450
2013	450
2014	450
2015	300
2016	200
2017	100
2018	100
2019	<u>100</u>
Total pledges receivable	12,750
Less discount for present value	(1,913)
Less allowance for doubtful pledges	<u>(500)</u>
	<u>\$ 10,337</u>

Inventories and prepaid expenses

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

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

Capital assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Amortization of capital leases is included in depreciation expense.

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

Compensated absences

The City's policy regarding vacation pay permits all regular employees with one year of service to earn 40 hours vacation pay, two years of service to earn 80 hours vacation pay, three to ten years of service to earn 120 hours vacation pay and fifteen or more years of service to earn 160 hours vacation pay. Employees may accumulate a maximum of 150% of the amount of vacation earned in a twelve-month period and such vacation time that is not used in the allowed time period will be forfeited unless a special agreement has been reached with the Department Head and City Administrator. If vacation time cannot be taken due to workload, the employee shall be paid at regular salary after one year from the time vacation is earned. The City's policy regarding sick leave permits all regular full-time and probationary employees to earn 8 hours of sick leave for every month of service. Sick leave is allowed to accumulate up to a maximum of 480 hours. After the maximum hours are reached, employees, based on their monthly or hourly salary, will be paid 5/12 of the unused hours over the maximum as of December 31. Policies require the cancellation of accumulated sick leave upon termination. The liabilities for accrued compensated absences are based on current salary rates and the vested portion of accumulated benefits. The liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Retirement plans

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

Concentration of credit risk

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

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Net assets

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

Reservations and designations of fund balance

The fund balance of the governmental funds include the following reservations, which represent amounts that are not appropriable or are legally segregated for a specific purpose:

Reserved for encumbrances – used to segregate a portion of fund balance for commitments related to unperformed (executory) contracts for goods or services not yet performed by vendors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The fund balance of the governmental funds include the following designations, which represent management plans that are subject to change:

Designated for subsequent year's budget – used to segregate a portion of fund balance for current resources which were included in the subsequent year's budget to be used to finance operations of the ensuing year.

Designated for debt service – used to segregate a portion of fund balance for debt service resources for the payment of general long-term debt principal and interest amounts of future years.

The net assets of the proprietary funds include the following restrictions, which represent amounts that are legally segregated for a specific purpose:

Restricted for revenue bond requirements – used to segregate a portion of net assets restricted for future debt service and other reserve requirements provided for in the authorizing revenue bond ordinances and/or resolutions.

Restricted for sewage treatment expansion and equipment – used to segregate a portion of retained earnings restricted by ordinance of the governing body for future expansion of the wastewater treatment plant and acquisition of equipment.

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: Highway Improvement, Street Machinery and Bridge Building, Capital Equipment Reserve and Andover Public Building Commission funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The original budgets for the following funds were amended during 2009:

<u>Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
Street Improvement	\$ 6,107,453	\$ 7,574,875
Hotel and Tourism	45,000	85,000
Park Improvement	28,098	41,998
Street Impact Fee	50,000	250,000
Festivals	-	22,500
Debt Service	4,471,825	15,351,294
Water Utility	100,472	365,108

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

Estimates

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

2. DEPOSITS AND INVESTMENTS

Deposits

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

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

2. DEPOSITS AND INVESTMENTS (continued)

Investments

At December 31, 2009 the City had the following investments:

<u>Investment Type</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Weighted Average Months to Maturity</u>	<u>Standard & Poor's Rating</u>
Municipal Investment Pool – Overnight	\$ 6,242	\$ 6,242	.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, 2009, 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, 2009 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 \$5,838,870 with the bank balances of such accounts being \$6,138,702. Of the bank balances, \$505,373 was covered by federal depository insurance and the remaining balance of \$5,633,329 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 \$7,666,341 at December 31, 2009.

The City's discretely presented component unit's cash and investments at December 31, 2009 consisted of checking and savings accounts. At year-end, the carrying amount of the City's component unit's deposits was \$202,211 and the bank balances were \$207,133. The bank balances were entirely covered by federal depository insurance coverage at year-end.

2. DEPOSITS AND INVESTMENTS (continued)

A reconciliation of cash and investments as reported in the financial statements at December 31, 2009 is as follows:

Cash on hand	\$ 715
Carrying amount of deposits – City	5,838,872
Cash held by fiscal agent	3,831
Carrying amount of deposits – component unit	202,211
Carrying amount of investments	<u>6,242</u>
Total	<u>\$ 6,051,871</u>
Amounts per statement of net assets:	
Cash including investments	\$ 2,251,360
Component unit cash and investments	202,211
Cash held in fiduciary funds	6,318
Restricted cash and investments	<u>3,591,982</u>
Total	<u>\$ 6,051,871</u>

3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2009 is as follows:

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2009</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,364,841	\$ –	\$ –	\$ 1,364,841
Construction Work in Progress	<u>9,688,355</u>	<u>4,205,876</u>	<u>1,350,763</u>	<u>12,543,468</u>
	<u>11,053,196</u>	<u>4,205,876</u>	<u>1,350,763</u>	<u>13,908,309</u>
Capital assets being depreciated:				
Buildings	6,817,623	235,354	–	7,052,977
Improvements other than buildings	623,419	–	–	623,419
Infrastructure	31,854,484	2,411,810	–	34,266,294
Machinery and equipment	<u>4,758,212</u>	<u>417,165</u>	<u>159,892</u>	<u>5,015,485</u>

3. CAPITAL ASSETS (continued)

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
Total capital assets being depreciated	\$ 44,053,738	\$ 3,064,329	\$ 159,892	\$ 46,958,175
Less accumulated depreciation for:				
Buildings	1,070,440	87,211	-	1,157,651
Improvements other than buildings	170,381	31,966	-	202,347
Infrastructure	9,982,564	1,533,121	-	11,515,685
Machinery and equipment	<u>3,089,268</u>	<u>391,612</u>	<u>159,892</u>	<u>3,320,988</u>
Total accumulated depreciation	<u>14,312,653</u>	<u>2,043,910</u>	<u>159,892</u>	<u>16,196,671</u>
Total capital assets being depreciated, net	<u>29,741,085</u>	<u>1,020,419</u>	<u>-</u>	<u>30,761,504</u>
Governmental activities capital assets, net	<u>\$ 40,794,281</u>	<u>\$ 5,226,295</u>	<u>\$ 1,350,763</u>	<u>\$ 44,669,813</u>
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated				
Land	<u>\$ 123,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,946</u>
Capital assets being depreciated:				
Buildings	4,623,732	-	-	4,623,732
Improvements other than buildings	22,682,482	218,073	-	22,900,555
Machinery and equipment	<u>621,185</u>	<u>29,200</u>	<u>-</u>	<u>650,385</u>
Total capital assets being depreciated	<u>27,927,399</u>	<u>247,273</u>	<u>-</u>	<u>28,174,672</u>
Less accumulated depreciation for:				
Buildings	1,578,894	92,748	-	1,671,642

3. CAPITAL ASSETS (continued)

	Balance January 1, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2009</u>
Improvements other than buildings	\$ 4,820,348	\$ 454,067	\$ —	\$ 5,274,415
Machinery and equipment	<u>562,182</u>	<u>18,145</u>	<u>—</u>	<u>580,327</u>
Total accumu- lated depreciation	<u>6,961,424</u>	<u>564,960</u>	<u>—</u>	<u>7,526,384</u>
Total capital assets being depreciated, net	<u>20,965,975</u>	<u>(317,687)</u>	<u>—</u>	<u>20,648,288</u>
Business-type activities capital assets, net	<u>\$ 21,089,921</u>	<u>\$ (317,687)</u>	<u>\$ —</u>	<u>\$ 20,772,234</u>

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

Governmental activities:	
General government	\$ 24,132
Public safety	317,921
Highways and streets (including depreciation of infrastructure assets)	1,593,675
Culture and recreation	<u>108,182</u>
Total depreciation expense – governmental activities	<u>\$ 2,043,910</u>
Business-type activities:	
Water utility	\$ 152,324
Sewer utility	<u>412,636</u>
Tot depreciation expense – business-type activities	<u>\$ 564,960</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, 2009:

	Outstanding January 1, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding December 31, <u>2009</u>	Due Within <u>One Year</u>
<u>Governmental activities</u>					
General obligation bonds	\$32,428,000	\$10,842,000	\$13,216,000	\$ 30,054,000	\$ 3,046,000

4. LONG-TERM DEBT (continued)

	Outstanding January 1, 2009	Additions	Deletions	Outstanding December 31, 2009	Due Within One Year
Andover Public Building Commission revenue bonds	\$ 3,823,000	\$ -	\$ 128,000	\$ 3,695,000	\$ 143,000
Andover Public Building Commission certificates of participation	30,000	-	15,000	15,000	15,000
Capital lease obligations	700,539	62,999	188,347	575,191	198,629
Compensated absences	<u>468,202</u>	<u>227,929</u>	<u>155,304</u>	<u>540,827</u>	<u>176,578</u>
Total long-term liabilities – Governmental activities	<u>\$37,449,741</u>	<u>\$11,132,928</u>	<u>\$13,702,651</u>	<u>\$ 34,880,018</u>	<u>\$ 3,579,207</u>
<u>Business-type activities</u>					
Revenue bonds	\$ 2,865,000	\$ -	\$ 250,000	\$ 2,615,000	\$ 280,000
Capital lease obligations	16,876	-	10,563	6,313	6,313
Compensated absences	<u>37,303</u>	<u>19,491</u>	<u>14,895</u>	<u>41,899</u>	<u>16,730</u>
Total long-term liabilities – Business-Type activities	<u>\$ 2,919,179</u>	<u>\$ 19,491</u>	<u>\$ 275,458</u>	<u>\$ 2,663,212</u>	<u>\$ 303,043</u>

General obligation bonds

General obligation bonds payable are serial bonds to be retired through calendar year 2024. At December 31, 2009 the bonds consist of the following:

	<u>Interest rates</u>	<u>Bonds outstanding</u>
Internal Improvements, Series A 1996	5.00 – 7.00%	\$ 85,000
Internal Improvements, Series A 1999	3.90 – 6.90%	295,000
Internal Improvements, Series A 2003	2.55 – 4.50%	1,910,000
Refunding Bonds, Series A 2004	1.25 – 3.60%	410,000
Refunding Bonds, Series B 2004	1.70 – 3.25%	180,000
Internal Improvements, Series C 2004	4.03%	1,285,000
Internal Improvements, Series A 2005	3.65 – 4.50%	945,000
Taxable General Obligation Bonds, Series A 2006	5.50 – 5.75%	55,000
General Obligation Bonds, Series 2006	3.75 – 4.60%	2,855,000
General Obligation Bonds, Series A 2007	4.00 – 5.00%	4,810,000
General Obligation Bonds, Series A 2008	3.00 – 5.00%	5,370,000
General Obligation Bonds, Series B 2008	3.00 – 5.25%	2,020,000
General Obligation Refunding Bonds, Series A 2009	1.75 – 3.00%	5,245,000
General Obligation Refunding Bonds, Series B 2009	1.40 – 3.65%	<u>4,589,000</u>
		<u>\$ 30,054,000</u>

4. LONG-TERM DEBT (continued)

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>
2010	\$ 3,046,000	\$ 1,177,909	\$ 4,223,909
2011	3,057,000	994,387	4,051,387
2012	3,097,000	907,207	4,004,207
2013	3,063,000	812,117	3,875,117
2014	2,798,000	713,366	3,511,366
2015	2,539,000	617,212	3,156,212
2016	2,159,000	530,151	2,689,151
2017	1,805,000	451,375	2,256,375
2018	1,610,000	381,722	1,991,722
2019	1,430,000	316,833	1,746,833
2020	1,490,000	252,972	1,742,972
2021	1,295,000	185,673	1,480,673
2022	1,350,000	124,917	1,474,917
2023	1,120,000	63,635	1,183,635
2024	<u>195,000</u>	<u>10,237</u>	<u>205,237</u>
	<u>\$ 30,054,000</u>	<u>\$ 7,539,713</u>	<u>\$ 37,593,713</u>

Capital lease obligations

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

During 2007, the City Council entered into a lease agreement for the purchase of vehicles and equipment for use by the inspection department, police department, fire department and street department. The lease agreement provides for annual payments, including interest, in the amount of \$79,230 through May 2010.

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.

During 2008 the City Council entered into a lease agreement for the purchase of police vehicles, an inspection department vehicle, a sewer department vehicle and two tornado sirens. The original lease agreement provides for annual payments, including interest, in the amount of \$49,851.

In 2009, the City entered into a lease purchase agreement with a financial institution to purchase Police and Park Department vehicles. The lease agreement provides for annual payments, including interest, of \$25,509 through November 2011. The original commitment under the lease agreement provided for a maximum amount of \$70,000 however, at year-end the City had only incurred purchases totaling \$62,999.

4. LONG-TERM DEBT (continued)

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of the lease inception. The annual requirements to amortize the capital lease obligation outstanding at December 31, 2009, including interest payments, is as follows:

<u>Year ending December 31,</u>	<u>Governmental Funds</u>			
	<u>Sewer Utility Vehicle</u>	<u>Tornado Sirens and Vehicles</u>	<u>Fire Trucks</u>	<u>Total</u>
2010	\$ 6,769	\$ 159,947	\$ 82,657	\$ 249,373
2011	—	18,508	86,486	104,994
2012	—	—	50,086	50,086
2013	—	—	50,086	50,086
2014	—	—	50,086	50,086
2015	—	—	50,086	50,086
2016	—	—	50,086	50,086
2017	—	—	50,086	50,086
2018	—	—	50,086	50,086
Total minimum lease payments	6,769	178,455	519,745	704,969
Less amounts representing interest	(456)	(10,211)	(97,798)	(108,465)
Present value of net minimum lease payments	<u>\$ 6,313</u>	<u>\$ 168,244</u>	<u>\$ 421,947</u>	<u>\$ 596,504</u>

The lease payments are being financed from the City's General Fund with the exception of the sewer utility vehicle which is recorded in the Sewer Utility Fund. The cost and accumulated amortization of the leased vehicles and equipment at December 31, 2009 is \$696,805 and \$476,322, respectively. The cost and accumulated amortization of the leased fire trucks at December 31, 2009 is \$608,794 and \$239,028, respectively. The cost and accumulated amortization of the leased sewer utility vehicle is \$20,897 and \$4,876, respectively.

Andover Public Building Commission revenue bonds

Andover Public Building Commission revenue bonds payable are serial bonds to be retired through calendar year 2024. At December 31, 2009 the bonds consist of the following:

	<u>Interest rates</u>	<u>Bonds outstanding</u>
Park Facilities Revenue Bonds, Series 2001	2.75 – 4.25%	\$ 400,000
Park Facilities Revenue Bonds, Series A 2003	2.50 – 5.00%	715,000
Park Facilities Revenue Bonds, Series B 2003	5.00%	25,000
Park Facilities Revenue Bonds, Series A 2004	2.50 – 4.75%	\$ 20,000
Park Facilities Revenue Bonds, Series B 2004	4.00 – 6.50%	130,000
Public Safety Facility Revenue Bonds, Series C 2004	4.32%	2,355,000
Park Facilities Revenue Bonds, Series A, 2006	4.25 – 4.50%	<u>50,000</u>
		<u>\$ 3,695,000</u>

4. LONG-TERM DEBT (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 143,000	\$ 166,079	\$ 309,079
2011	183,000	159,826	342,826
2012	204,000	151,964	355,964
2013	214,000	142,917	356,917
2014	229,000	133,220	362,220
2015	274,000	122,666	396,666
2016	294,000	109,983	403,983
2017	314,000	96,367	410,367
2018	285,000	81,654	366,654
2019	305,000	68,285	373,285
2020	210,000	54,018	264,018
2021	230,000	44,937	274,937
2022	245,000	34,992	279,992
2023	270,000	24,408	294,408
2024	<u>295,000</u>	<u>12,744</u>	<u>307,744</u>
	<u>\$ 3,695,000</u>	<u>\$ 1,404,060</u>	<u>\$ 5,099,060</u>

Andover Public Building Commission Certificates of Participation

Certificates of Participation dated November 15, 2005, in the amount of \$60,000 were issued by the Andover Public Building Commission pursuant to a lease purchase agreement between the City, as lessee, and UMB Bank, N.A., as trustee and lessor. The 2005 Certificates of Participation have an interest rate of 4.00%. The Certificates of Participation were issued to finance computer equipment for the Police Department. Annual debt service requirements to maturity for the Certificates of Participation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 15,000	\$ 600	\$ 15,600

Revenue Bonds

On September 15, 2005, the City issued \$3,320,000 of Sewer System Refunding Revenue Bonds, Series 2005, bearing interest from 3.00 to 4.00% with a final maturity date of August 1, 2016. The Series 2005 Bonds were issued to advance refund \$3,180,000 of outstanding Sewer System Revenue Bonds, Series 1996. The Series 2005 bonds maturing in the years 2006 to 2008 inclusive, shall become due and payable on their respective principal payment dates without the option of prior redemption and payment. Bonds maturing in the year 2009, and thereafter may be called for redemption and payment prior to maturity on August 1, 2008, or at any time thereafter, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date established for such redemption and payment.

4. LONG-TERM DEBT (continued)

Annual debt service requirements to maturity for the Sewer System Refunding Revenue Bonds, Series 2005, outstanding at December 31, 2009 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 280,000	\$ 100,063	\$ 380,063
2011	305,000	90,262	395,262
2012	335,000	79,283	414,283
2013	365,000	66,887	431,887
2014	405,000	53,200	458,200
2015	440,000	37,000	477,000
2016	<u>485,000</u>	<u>19,400</u>	<u>504,400</u>
	<u>\$ 2,615,000</u>	<u>\$ 446,095</u>	<u>\$ 3,061,095</u>

The Sewer System Refunding Revenue Bond resolution provides for deposits to: (a) a debt service account each month to provide for the payment of principal and interest on the bonds as they become due and payable; (b) a bond reserve account to accumulate to a maximum stated amount (\$332,000) to be used solely and only for the payment of the principal and/or interest on the bonds for which funds might not otherwise be available or to pay a like amount of final maturing bonds; and (c) a surplus reserve account for all remaining moneys available after setting aside moneys for the debt service account and bond reserve account and retaining amounts required for operation and maintenance of the system for a 60 day period in the operating account of the sewer system. The surplus reserve account may be used for any one or more of the following purposes as determined by the Governing Body: (1) to pay operating, maintenance and repair expenses of the system; (2) to pay the costs of repairs to or extending, enlarging or improving the system; (3) to prevent default in, anticipating payments into or increasing the amounts in the other reserve accounts, or any one of them, or establishing or increasing the amount of any principal and interest account or bond reserve account created by the City for the payment of any parity bonds; (4) to call, redeem and pay prior to maturity, or at the option of the City, purchasing in the open market at the best price obtainable the bonds or any parity bonds; (5) to make transfer to the revenue fund; or (6) to make lawful transfers to any fund of the City. The resolution also provides for user rates to be established at a level which will generate net income (as defined in the resolution) at an amount not less than 125% of the debt service requirements required to be paid by the City in such fiscal year on all system revenue bonds at the time outstanding. At December 31, 2009, the City was in compliance with the reserve requirements of the revenue bond resolution.

Conduit Debt

The City has issued limited obligation bonds for the purpose of financing capital activities of unrelated third parties. Although conduit debt obligations bear the name of the City, they are payable solely from resources provided by leases with third parties on whose behalf they were issued. The total amount of these limited obligation bonds outstanding at December 31, 2009 was \$34,812,396. During 2009, there were \$6,850,000 of bonds issued and \$14,318,087 of bonds retired. The bonds do not constitute an indebtedness or pledge of the faith or credit of the City of Andover, and accordingly, are not included as liabilities in the accompanying financial statements.

Compensated Absences

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

5. TEMPORARY NOTES

Kansas statutes permit the issuance of temporary notes to finance certain capital improvement projects which 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 2009, the City issued \$6,607,000 of temporary notes. At December 31, 2009 the City had the following outstanding temporary notes:

	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Maturity Date</u>
Construction Fund:			
Temporary Improvement Notes, Series A, 2009			
Cornerstone 3 rd Addition	2.00%	\$ 3,077,000	10-01-11
Reflection Lake 3 rd Addition	2.00%	926,000	10-01-11
Crescent Lakes 5 th Addition	2.00%	<u>2,604,000</u>	10-01-11
Total		<u>\$ 6,607,000</u>	

During 2009, 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>
\$ -	\$ 6,607,000	\$ -	\$ 6,607,000

6. SEWAGE TREATMENT RESERVES

Sewage treatment expansion reserve

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

Sewage equipment reserve

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

7. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2009, individual project authorizations compared with project expenditures from inception which are reported within the Capital Projects Fund are as follows:

7. CAPITAL PROJECT AUTHORIZATIONS (continued)

	Project authorizations	Expenditures project inception to <u>December 31, 2009</u>
Industrial Park Improvement Project	\$ 50,000	\$ 4,543
Cornerstone Medical Project	399,600	373,949
Cornerstone Commercial/School Project	1,393,389	846,503
Cornerstone 3 rd Addition Project	4,264,000	3,111,637
Mike/May/Main Street Project	125,000	87,551
Crescent Lakes V Addition	3,200,000	2,632,985
Cottonwood Point 2 nd Addition	136,000	34,084
Serendipity Addition Improvement Project	222,655	70,696
Cedar Park 3 rd Addition Project	1,155,000	3,160
Cedar Park 4 th Addition Project	2,611,000	6,521
21 st Street Paving Project	299,580	159,887
Prairie Creek Addition Project	4,481,000	208,476
Flint Hills 5 th Addition Improvement Project	36,369	1,645
Reflection Lake at Cloud City 3rd Addition Improvement Project	1,258,733	873,217
Market Place East Improvement Project	2,420,000	2,178,263
Market Place Commercial Project	1,684,600	1,446,192
Market Place Commercial 2 nd Project	1,390,000	1,056,919
Andover Public Library Building Project	3,089,069	3,069,524
Andover Public Building Commission City Hall Building Project	6,000,000	284,365

8. PENSION PLANS

All full-time employees, except for police and fire employees, participate in the City's Simplified Employee Pension Plan ("Plan"), a single-employer defined contribution retirement plan. The payroll for employees covered by the Plan was \$2,183,860 and the City's total payroll was \$3,129,305 for the year ended December 31, 2009. All full-time employees are eligible to participate in the Plan after six months of continuous employment. Benefits are fully vested upon eligibility to participate in the Plan. The employer's contribution, as required by the Plan document, for 2009 was based upon 6% of gross compensation and was \$131,032. Employees are not required to make contributions to the Plan but are allowed to make elective contributions, however, the tax deferral of such contributions is dependent upon each individual's situation. During 2009, there were no employees' elective contributions made through payroll deductions. All contributions are paid directly to the Plan Administrator, AXA Financial, Inc., in the name of the individual employees and the accounts are 100% vested at the time of contribution. The City retains no ownership rights to the accounts and, accordingly, the account balances are not included within the financial statements of the City. The City holds no investments of the Plan or any of its related parties. The City Council may amend or discontinue the Plan at any time. There were no changes to the Plan provisions during 2009.

The City began contributing to the Kansas Police and Firemen's Retirement System (KP&F) effective January 1, 2007. KP&F is a cost-sharing multiple-employer defined benefit pension plan as provide by K.S.A. 74-4901, et seq. KP&F provides retirement benefits, life

8. PENSION PLANS (continued)

insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KP&F issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KP&F (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

K.S.A. 74-4975 establishes KP&F member-employee contribution at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KP&F is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rate. The KP&F employer rate established for the calendar year ended December 31, 2009 was 13.51%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2009, 2008 and 2007 were \$195,127, \$184,348 and \$158,393, respectively, equal to the required contributions for each year.

9. INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables (due to/due from other funds) at December 31, 2009 were as follows:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
General	\$ 1,500,000	\$ —
Street Improvement	1,500,000	—
Debt Service	500,000	—
Capital Projects	—	5,168,155
Special Highway	150,000	—
Park Improvement	150,000	—
Street Impact Fee	300,000	—
Park Impact Fee	350,000	—
Street Machinery and Bridge Building	218,000	—
Capital Equipment Reserve	500,155	—
	<u>\$ 5,168,155</u>	<u>\$ 5,168,155</u>

The outstanding balances between funds are the result of temporary notes/general obligation bonds not being issued prior to incurring expenditures in the Capital Projects Fund. These interfund balances will be eliminated upon the sale of bonds authorized by the City Council, not yet sold at December 31, 2009, or through other revenue sources available to the City.

10. 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:

10. INTERFUND TRANSFERS (continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 17,402	\$ 152,234
Street Improvement	-	178,649
Debt Service	244,995	-
Capital Projects	6,499	17,402
Water Utility	-	20,726
Sewer Utility	-	45,620
	<u>268,896</u>	<u>414,631</u>
Nonmajor Funds:		
Special Building	6,098	306,113
Hotel and Tourism	-	10,000
Park Improvement	-	6,098
Festivals	10,000	-
Street Machinery and Bridge Building	40,000	-
Capital Equipment Reserve	112,234	-
Andover Public Building Commission	299,614	-
	<u>467,946</u>	<u>322,211</u>
Total transfers	<u>\$ 736,842</u>	<u>\$ 736,842</u>

Routine transfers from the Special Building Fund to the Andover Public Building Commission in the amount of \$299,614 are related to lease agreements between the City and the Public Building Commission.

The General Fund received non-routine transfers from the Capital Projects Fund for administration project fees in the amount of \$17,402. Transfers from the General Fund to the Street Machinery and Bridge Building Fund and Capital Equipment Reserve Fund in the amounts of \$40,000 and \$112,234, respectively, are related to improvement and equipment replacement reserves.

Non-routine transfers received by the Debt Service Fund from the Water Utility Fund, Street Improvement Fund and Sewer Utility Fund in the amounts of \$20,726, \$178,649 and \$45,620, respectively, were made to forestall the need for a property tax increase in the Debt Service Fund.

In addition, the Capital Projects Fund received non-routine transfers from the Special Building Fund in the amount of \$6,499 for 2009.

11. 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:

11. BUDGETARY DATA (continued)

	<u>General Fund</u>	<u>Street Improve- ment Fund</u>	<u>Debt Service Fund</u>	<u>Other Nonmajor Governmental Funds</u>
GAAP Fund Balances at December 31, 2009	\$1,932,773	\$1,541,785	\$ 656,850	\$2,856,801
Adjustments:				
Reserved for encumbrances (budgeted funds only)	(90,130)	(4,050)	-	(172,379)
Accrued sales tax revenues	-	(105,453)	-	-
Accrued franchise fee revenues	(60,485)	-	-	-
Accrued telephone tax revenues	-	-	-	(7,765)
Accrued accounts receivable	-	-	-	(26,104)
Funds held by trustee related to certificates of participation	(1,451)	-	-	-
Unreserved fund balances not subject to the Kansas budget law	-	-	-	(880,364)
Budgetary Fund Balances at December 31, 2009	<u>\$1,780,707</u>	<u>\$1,432,282</u>	<u>\$ 656,850</u>	<u>\$1,770,189</u>

12. FUND DEFICITS

At December 31, 2009, the Capital Projects Fund had incurred a fund deficit in the amount of \$11,872,793. This fund deficit will be financed through the sale of bonds authorized by the City Council, not yet sold at December 31, 2009, or through other revenue sources available to the City.

13. ADVANCE REFUNDING

On March 15, 2009, the City entered into an advance refunding transaction whereby it issued \$6,253,000 of General Obligation Refunding Bonds, Series A 2009, with interest rates from 1.75% to 3.00%, to advance refund \$1,005,000 of outstanding General Obligation Internal Improvement Bonds, Series A, 1997 with interest rates from 4.75% to 5.00%, \$955,000 of outstanding General Obligation Internal Improvement Bonds, Series A, 1998 with interest rates from 4.55% to 4.70%, \$1,505,000 of outstanding General Obligation Internal Improvement Bonds, Series B, 1999 with interest rates from 4.50% to 4.85%, and \$2,665,000 of outstanding General Obligation Internal Improvement Bonds, Series A, 2000 with interest rates from 5.10% to 5.40%. Proceeds from the Series A 2009 Bonds in the amount of \$6,130,000 and funds on hand of \$152,215 were placed with the City's paying agent, the Kansas State Treasurer, to provide for all future debt service payments on the refunded Series A 1977 bonds, the Series A 1998 bonds the Series B 1999 bonds and the Series A 2000 bonds. The Series A 1977, Series A 1998, Series A 2000 bonds maturing on October 1, 2009 to October 1, 2015 were called for redemption and payment on April 1, 2009. The Series B 1999 bonds were called for redemption and payment on May 1, 2009.

The City advance refunded the Series A 1997, Series A 1998, Series B 1999 and Series A 2000 general obligation bonds to reduce its total debt service payments over the next 6 years by \$529,125 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$343,035.

13. ADVANCE REFUNDING (continued)

On July 15, 2009, the City entered into an advance refunding transaction whereby it issued \$4,589,000 of General Obligation Refunding Bonds, Series B 2009, with interest rates from 1.40% to 3.65%, to advance refund \$1,680,000 of outstanding General Obligation Internal Improvement Bonds, Series A, 2001 with interest rates from 4.25% to 4.80%, \$1,025,000 of outstanding General Obligation Internal Improvement Bonds, Series B 2001 with interest rates from 4.25% to 4.90%, and \$1,780,000 of outstanding General Obligation Internal Improvement Bonds, Series A, 2002 with interest rates from 4.00% to 4.75%. Proceeds from the Series B 2009 Bonds in the amount of \$4,485,319 and funds on hand of \$606,339 were placed with the City's paying agent, the Kansas State Treasurer, to provide for all future debt service payments on the refunded Series A 2001 bonds, the Series B 2001 bonds and the Series A 2002 bonds. The Series A 2001 and Series B 2001 bonds maturing on September 1, 2009 to September 1, 2016 were called for redemption and payment on September 1, 2009. The Series A 2002 bonds were called for redemption and payment on October 1, 2009.

The City advance refunded the Series A 2001, Series B 2001 and Series A 2002 general obligation bonds to reduce its total debt service payments over the next 7 years by \$202,633 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$181,659.

14. OTHER POST EMPLOYMENT BENEFITS

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

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

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 in the City's financial statements. At December 31, 2009, the City had outstanding construction and engineering commitments related to these projects in the amount of \$5,503,483. Funding for the improvement projects will be provided from long-term debt sources, reimbursements from the local developers and other resources available to the City.

In February 2009, the Andover Public Building Commission approved a resolution authorizing the issuance of revenue bonds in an amount not to exceed \$6,000,000 for the purpose of purchasing, acquiring, constructing, furnishing and equipping a new City Hall and reconstructing, furnishing and equipping the existing City Hall to be used as a Police Station.

15. COMMITMENTS AND CONTINGENCIES (continued)

In May 2010, the City Council approved placing on the August 2010 ballot a question for the citizens to authorize a 1% citywide sales tax of which the proceeds shall be used only to pay all costs associated with the construction, furnishing and equipping a new City Hall building. The ballot question proposes the additional sales tax to commence on the 1st day of October 2010 and to terminate the earlier of December 31, 2014 or at such time as the additional sales tax generates sufficient revenue to pay all costs of the new facility.

16. SUBSEQUENT EVENTS

Subsequent to December 31, 2009, the City Council authorized the issuance and sale of Sewer System Refunding Revenue Bonds, Series 2010, in the principal amount of \$2,275,000 with interest rates from .95% to 2.80%. The proceeds of the bonds will be utilized to advance refund the City's outstanding Sewer System Refunding Revenue Bonds, Series 2005.

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**COMBINING FINANCIAL STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES**

GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Festivals - to account for resources received for use in conducting festival activities.

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.

CITY OF ANDOVER, KANSAS

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

December 31, 2009

	Special Highway	Employee Benefits	Library	Special Building	Hotel and Tourism	Park Improvement	Emergency 911	Street Impact Fee	Municipal Golf Course
Cash and short-term investments	\$ 156,228	\$ 247,288	\$ 1	\$ 41,856	\$ 78,144	\$ 123,727	\$ 103,287	\$ 44,386	\$ 3,749
Due from other funds	150,000	-	-	-	-	150,000	-	300,000	-
Accounts receivable	-	-	-	-	-	-	-	-	-
Taxes receivable	-	986,349	328,656	211,733	-	-	7,765	-	-
Total assets	<u>\$ 306,228</u>	<u>\$ 1,233,637</u>	<u>\$ 328,657</u>	<u>\$ 253,589</u>	<u>\$ 78,144</u>	<u>\$ 273,727</u>	<u>\$ 111,052</u>	<u>\$ 344,386</u>	<u>\$ 3,749</u>

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-	-	-	-
Deferred revenue	-	986,349	328,656	211,733	-	-	-	-	-
Total liabilities	-	986,349	328,656	211,733	-	-	-	-	-
Fund balances:									
Reserved for encumbrances	3,526	-	-	-	-	1,763	-	-	-
Unreserved:									
Designated for subsequent years' expenditures	302,702	188,596	-	41,856	25,050	216,153	95,434	116,728	3,738
Undesignated	-	58,692	1	-	53,094	55,811	15,618	227,658	11
Total fund balances	<u>306,228</u>	<u>247,288</u>	<u>1</u>	<u>41,856</u>	<u>78,144</u>	<u>273,727</u>	<u>111,052</u>	<u>344,386</u>	<u>3,749</u>
Total liabilities and fund balances	<u>\$ 306,228</u>	<u>\$ 1,233,637</u>	<u>\$ 328,657</u>	<u>\$ 253,589</u>	<u>\$ 78,144</u>	<u>\$ 273,727</u>	<u>\$ 111,052</u>	<u>\$ 344,386</u>	<u>\$ 3,749</u>

CITY OF ANDOVER, KANSAS

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

December 31, 2009

	Park Impact Fee	Storm Water Utility	Festivals	Highway Improve- ment	Street Machinery and Bridge Building	Capital Equipment Reserve	Andover Public Building Commission	Total Nonmajor Special Revenue Funds
Cash and short-term investments	\$ 119,374	\$ 50,175	\$ 24,353	\$ 85,338	\$ 40,070	\$ 36,801	\$ -	\$ 1,154,777
Due from other funds	350,000	-	-	-	218,000	500,155	-	1,668,155
Accounts receivable	-	26,104	-	-	-	-	-	26,104
Taxes receivable	-	-	-	-	-	-	-	1,534,503
Total assets	\$ 469,374	\$ 76,279	\$ 24,353	\$ 85,338	\$ 258,070	\$ 536,956	\$ -	\$ 4,383,539

ASSETS

LIABILITIES AND
FUND BALANCES

Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	1,526,738
Total liabilities	-	-	-	-	-	-	-	1,526,738
Fund balances:	167,090	-	-	-	-	-	-	172,379
Reserved for encumbrances	-	-	-	-	-	-	-	-
Unreserved:	231,047	35,526	-	-	-	-	-	1,256,830
Designated for subsequent years' expenditures	71,237	40,753	24,353	85,338	258,070	536,956	-	1,427,592
Undesignated	469,374	76,279	24,353	85,338	258,070	536,956	-	2,856,801
Total fund balances	\$ 469,374	\$ 76,279	\$ 24,353	\$ 85,338	\$ 258,070	\$ 536,956	\$ -	\$ 4,383,539
Total liabilities and fund balances	\$ 469,374	\$ 76,279	\$ 24,353	\$ 85,338	\$ 258,070	\$ 536,956	\$ -	\$ 4,383,539

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, 2009

	Special Highway	Employee Benefits	Library	Special Building	Hotel and Tourism	Park Improvement	Emergency 911	Street Impact Fee	Municipal Golf Course
Revenues:									
Taxes	\$ -	\$ 986,617	\$ 356,583	\$ 226,203	\$ 130,221	\$ 34,704	\$ 49,751	\$ -	\$ -
Intergovernmental	317,813	-	-	-	-	30	-	-	-
Licenses and permits	-	-	-	-	-	52,500	-	52,765	-
Charges for services	1,741	-	-	-	-	-	-	-	-
Use of money and property	1,021	1,377	23	358	206	725	284	893	11
Miscellaneous	-	-	-	-	-	62,053	-	-	-
Total revenues	<u>320,575</u>	<u>987,994</u>	<u>356,606</u>	<u>226,561</u>	<u>130,427</u>	<u>150,012</u>	<u>50,035</u>	<u>53,658</u>	<u>11</u>
Expenditures:									
General government	-	130,977	-	-	-	-	-	-	-
Public Safety	-	656,151	-	-	-	-	41,623	-	-
Highways and streets	350,988	88,267	-	-	-	-	-	-	-
Health and sanitation	-	96,071	-	-	-	-	-	-	-
Culture and recreation	-	80,569	366,930	-	-	23,317	-	-	-
Environmental protection	-	2,531	-	-	-	-	-	-	-
Economic development	-	-	-	-	67,333	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Total expenditures	<u>350,988</u>	<u>1,054,566</u>	<u>366,930</u>	<u>-</u>	<u>67,333</u>	<u>23,317</u>	<u>41,623</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(30,413)</u>	<u>(66,572)</u>	<u>(10,324)</u>	<u>226,561</u>	<u>63,094</u>	<u>126,695</u>	<u>8,412</u>	<u>53,658</u>	<u>11</u>
Other financing sources (uses):									
Transfers in	-	-	-	6,098	-	-	-	-	-
Transfers out	-	-	-	(306,113)	(10,000)	(6,098)	-	-	-
Total other financing sources (uses)	-	-	-	<u>(300,015)</u>	<u>(10,000)</u>	<u>(6,098)</u>	-	-	-
Net change in fund balances	<u>(30,413)</u>	<u>(66,572)</u>	<u>(10,324)</u>	<u>(73,454)</u>	<u>53,094</u>	<u>120,597</u>	<u>8,412</u>	<u>53,658</u>	<u>11</u>
Fund balances, beginning of year	<u>336,641</u>	<u>313,860</u>	<u>10,325</u>	<u>115,310</u>	<u>25,050</u>	<u>153,130</u>	<u>102,640</u>	<u>290,728</u>	<u>3,738</u>
Fund balances, end of year	<u>\$ 306,228</u>	<u>\$ 247,288</u>	<u>\$ 1</u>	<u>\$ 41,856</u>	<u>\$ 78,144</u>	<u>\$ 273,727</u>	<u>\$ 111,052</u>	<u>\$ 344,386</u>	<u>\$ 3,749</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, 2009

	Park Impact Fee	Storm Water Utility	Festivals	Highway Improve- ment	Street Machinery and Bridge Building	Capital Equipment Reserve	Andover Public Building Commission	Total Nonmajor Special Revenue Funds
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,784,079
Intergovernmental	-	-	-	1,000	-	-	-	318,843
Licenses and permits	44,550	-	-	-	-	-	-	149,815
Charges for services	-	91,872	-	-	-	-	-	93,613
Use of money and property	1,259	139	20	278	615	1,197	-	8,406
Miscellaneous	-	500	30,307	-	-	-	-	92,860
Total revenues	45,809	92,511	30,327	1,278	615	1,197	-	2,447,616
Expenditures:								
General government	-	-	-	-	-	-	-	130,977
Public safety	-	-	-	-	-	-	-	697,774
Highways and streets	-	71,349	-	72,745	-	-	-	583,349
Health and sanitation	-	-	-	-	-	-	-	96,071
Culture and recreation	33,482	-	15,974	-	-	-	-	520,272
Environmental protection	-	-	-	-	-	-	-	2,531
Economic development	-	-	-	-	-	-	-	67,333
Debt service	-	-	-	-	-	-	299,614	299,614
Total expenditures	33,482	71,349	15,974	72,745	-	-	299,614	2,397,921
Revenues over (under) expenditures	12,327	21,162	14,353	(71,467)	615	1,197	(299,614)	49,695
Other financing sources (uses):								
Transfers in	-	-	10,000	-	40,000	112,234	299,614	467,946
Transfers out	-	-	-	-	-	-	-	(322,211)
Total other financing sources (uses)	-	-	10,000	-	40,000	112,234	299,614	145,735
Net change in fund balances	12,327	21,162	24,353	(71,467)	40,615	113,431	-	195,430
Fund balances, beginning of year	457,047	55,117	-	156,805	217,455	423,525	-	2,661,371
Fund balances, end of year	\$ 469,374	\$ 76,279	\$ 24,353	\$ 85,338	\$ 258,070	\$ 536,956	\$ -	\$ 2,856,801

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 330,950	\$ 330,950	\$ 317,813	\$ (13,137)
Charges for services	–	–	1,790	1,790
Use of money and property	<u>5,000</u>	<u>5,000</u>	<u>1,021</u>	<u>(3,979)</u>
Total revenues	<u>335,950</u>	<u>335,950</u>	<u>320,624</u>	<u>(15,326)</u>
Expenditures and other uses:				
Personal services	50,000	50,000	50,000	–
Contractual services	88,125	88,125	74,657	13,468
Commodities	<u>187,310</u>	<u>187,310</u>	<u>198,971</u>	<u>(11,661)</u>
Total expenditures and other uses	<u>325,435</u>	<u>325,435</u>	<u>323,628</u>	<u>1,807</u>
Revenues over expenditures and other uses	10,515	10,515	(3,004)	(13,519)
Fund balance, beginning of year	<u>293,520</u>	<u>293,520</u>	<u>305,706</u>	<u>12,186</u>
Fund balance, end of year	<u>\$ 304,035</u>	<u>\$ 304,035</u>	<u>\$ 302,702</u>	<u>\$ (1,333)</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 944,850	\$ 944,850	\$ 918,617	\$ 41,767
Use of money and property	<u>15,000</u>	<u>15,000</u>	<u>1,377</u>	<u>(13,623)</u>
Total revenues	959,850	959,850	987,994	28,144
Expenditures:				
Personal services	<u>1,139,443</u>	<u>1,139,443</u>	<u>1,054,566</u>	<u>84,877</u>
Revenues over (under) expenditures	(179,593)	(179,593)	(66,572)	113,021
Fund balance, beginning of year	<u>189,593</u>	<u>189,593</u>	<u>313,860</u>	<u>124,267</u>
Fund balance, end of year	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 247,288</u>	<u>\$ 237,288</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Budgetary</u>	<u>Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 356,832	\$ 356,832	\$ 356,583	\$ (249)
Use of money and property	<u> –</u>	<u> –</u>	<u> 23</u>	<u> 23</u>
Total revenues	356,832	356,832	356,606	(226)
Expenditures and other uses:				
Appropriations to Library Board	<u>378,845</u>	<u>378,845</u>	<u>366,930</u>	<u>11,915</u>
Revenues over (under) expenditures and other uses	(22,013)	(22,013)	(10,324)	11,689
Fund balance, beginning of year	<u>22,013</u>	<u>22,013</u>	<u>10,325</u>	<u>11,688</u>
Fund balance, end of year	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 1</u>	<u>\$ 1</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, 2009

	<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	\$216,844	216,844	\$226,203	\$ 9,359
Use of money and property	1,250	1,250	358	(892)
Transfers in	<u>6,098</u>	<u>6,098</u>	<u>6,098</u>	<u>—</u>
Total revenues and other sources	<u>224,192</u>	<u>224,192</u>	<u>232,659</u>	<u>8,467</u>
Expenditures and other uses:				
Cash reserve	30,415	30,415	—	30,415
Transfers out	<u>299,659</u>	<u>299,659</u>	<u>306,113</u>	<u>(6,454)</u>
Total expenditures and other uses	<u>330,074</u>	<u>330,074</u>	<u>306,113</u>	<u>23,961</u>
Revenues and other sources over expenditures and other uses	(105,882)	(105,882)	(73,454)	32,428
Fund balance, beginning of year	<u>120,882</u>	<u>120,882</u>	<u>115,310</u>	<u>(5,572)</u>
Fund balance, end of year	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 41,856</u>	<u>\$ 26,856</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, 2009

	<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	\$ 45,000	\$ 85,000	\$130,221	\$ 45,221
Use of money and property	<u> –</u>	<u> –</u>	<u> 206</u>	<u> 206</u>
Total revenues	45,000	85,000	130,427	45,427
Expenditures:				
Contractual services	45,000	85,000	67,333	17,667
Transfers out	<u> –</u>	<u> –</u>	<u> 10,000</u>	<u> (10,000)</u>
Total expenditures	<u>45,000</u>	<u>85,000</u>	<u>77,333</u>	<u>7,667</u>
Revenues over (under) expenditures	–	–	53,094	53,094
Fund balance, beginning of year	<u> 1,762</u>	<u> 1,762</u>	<u> 25,050</u>	<u> 23,288</u>
Fund balance, end of year	<u>\$ 1,762</u>	<u>\$ 1,762</u>	<u>\$ 78,144</u>	<u>\$ 76,382</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Liquor tax	\$ 36,502	\$ 36,502	\$ 34,704	\$ (1,798)
Intergovernmental	–	–	30	30
Licenses, permits and fees	37,500	37,500	52,500	15,000
Use of money and property	35,625	35,625	725	(34,900)
Miscellaneous	–	–	62,053	62,053
	<u>109,627</u>	<u>109,627</u>	<u>150,012</u>	<u>40,385</u>
Total revenues				
Expenditures:				
Contractual services	–	7,500	8,102	(602)
Capital outlay	22,000	28,400	–	28,400
Debt Service	6,098	6,098	6,098	–
	<u>28,098</u>	<u>41,998</u>	<u>14,200</u>	<u>27,798</u>
Total expenditures				
Revenues over (under)				
expenditures	81,529	67,629	135,812	68,183
Fund balance,				
beginning of year	<u>111,210</u>	<u>111,210</u>	<u>136,152</u>	<u>24,942</u>
Fund balance, end of year	<u>\$ 192,739</u>	<u>\$ 178,839</u>	<u>\$ 271,964</u>	<u>\$ 93,125</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Budgetary</u>	<u>Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Telephone tax	\$ 51,000	\$ 51,000	\$ 50,367	\$ (633)
Use of money and property	<u>1,000</u>	<u>1,000</u>	<u>284</u>	<u>(716)</u>
Total revenues	52,000	52,000	50,651	(1,349)
Expenditures:				
Contractual services	<u>50,825</u>	<u>50,825</u>	<u>41,623</u>	<u>9,202</u>
Revenues over (under)				
expenditures	1,175	1,175	9,028	7,853
Fund balance,				
beginning of year	<u>81,382</u>	<u>81,382</u>	<u>94,259</u>	<u>12,877</u>
Fund balance, end of year	<u>\$ 82,557</u>	<u>\$ 82,557</u>	<u>\$ 103,287</u>	<u>\$ 20,730</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Budgetary</u>	<u>Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Impact fees	\$ 75,000	\$ 75,000	\$ 52,765	\$ (22,235)
Use of money and property	<u>1,000</u>	<u>1,000</u>	<u>893</u>	<u>(107)</u>
Total revenues	76,000	76,000	53,658	(22,342)
Expenditures:				
Capital outlay	<u>50,000</u>	<u>250,000</u>	<u>—</u>	<u>250,000</u>
Revenues over (under)				
expenditures	26,000	(174,000)	53,658	227,658
Fund balance,				
beginning of year	<u>47,013</u>	<u>290,728</u>	<u>290,728</u>	<u>—</u>
Fund balance, end of year	<u>\$ 73,013</u>	<u>\$116,728</u>	<u>\$ 344,386</u>	<u>\$ 227,658</u>

CITY OF ANDOVER, KANSAS

MUNICIPAL GOLF COURSE FUND

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

Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final</u>
			<u>Budgetary</u>	<u>Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Use of money and property	\$ –	\$ –	\$ 11	\$ 11
Expenditures:				
Commodities	<u> –</u>	<u> –</u>	<u> –</u>	<u> –</u>
Revenues over expenditures	–	–	11	11
Fund balance, beginning of year	<u> 3,652</u>	<u> 3,652</u>	<u> 3,738</u>	<u> 86</u>
Fund balance, end of year	<u>\$ 3,652</u>	<u>\$ 3,652</u>	<u>\$ 3,749</u>	<u>\$ 97</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, 2009

	<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	\$ 67,500	\$ 67,500	\$ 44,550	\$ (22,950)
Use of money and property	235,000	235,000	1,259	(233,741)
Miscellaneous	<u>–</u>	<u>–</u>	<u>2,428</u>	<u>2,428</u>
Total revenues	302,500	302,500	48,237	(254,263)
Expenditures:				
Capital outlay	<u>100,500</u>	<u>100,500</u>	<u>–</u>	<u>100,500</u>
Revenues over (under) expenditures	202,000	202,000	48,237	(153,763)
Fund balance, beginning of year	<u>265,786</u>	<u>265,786</u>	<u>254,047</u>	<u>(11,739)</u>
Fund balance, end of year	<u>\$ 467,786</u>	<u>\$ 467,786</u>	<u>\$ 302,284</u>	<u>\$(165,502)</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, 2009

	<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	\$ 85,000	\$ 85,000	\$ 91,307	\$ 6,307
Use of money and property	50	50	139	89
Miscellaneous	<u>—</u>	<u>—</u>	<u>500</u>	<u>500</u>
Total revenues	<u>85,050</u>	<u>85,050</u>	<u>91,946</u>	<u>6,896</u>
Expenditures:				
Personal services	66,656	66,656	65,664	992
Contractual services	6,745	6,745	4,907	1,838
Commodities	<u>5,700</u>	<u>5,700</u>	<u>777</u>	<u>4,923</u>
Total expenditures	<u>79,101</u>	<u>79,101</u>	<u>71,348</u>	<u>7,753</u>
Revenues over expenditures	5,949	5,949	20,598	14,649
Fund balance, beginning of year	<u>15,390</u>	<u>15,390</u>	<u>29,577</u>	<u>14,187</u>
Fund balance, end of year	<u>\$ 21,339</u>	<u>\$ 21,339</u>	<u>\$ 50,175</u>	<u>\$ 28,836</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ –	\$ –	\$ 20	\$ 20
Miscellaneous	–	30,000	30,307	307
Transfers in	–	–	10,000	10,000
	<u>–</u>	<u>30,000</u>	<u>40,327</u>	<u>10,327</u>
Total revenues and other sources				
Expenditures:				
Contractual services	–	15,000	9,524	5,476
Commodities	–	7,500	6,450	1,050
	<u>–</u>	<u>22,500</u>	<u>15,974</u>	<u>6,526</u>
Total expenditures				
Revenues and other sources over expenditures	–	7,500	24,353	16,853
Fund balance, beginning of year	–	–	–	–
Fund balance, end of year	<u>\$ –</u>	<u>\$ 7,500</u>	<u>\$ 24,353</u>	<u>\$ 16,853</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 174,226	\$ 184,305	\$ 183,574	\$ (731)
Special assessments	3,337,470	3,337,470	3,501,887	164,417
Use of money and property	54,000	54,000	11,498	(42,502)
Proceeds from refunding general obligation bonds	-	10,842,000	10,842,000	-
Transfers in	<u>244,995</u>	<u>244,995</u>	<u>244,995</u>	<u>-</u>
 Total revenues and other sources	 <u>3,810,691</u>	 <u>14,662,770</u>	 <u>14,783,954</u>	 <u>121,184</u>
Expenditures and other uses:				
Bond Principal	2,482,000	13,700,000	13,210,000	490,000
Bond interest and commission	1,657,127	1,318,596	1,581,403	(262,807)
Other debt Service	82,698	82,698	55,048	27,650
Costs of bond issuance	-	-	224,235	(224,235)
Cash basis reserve	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
 Total expenditures and other uses	 <u>4,471,825</u>	 <u>15,351,294</u>	 <u>15,070,686</u>	 <u>280,608</u>
Revenues and other sources over (under) expenditures and other uses	(661,134)	(688,524)	(286,732)	401,792
Fund balance, beginning of year	<u>726,134</u>	<u>943,582</u>	<u>943,582</u>	<u>-</u>
Fund balance, end of year	<u>\$ 65,000</u>	<u>\$ 255,058</u>	<u>\$ 656,850</u>	<u>\$ 401,792</u>

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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.

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, 2009

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 110,000	\$ 110,000	\$ 112,746	\$ 2,746
Use of money and property	<u>8,000</u>	<u>8,000</u>	<u>809</u>	<u>(7,191)</u>
Total revenues	<u>118,000</u>	<u>118,000</u>	<u>113,555</u>	<u>(4,445)</u>
Expenditures, encumbrances and other uses:				
Personal services	19,746	19,746	19,429	317
Contractual services	–	–	19,448	(19,448)
Capital Outlay	60,000	324,636	43,050	281,586
Transfers out	<u>20,726</u>	<u>20,726</u>	<u>20,726</u>	<u>–</u>
Total expenditures, encumbrances and other uses	<u>100,472</u>	<u>365,108</u>	<u>102,653</u>	<u>262,455</u>
Revenues over (under) expenditures, encumbrances and other uses	17,528	(247,108)	10,902	258,010
Fund balance, beginning of year	<u>19,498</u>	<u>272,723</u>	<u>272,723</u>	<u>–</u>
Fund balance, end of year	<u>\$ 37,026</u>	<u>\$ 25,615</u>	<u>\$ 283,625</u>	<u>\$ 258,010</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, 2009

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 866,733	\$ 866,733	\$1,056,320	\$ 189,587
Use of money and property	23,854	23,854	19,997	(3,857)
Miscellaneous	19,000	19,000	24,883	5,883
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>–</u>
 Total revenues	 <u>1,009,587</u>	 <u>1,009,587</u>	 <u>1,201,200</u>	 <u>191,613</u>
 Expenditures, encumbrances and other uses:				
Personal services	369,827	369,827	320,973	48,854
Contractual services	290,360	290,360	286,797	3,563
Commodities	90,400	90,400	68,845	21,555
Capital outlay	46,822	46,822	–	46,822
Debt service	448,203	448,203	9,173	439,030
Transfers out	<u>10,000</u>	<u>10,000</u>	<u>458,203</u>	<u>(448,203)</u>
 Total expenditures, encumbrances and other uses	 <u>1,255,612</u>	 <u>1,255,612</u>	 <u>1,143,991</u>	 <u>111,621</u>
 Revenues over (under) expenditures, encumbrances and other uses	 (246,025)	 (246,025)	57,209	303,234
Fund balance, beginning of year	<u>273,669</u>	<u>273,669</u>	<u>456,043</u>	<u>182,374</u>
 Fund balance, end of year	 <u>\$ 27,644</u>	 <u>\$ 27,644</u>	 <u>\$ 513,252</u>	 <u>\$ 485,608</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, 2009

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2009</u>
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PAYROLL AGENCY FUND

ASSETS

Cash and short-term investments	\$ <u>1,228</u>	\$ <u>995,282</u>	\$ <u>995,315</u>	\$ <u>1,195</u>
---------------------------------	-----------------	-------------------	-------------------	-----------------

LIABILITIES

Accrued liabilities	\$ <u>1,228</u>	\$ <u>995,282</u>	\$ <u>995,315</u>	\$ <u>1,195</u>
---------------------	-----------------	-------------------	-------------------	-----------------

MUNICIPAL COURT BOND DEPOSIT FUND

ASSETS

Cash and short-term investments	\$ <u>3,198</u>	\$ <u>10,155</u>	\$ <u>8,230</u>	\$ <u>5,123</u>
---------------------------------	-----------------	------------------	-----------------	-----------------

LIABILITIES

Appearance bonds payable	\$ <u>3,198</u>	\$ <u>10,155</u>	\$ <u>8,230</u>	\$ <u>5,123</u>
--------------------------	-----------------	------------------	-----------------	-----------------

TOTALS – ALL AGENCY FUNDS

ASSETS

Cash and short-term investments	\$ <u>4,426</u>	\$ <u>1,005,437</u>	\$ <u>1,003,545</u>	\$ <u>6,318</u>
---------------------------------	-----------------	---------------------	---------------------	-----------------

LIABILITIES

Accrued liabilities	\$ <u>1,228</u>	\$ <u>995,282</u>	\$ <u>995,315</u>	\$ <u>1,195</u>
Appearance bonds payable	\$ <u>3,198</u>	\$ <u>10,155</u>	\$ <u>8,230</u>	\$ <u>5,123</u>
	\$ <u>4,426</u>	\$ <u>1,005,437</u>	\$ <u>1,003,545</u>	\$ <u>6,318</u>

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COMPONENT UNIT

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

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

CITY OF ANDOVER, KANSAS
GENERAL FUND BALANCE SHEET – ANDOVER PUBLIC LIBRARY
December 31, 2009

ASSETS

Cash and investments	\$ 202,211
Unconditional promises to give	<u>10,337</u>
	<u>\$ 212,548</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ <u>7,737</u>
Fund balance:	
Unreserved:	
Designed for capital campaign	5,515
Undesignated	<u>199,296</u>
Total fund balance	<u>204,811</u>
Total liabilities and fund balance	<u>\$ 212,548</u>

Reconciliation to total net assets:	
Total fund balance per above	\$ 204,811
Add long-term capital assets	293,809
Less accumulated depreciation on long-term capital assets	<u>(122,106)</u>
Total net assets	<u>\$ 376,514</u>

CITY OF ANDOVER, KANSAS

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

Year ended December 31, 2009

Revenues:	
Appropriation from City of Andover	\$ 366,930
South Central Kansas Library System grants	18,887
State aid	6,085
Other grants	2,600
Interest earnings	4,672
Fines and fees	29,590
Memorial donations	5,315
Capital campaign donations (net of uncollectible allowance of \$500)	8,031
Other charges	<u>2,384</u>
Total revenues	<u>444,494</u>
Expenditures:	
Salaries, wages and payroll taxes	264,150
Purchase of books, periodicals and other media	40,332
Advertising and capital campaign consulting fees	26,887
Postage, supplies and equipment maintenance	22,260
Capital equipment outlays	13,186
Telephone and utilities	23,293
Building maintenance and supplies	35,187
Special programs	6,243
Workshops and training	156
Miscellaneous	4,383
Building project – payment to City of Andover	<u>25,825</u>
Total expenditures	<u>461,902</u>
Net change in fund balance	(17,408)
Fund balance, beginning of year	<u>222,219</u>
Fund balance, end of year	<u>\$ 204,811</u>
Reconciliation of change in net assets:	
Net change in fund balance per above	\$ (17,408)
Add assets capitalized	12,715
Less loss on disposal of equipment	(7)
Less current year depreciation on capital assets	<u>(45,578)</u>
Change in net assets	<u>\$ (50,278)</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.	88
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source.	94
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.	98
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.	103
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.	107

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

City of Andover
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Governmental Activities						
Invested in capital assets, net of related debt	\$ (10,903,958)	\$ (6,077,010)	\$ (6,921,351)	\$ (2,687,674)	\$ 3,812,742	\$ 3,723,622
Restricted	20,171,629	20,850,099	22,332,361	25,008,711	30,640,036	28,160,493
Unrestricted	3,289,491	1,146,976	4,610,314	2,675,538	(3,324,809)	114,925
Total governmental activities net assets	<u>\$ 12,557,162</u>	<u>\$ 15,920,065</u>	<u>\$ 20,021,324</u>	<u>\$ 24,996,575</u>	<u>\$ 31,127,969</u>	<u>\$ 31,999,040</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 12,227,433	\$ 12,120,142	\$ 14,002,291	\$ 15,635,034	\$ 18,208,045	\$ 18,150,921
Restricted	2,410,441	2,590,787	2,684,147	3,195,999	3,278,991	3,266,458
Unrestricted	915,612	1,116,453	1,150,093	975,141	1,080,787	1,013,248
Total business-type activities net assets	<u>\$ 15,553,486</u>	<u>\$ 15,827,382</u>	<u>\$ 17,836,531</u>	<u>\$ 19,806,174</u>	<u>\$ 22,567,823</u>	<u>\$ 22,430,627</u>
Primary government						
Invested in capital assets, net of related debt	\$ 1,323,475	\$ 6,043,132	\$ 7,080,940	\$ 12,947,360	\$ 22,020,787	\$ 21,874,543
Restricted	22,582,070	23,440,886	25,016,508	28,204,710	33,919,027	31,426,951
Unrestricted	4,205,103	2,263,429	5,760,407	3,650,679	(2,244,022)	1,128,173
Total primary government net assets	<u>\$ 28,110,648</u>	<u>\$ 31,747,447</u>	<u>\$ 37,857,855</u>	<u>\$ 44,802,749</u>	<u>\$ 53,695,792</u>	<u>\$ 54,429,667</u>

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Expenses						
Governmental activities:						
General government	\$ 918,415	\$ 940,130	\$ 887,123	\$ 974,533	\$ 1,050,874	\$ 1,064,690
Public Safety	2,598,584	1,656,509	2,148,561	2,580,055	2,885,107	3,349,588
Highways and street	1,126,068	1,042,226	1,543,927	1,051,319	2,062,097	2,091,853
Health and sanitation	1,460,875	51,387	57,323	219,337	83,213	96,071
Culture and recreation	706,202	825,855	786,112	899,687	985,226	1,015,734
Economic development	10,309	6,938	67,903	20,632	69,185	67,333
Environment protection	8,433	10,431	11,673	13,412	13,077	9,995
Interest on long-term debt	1,367,959	1,295,025	1,541,389	1,599,603	1,859,286	1,590,175
Total governmental activities expenses	8,196,845	5,828,501	7,044,011	7,358,578	9,008,065	9,285,439
Business type activities:						
Water	112,209	116,412	253,712	266,156	168,405	191,202
Wastewater	1,085,450	1,094,785	1,052,190	1,100,239	1,151,411	1,243,054
Total business-type activities expenses	1,197,659	1,211,197	1,305,902	1,366,395	1,319,816	1,434,256
Total primary government expenses	\$ 9,394,504	\$ 7,039,698	\$ 8,349,913	\$ 8,724,973	\$ 10,327,881	\$ 10,719,695
Program Revenues						
Governmental activities:						
Charges for services:						
General Government	237,014	254,890	210,065	285,987	252,497	163,687
Public Safety	179,969	222,096	238,127	220,553	265,563	281,886
Highway and streets	184,955	69,875	193,922	225,653	189,213	145,137
Health and sanitation	-	21,800	-	-	-	-
Culture and recreation	347,676	261,636	227,988	314,919	233,101	264,351
Operating grants and contributions	410,497	311,280	334,967	391,271	323,982	344,869
Capital grants and contributions	1,612,663	3,134,274	6,267,874	5,476,892	9,705,795	1,999,911
Total governmental activities program revenue	2,972,774	4,275,851	7,472,943	6,915,275	10,970,151	3,199,841
Business-type activities:						
Charges for services:						
Water	92,234	104,630	124,576	105,404	108,528	112,236
Wastewater	1,193,471	1,132,288	1,215,850	1,274,074	1,275,241	1,215,218
Capital grants and contributions	457,200	366,410	-	-	-	-
Total business-type activities program revenues	1,742,905	1,603,328	1,340,426	1,379,478	1,383,769	1,327,454
Total primary government program revenues	\$ 4,715,679	\$ 5,879,179	\$ 8,813,369	\$ 8,294,753	\$ 12,353,920	\$ 4,527,295
Net (Expense) Revenue						
Governmental activities	\$ (5,224,071)	\$ (1,552,650)	\$ 428,932	\$ (443,303)	\$ 1,962,086	\$ (6,085,598)
Business-type activities	545,246	392,131	34,524	13,083	63,953	(106,802)
Total primary government net expenses	\$ (4,678,825)	\$ (1,160,519)	\$ 463,456	\$ (430,220)	\$ 2,026,039	\$ (6,192,400)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 2,677,772	\$ 2,930,964	\$ 3,240,873	\$ 3,586,613	\$ 4,131,474	\$ 4,573,036
Sales taxes	1,042,169	1,069,248	1,345,340	2,487,160	1,639,405	1,539,327
Franchise taxes	431,334	490,710	514,361	583,179	633,556	615,928
Other Taxes	8,433	6,938	2,903	22,394	92,085	130,221
Investment earnings	68,553	207,202	381,260	486,754	254,423	31,811
Transfers	110,235	210,491	(1,812,410)	(1,747,546)	(2,581,635)	66,346
Total governmental activities	4,338,496	4,915,553	3,672,327	5,418,554	4,169,308	6,956,669
Business-type activities						
Investment earnings	35,002	92,256	162,215	209,014	116,061	35,952
Transfers	(110,235)	(210,491)	1,812,410	1,747,546	2,581,635	(66,346)
Total business-type activities	(75,233)	(118,235)	1,974,625	1,956,560	2,697,696	(30,394)
Total primary government	\$ 4,263,263	\$ 4,797,318	\$ 5,646,952	\$ 7,375,114	\$ 6,867,004	\$ 6,926,275
Change in Net Assets						
Governmental activities	\$ (885,575)	\$ 3,362,903	\$ 4,101,259	\$ 4,975,251	\$ 6,131,394	\$ 871,071
Business-type activities	470,013	273,896	2,009,149	1,969,643	2,761,649	(137,196)
Total primary government	\$ (415,562)	\$ 3,636,799	\$ 6,110,408	\$ 6,944,894	\$ 8,893,043	\$ 733,875

City of Andover
Program Revenues by Function/Program

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Function/Program						
Governmental Activities:						
General government	\$ 337,610	\$ 256,015	\$ 210,065	\$ 365,466	\$ 264,497	\$ 182,883
Public Safety	459,453	552,394	633,326	583,581	656,880	604,940
Highways and streets	348,353	69,875	788,364	352,901	896,049	810,966
Health and sanitation	-	21,800	259,222	50,739	---	---
Culture and recreation	378,093	261,636	1,559,321	487,657	738,441	291,976
Environmental protection	---	---	---	---	---	---
Economic development	---	---	---	---	---	---
Interest on long term debt	1,406,334	3,084,311	4,022,645	5,074,931	8,414,284	1,309,076
Subtotal governmental activities	<u>2,929,843</u>	<u>4,246,031</u>	<u>7,472,943</u>	<u>6,915,275</u>	<u>10,970,151</u>	<u>3,199,841</u>
Business-type activities						
Water	300,634	298,180	124,576	105,404	108,528	112,236
Wastewater	1,442,271	1,305,148	1,215,850	1,274,074	1,275,241	1,215,218
Subtotal business-type activities	<u>1,742,905</u>	<u>1,603,328</u>	<u>1,340,426</u>	<u>1,379,478</u>	<u>1,383,769</u>	<u>1,327,454</u>
Total primary government	<u>\$ 4,672,748</u>	<u>\$ 5,849,359</u>	<u>\$ 8,813,369</u>	<u>\$ 8,294,753</u>	<u>\$ 12,353,920</u>	<u>\$ 4,527,295</u>

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales</u>	<u>Franchise</u>	<u>Other</u>	<u>Total</u>
2004	\$ 2,677,772	\$ 1,042,169	\$ 431,334	\$ 8,433	\$ 4,159,708
2005	2,930,964	1,069,248	490,710	6,938	4,497,860
2006	3,240,873	1,345,340	514,361	2,903	5,103,477
2007	3,586,613	2,487,160	583,179	22,394	6,679,346
2008	4,131,474	1,639,405	633,556	92,085	6,496,520
2009	4,573,036	1,539,327	615,928	130,221	6,858,512
Change 2004-2009	70.8%	47.7%	42.8%	1444.2%	64.9%

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

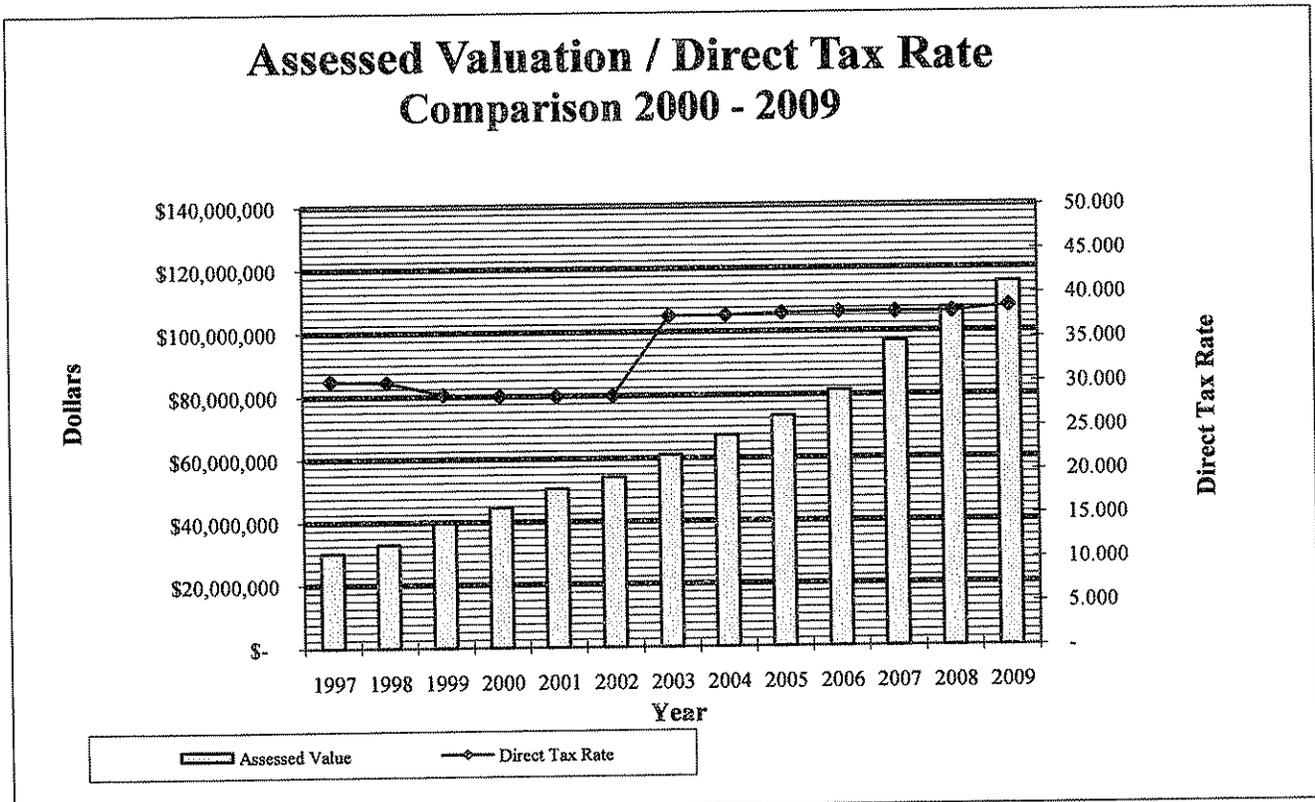
	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 39,159	\$ 48,898	\$ 33,438	\$ 41,412	\$ 30,832	\$ 19,364	\$ 27,383	\$ 166,847	\$ 167,325	\$ 90,130
Unreserved	824,783	680,679	606,044	674,441	936,015	1,141,843	1,535,623	1,825,409	2,194,699	1,842,643
Total General Fund	<u>\$ 863,942</u>	<u>\$ 729,577</u>	<u>\$ 639,482</u>	<u>\$ 715,853</u>	<u>\$ 966,847</u>	<u>\$ 1,161,207</u>	<u>\$ 1,563,006</u>	<u>\$ 1,997,256</u>	<u>\$ 2,362,024</u>	<u>\$ 1,932,773</u>
All Other Governmental Funds										
Reserved	\$ 721,438	\$ 784,920	\$ 2,358,602	\$ 1,658,046	\$ 1,995,089	\$ 1,635,443	\$ 1,167,324	\$ 4,465,591	\$ 1,809,311	\$ 5,679,912
Unreserved, Reported In:										
Special revenue funds	2,256,655	1,973,314	2,354,040	2,751,070	2,548,084	2,853,788	2,536,801	3,819,032	3,239,665	4,222,157
Capital projects funds	(6,881,876)	(4,617,053)	(6,011,547)	(4,827,889)	(5,469,998)	(10,224,624)	(9,009,906)	(12,407,143)	(9,557,490)	(17,376,276)
Debt service funds	684,433	857,059	794,015	866,006	1,044,210	885,845	855,836	1,026,816	943,582	656,850
Total all other governmental funds	<u>\$ (3,219,350)</u>	<u>\$ (1,001,760)</u>	<u>\$ (504,890)</u>	<u>\$ 447,233</u>	<u>\$ 117,385</u>	<u>\$ (4,849,548)</u>	<u>\$ (4,449,945)</u>	<u>\$ (3,095,704)</u>	<u>\$ (3,564,932)</u>	<u>\$ (6,817,357)</u>

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 2,043,752	\$ 2,562,025	\$ 2,791,543	\$ 3,664,734	\$ 4,197,402	\$ 4,544,475	\$ 5,160,771	\$ 6,173,551	\$ 5,914,419	\$ 6,292,335
Licenses and permits	455,722	396,739	565,782	515,599	674,506	569,759	558,202	1,288,837	1,208,174	1,003,377
Fines, forfeiture and other	130,062	119,876	133,206	129,930	139,900	172,771	169,395	174,673	213,502	230,394
Charges for service	5,236	5,809	2,367	2,778	6,205	5,638	82,666	85,376	93,670	96,376
Special assessments	1,280,158	1,699,825	1,883,673	2,301,940	2,250,961	2,269,276	4,079,705	2,702,071	3,406,561	3,556,849
Intergovernmental	382,097	403,521	760,842	592,310	594,588	359,118	1,009,865	587,955	703,639	956,999
Investment earnings	336,607	168,085	65,782	66,413	68,553	207,202	381,017	557,092	254,423	50,859
Other revenues	9,719	33,726	53,996	90,736	69,840	15,839	3,545	6,450	212,147	95,786
Total revenues	4,643,353	5,389,606	6,257,191	7,364,440	8,001,955	8,144,078	11,445,166	11,576,005	12,006,535	12,282,975
Expenditures										
General government	869,571	900,984	962,676	1,261,007	836,521	769,114	885,654	968,001	1,059,531	798,555
Public Safety	673,660	763,703	857,692	1,617,584	1,914,899	1,825,626	2,068,579	2,699,770	2,674,912	3,138,988
Highways and streets	596,555	1,370,342	674,114	1,087,422	1,513,900	1,713,338	2,303,060	1,227,505	2,460,374	2,229,491
Health and sanitation	---	---	---	---	48,903	51,387	65,248	82,805	82,196	96,071
Culture and recreation	355,036	401,625	385,021	385,305	592,023	809,552	697,807	753,049	913,568	1,165,620
Environmental protection	4,474	4,824	37,348	7,530	10,309	10,431	11,673	12,753	13,077	9,995
Economic development	---	---	---	---	8,433	6,938	2,903	20,632	69,185	67,333
Capital improvements	3,564,624	2,965,287	3,119,302	3,076,064	4,938,158	5,718,469	4,614,470	5,717,674	8,977,921	3,769,137
Debt Service	---	---	---	---	---	---	---	---	---	---
Interest	1,230,482	1,236,867	1,218,465	1,256,339	1,264,901	1,368,175	1,591,814	1,512,799	1,513,207	1,849,905
Principal	764,459	1,024,403	1,320,789	1,575,826	1,897,787	2,109,955	2,200,052	2,238,153	2,415,228	2,437,347
Total expenditures	8,058,861	8,668,035	8,575,407	10,267,077	13,025,834	14,382,985	14,441,260	15,233,141	20,179,199	15,562,442
Excess of revenues over (under) expenditures	(3,415,508)	(3,278,429)	(2,318,216)	(2,902,637)	(5,023,879)	(6,238,907)	(2,996,094)	(3,657,136)	(8,172,664)	(3,279,467)
Other financing sources (uses)										
Issuance of general obligation bonds	4,595,000	4,788,620	2,830,900	2,839,000	1,581,227	1,168,720	3,132,378	4,824,000	7,583,000	10,842,000
Proceeds from refunding	---	---	---	---	2,548,000	---	---	---	---	---
Issuance of Andover Public Building Commission revenue bonds/certificates of participation	---	635,000	---	870,000	2,688,000	60,000	57,000	---	---	---
Issuance of certificates of participation	42,039	42,090	40,194	260,359	50,490	27,123	---	---	129,998	62,999
Issuance of capital lease obligations	---	---	---	---	(2,209,443)	---	---	---	---	(11,373,554)
Payment to escrow agent	630,631	872,282	614,341	841,922	652,159	1,081,688	1,417,277	1,326,929	1,435,137	736,842
Transfers in	(728,726)	(976,338)	(760,444)	(880,150)	(541,924)	(871,197)	(987,159)	(1,212,745)	(1,174,379)	(670,496)
Transfers out	---	---	---	---	---	---	---	---	---	---
Total other financing sources (uses)	4,538,944	5,361,654	2,724,991	3,931,131	4,768,509	1,466,334	3,797,496	5,440,627	7,973,756	(402,209)
Net change in fund balances	\$ 1,123,436	\$ 2,083,225	\$ 406,775	\$ 1,028,494	\$ (255,370)	\$ (4,772,573)	\$ 801,402	\$ 1,783,491	\$ (198,908)	\$ (3,681,676)
Debt service as a percentage of non capital expenditures	44.4%	39.7%	46.5%	39.4%	36.0%	53.6%	37.9%	38.5%	42.8%	44.5%

**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
1997	\$ 25,474,810	\$ 4,796,586	\$ 30,271,396	\$30.320	\$ 237,508,707	12.75%
1998	\$ 27,860,789	\$ 5,118,474	\$ 32,979,263	\$30.183	\$ 259,329,310	12.72%
1999	\$ 33,843,177	\$ 5,837,351	\$ 39,680,528	\$28.774	\$ 313,746,333	12.65%
2000	\$ 38,094,798	\$ 6,430,043	\$ 44,524,841	\$28.591	\$ 352,692,590	12.62%
2001	43,513,081	7,039,427	50,552,508	28.515	401,839,374	12.58%
2002	47,097,945	7,080,473	54,178,418	28.579	433,148,924	12.51%
2003	52,855,248	8,203,165	61,058,413	37.518	486,954,735	12.54%
2004	59,099,833	8,207,905	67,307,738	37.559	541,271,274	12.44%
2005	64,940,378	8,417,474	73,357,852	37.778	592,757,186	12.38%
2006	73,079,987	8,254,548	81,334,535	37.907	662,993,308	12.27%
2007	90,698,192	6,241,506	96,939,698	37.897	809,484,950	11.98%
2008	100,180,581	7,148,767	107,329,348	37.910	894,964,710	11.99%
2009	108,975,904	6,463,119	115,439,023	38.543	969,160,287	11.91%



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

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

Fiscal Year	City Direct Rates						Overlapping Rates				
	Basic Rate	Special Public Building Fund	Bond & Interest	Library	Employee Benefits	Total Direct	Andover School District USD #385	Butler County	Butler County Junior College	State of Kansas	* Fire District #1
2000	13.718	0.626	5.637	2.995	5.615	28.591	63.224	31.395	17.132	1.500	7,370
2001	18.381	0.369	1.729	2.992	5.044	28.515	67.310	35.970	15.133	1.500	8,325
2002	16.613	0.472	0.525	3.008	7.961	28.579	66.057	35.701	16.088	1.500	8,069
2003	23.829	0.761	1.275	3.000	8.653	37.518	62.997	35.700	16.907	1.500	-
2004	23.458	1.764	0.007	3.004	9.326	37.559	59.970	35.481	16.802	1.500	-
2005	24.978	1.489	0.079	3.017	8.215	37.778	58.173	35.932	17.478	1.500	-
2006	23.187	1.554	2.238	3.011	7.917	37.907	58.525	35.723	17.363	1.500	-
2007	23.365	2.794	1.356	3.002	7.380	37.897	59.501	35.440	17.225	1.500	-
2008	23.125	1.808	1.561	3.001	8.415	37.910	62.325	36.434	18.195	1.500	-
2009	21.860	1.965	2.511	3.051	9.156	38.543	63.352	36.522	18.194	1.500	-

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

Source: Butler County Clerk

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

<u>Taxpayer</u>	<u>2009</u>			<u>2000</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	\$ 3,485,123	1	3.380 %	\$ ---		---
Dillons Companies Inc.	\$ 1,468,933	2				
Vornado Air LLC	1,353,475	3	1.301	402,180	8	0.903
Flint Hills National Golf Club	1,282,500	4	1.195	---		---
Kansas Gas & Electric	1,214,971	5	1.154	786,402	3	1.766
Dillons Real Estate Co. Inc	1,090,488	6	1.016	1,357,066	2	3.048
Southwestern Bell Telephone	1,051,252	7	1.073	1,492,186	1	3.351
Terradyne Country Club LLC	860,718	8	0.802	708,280	4	1.591
Sherwin Williams Co	731,355	9	0.908	570,248	5	1.281
Kansas Gas Service	633,025	10	0.579	---		---
Andover LLC	---		---	495,398	6	1.113
Nationwide Health *	---		---	426,806	7	0.959
Andover State Bank	---		---	317,355	9	0.713
International Cold Storage	---		---	256,550	10	0.576

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

Source: Butler County Clerk

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

Fiscal Year Ended Dec. 31,	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years *	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 1,141,768	\$ 1,115,675	97.71%	\$ 40,870	\$ 1,156,546	101.29%
2001	1,273,010	1,204,614	94.63%	29,708	1,234,322	96.96%
2002	1,441,505	1,330,826	92.32%	100,585	1,431,411	99.30%
2003	1,548,365	1,484,152	95.85%	55,817	1,539,969	99.46%
2004	2,290,790	2,209,461	96.45%	77,084	2,286,545	99.81%
2005	2,528,011	2,417,959	95.65%	68,165	2,486,124	98.34%
2006	2,771,313	2,684,886	96.88%	80,585	2,765,471	99.79%
2007	3,083,148	2,981,703	96.71%	94,663	3,076,366	99.78%
2008	3,673,724	3,415,510	92.97%	223,362	3,638,873	99.05%
2009	4,068,856	3,765,373	92.54%	-	3,765,373	92.54%

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

Source: Butler County Clerk

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

Fiscal Year	Governmental Activities					Business-type Activities					Percentage of Personal Income *	Per Capita
	General Obligation Bonds	Public Building Commission Revenue Bonds	Public Building Commission Certificate of Participation	City of Andover Certificate of Participation	Temporary Notes	Capital Lease Obligations	Wastewater Revenue Bonds	Capital Lease Obligations	Total Primary Government			
2000	\$16,544,000	\$160,000	\$-	\$-	\$4,875,000	\$38,365	\$3,610,000	\$-	\$25,227,365	0.15176093	\$3,766	
2001	20,367,620	775,000	-	-	2,515,000	41,052	3,555,000	-	27,253,672		4,069	
2002	21,938,900	755,000	-	-	2,695,000	40,077	3,485,000	-	28,913,977		4,022	
2003	23,266,000	1,595,000	-	-	2,340,000	370,693	3,400,000	-	30,971,693		3,996	
2004	23,524,227	4,233,000	-	-	3,970,000	324,396	3,300,000	-	35,351,623		4,110	
2005	22,839,947	4,085,000	60,000	-	6,428,000	232,564	3,320,000	-	36,965,511		4,297	
2006	24,112,378	4,047,000	50,000	120,000	9,022,000	166,653	3,295,000	-	40,813,031		4,478	
2007	26,915,878	3,941,000	40,000	60,000	5,609,000	627,443	3,090,000	-	40,283,321		4,220	
2008	32,428,000	3,823,000	30,000	-	-	700,539	2,865,000	16,876	39,863,415		4,027	
2009	30,054,000	3,695,000	15,000	-	6,607,000	575,191	2,615,000	6,313	43,567,504		4,209	

* Personal income numbers are only available from the 2000 census

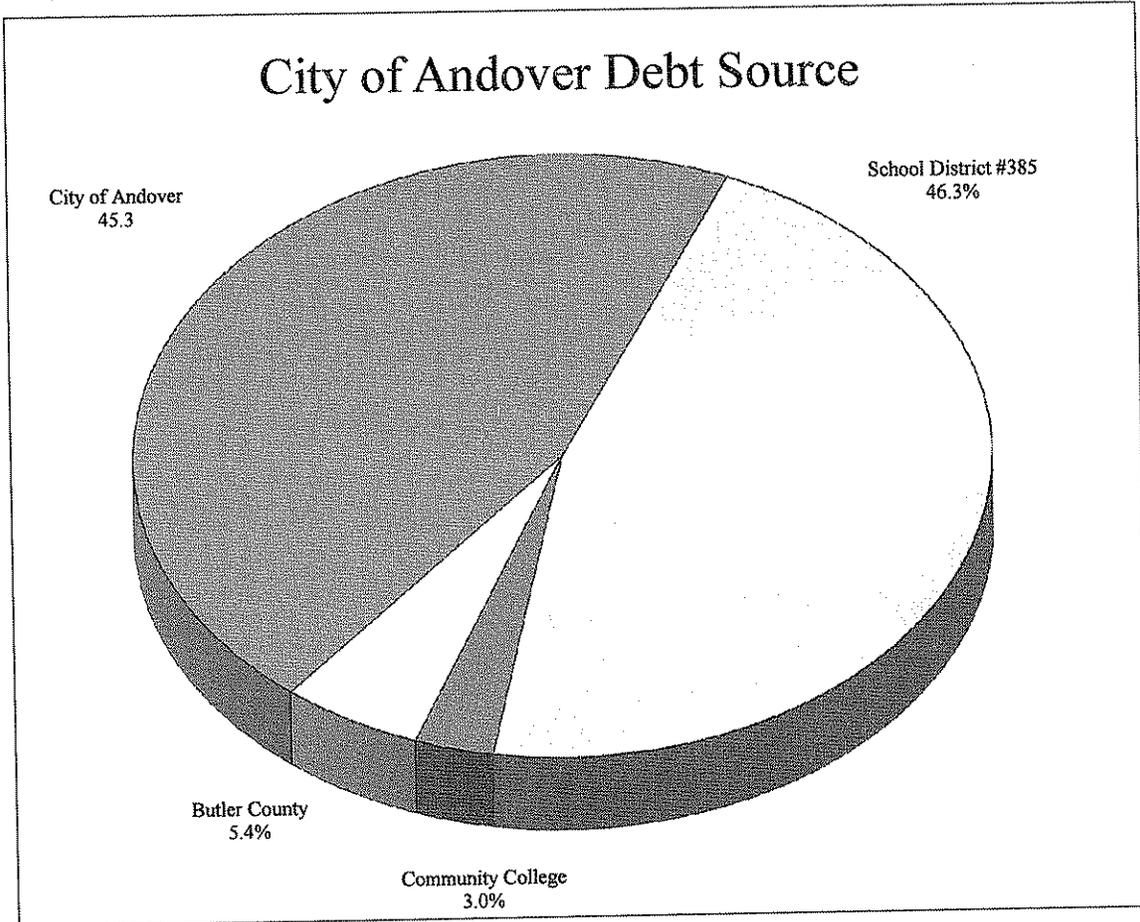
City of Andover
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding				Less Debt Service Funds	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
	General Obligation Bonds	Temporary Notes	Total					
2000	\$ 16,544,000	\$ 4,875,000	\$ 21,419,000	\$ 684,433	\$ 20,734,567	48.11	\$ 3,096	
2001	20,367,620	2,515,000	22,882,620	857,059	22,025,561	45.27	3,288	
2002	21,938,900	2,695,000	24,633,900	794,015	23,839,885	45.47	3,316	
2003	23,266,000	2,340,000	25,606,000	866,006	24,739,994	41.94	3,192	
2004	23,524,227	3,970,000	27,494,227	1,044,210	26,450,017	40.85	3,217	
2005	22,839,947	6,428,000	29,267,947	885,845	28,382,102	39.90	3,299	
2006	24,112,378	9,022,000	33,134,378	855,836	32,278,542	40.74	3,542	
2007	26,915,878	5,609,000	32,524,878	1,026,816	31,498,062	28.30	3,300	
2008	32,428,000	-	32,428,000	943,582	31,484,418	30.21	3,181	
2009	30,054,000	6,607,000	36,661,000	656,850	36,004,150	31.76	3,478	

CITY OF ANDOVER
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2009

<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	\$ 91,395,000	45.142%	\$ 41,257,531
Butler Community College	13,579,147	19.696%	2,674,549
Butler County	24,247,606	19.696%	<u>4,775,808</u>
Subtotal overlapping debt			48,707,888
City direct debt	40,376,000		<u>40,376,000</u>
Total Direct and overlapping debt			<u>\$ 89,083,888</u>



City of Andover
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 15,486,915	\$ 17,637,671	\$ 18,997,630	\$ 21,379,884	\$ 23,489,107	\$ 25,626,093	\$ 28,261,391	\$ 33,720,227	\$ 36,602,315	\$ 39,130,934
Total net debt applicable to limit	<u>6,825,079</u>	<u>6,744,710</u>	<u>7,207,188</u>	<u>7,679,244</u>	<u>7,406,798</u>	<u>7,867,706</u>	<u>9,446,938</u>	<u>8,903,626</u>	<u>7,975,634</u>	<u>9,956,124</u>
Legal debt margin	\$ 8,661,836	\$ 10,892,961	\$ 11,790,442	\$ 13,700,640	\$ 16,082,309	\$ 17,758,387	\$ 18,814,453	\$ 24,816,601	\$ 28,626,681	\$ 29,174,810
Total net debt applicable to the limit as a percentage of debt limit	44.07%	38.24%	37.94%	35.92%	31.53%	30.70%	33.43%	26.40%	21.79%	25.44%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value	\$ 130,436,445 *
Debt limit (30% of assessed value)	39,130,934
Debt applicable to limit:	
General Obligation Bonds	30,054,000
Temporary Notes	6,607,000
Less: Amount exempted by state statute	<u>(26,704,876) **</u>
Total net debt applicable to limit	<u>9,956,124</u>
Legal debt margin	29,174,810

* Includes motor vehicles assessed value

** Exempted Debt

K.S.A. 12-624 - Sewer Mains	1,567,348
K.S.A. 10-309 - Wastewater & Water	11,564,027
K.S.A. 10-309 - Stormwater	13,130,552
K.S.A. 10-309 - Intersections	<u>442,949</u>
Total 2009 exempted debt	<u>26,704,876</u>

** Includes motor vehicles assessed valuation

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

<i>Year</i>	<i>Gross Revenue *</i>	<i>Less Operating Expense **</i>	<i>Net Revenue Available Revenue</i>	<i>Debt Service</i>		<i>Total</i>	<i>Coverage</i>
				<i>Principal</i>	<i>Interest</i>		
2000	\$1,088,149	\$294,676	\$793,473	\$40,000	\$194,021	\$234,021	3.39
2001	906,068	459,261	446,807	55,000	192,215	247,215	1.81
2002	998,701	462,692	536,009	70,000	189,685	259,685	2.06
2003	992,277	490,161	502,116	85,000	186,395	271,395	1.85
2004	1,225,082	547,968	677,114	100,000	182,315	282,315	2.40
2005	1,215,645	592,291	623,354	120,000	177,465	297,465	2.10
2006	1,463,530	593,081	870,449	25,000	108,138	133,138	6.54
2007	1,473,635	595,476	878,159	205,000	122,445	327,445	2.68
2008	1,385,440	616,094	769,346	225,000	115,988	340,988	2.26
2009	1,250,360	697,942	552,418	250,000	108,563	358,563	1.54

* Total revenue includes interest but excludes all contributions from municipality

** Total operating expenses exclusive of depreciation

City of Andover
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	(1) Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age (Years)	Percent With High School or Higher Education	(2) School Enrollment	(3) Unemployment Rate	Median Home Value
2000 *	6,698	\$ 166,231	\$ 24,818	34.20	83.95%	2,937	3.20%	\$102,526
2001	6,698					3,111	3.50%	
2002	7,189					3,159	5.10%	
2003	7,750					3,364	5.40%	
2004	8,222					3,643	5.70%	
2005	8,602					3,791	5.60%	
2006	9,114					4,203	4.00%	
2007	9,546					4,255	3.60%	
2008	9,898					4,755	4.80%	
2009	10,351					4,844	6.90%	

* Federal Census

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

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

<u>Employer</u>	<u>2009</u>		<u>2000</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
USD 385	625	1	438	1
Kansas Medical Center	227	2		
Life Care Center of Andover	146	3	148	3
Sherwin-Williams Co.	132	4	155	2
Dillons Real Estate Co. Inc	125	5	130	4
City of Andover	84	6	41	10
International Cold Storage	69	7	115	5
Vornado	57	8	95	7
The Fountains	35	9		
Andover State Bank	29	10		
Andover LLC			110	6
Kansas Golf Ventures			47	8
Terradyne Office Park			43	9
Total	1,529		1,322	

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, 2009

<u>Trustee</u>	<u>Bonds</u>	<u>Outstanding</u>
Southwest National Bank Wichita, Kansas	Beech Aircraft Corporation Series A-1981	\$ -
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series 2008	\$ 6,305,998
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series A 2009	\$ 5,450,000
Stillwater National Bank Stillwater, Oklahoma	Andover Senior Care, L.L.C. Series A 2009	\$ 1,400,000
Commerce Bank Kansas City, Missouri	YMCA Series 2007	\$ 17,250,000
Equity Bank	Hotel at the River, LLC Series 2007	\$ 4,406,398
		<u>\$ 34,812,396</u>

CITY OF ANDOVER
SCHEDULE OF INDUSTRIAL REVENUE BONDS
December 31, 2009
Continued

	<i>Date of Issue</i>	<i>Interest Rate</i>	<i>Payment for Year</i>	<i>Total Amount Issued</i>	<i>Outstanding Issues 01/01/09</i>	<i>Additions</i>	<i>Retirements</i>	<i>Outstanding 12/31/09</i>
Andover Senior Care, L.L.C.	9/11/2008	*	2008	38,719	\$ 6,421,281	\$ -	\$ 115,283	\$ 6,305,998
			2009	115,283				
			2010	122,495				
* Adjusted rate - Prime + 1%, but never less than 6%			2011	130,158				
			2012	137,248				
			2013	146,887				
			2014	156,076				
			2015	165,840				
			2016	175,269				
			2017	187,179				
			2018	5,084,848				
Andover Senior Care, L.L.C. Series A 2009	9/1/2009	*	2011	86,473	\$ -	\$ 5,450,000	\$ -	\$ 5,450,000
			2012	270,015				
			2013	286,667				
* Adjusted rate - Prime + 1%, but never less than 6%			2014	304,348				
			2015	323,121				
			2016	260,890				
			2017	107,662				
			2018	114,303				
			2019	3,696,521				
Andover Senior Care, L.L.C. Series B 2009	9/1/2009	9.00%	2019	1,400,000	\$ -	\$ 1,400,000	\$ -	\$ 1,400,000
YMCA	11/13/2007	4.11%	2008	2,875,000	\$ 20,125,000	\$ -	\$ 2,875,000	\$ 17,250,000
		4.11%	2009	2,875,000				
		4.11%	2010	5,750,000				
		4.11%	2011	5,750,000				
		4.11%	2012	5,750,000				
Hotel at the River	12/20/2007	7.64%	2008	79,798	\$ 4,514,202	\$ -	\$ 107,804	\$ 4,406,398
		7.64%	2009	107,804				
		7.64%	2010	116,454				
		7.64%	2011	125,797				
		7.64%	2012	134,960				
		7.64%	2013	146,719				
		7.64%	2014	158,490				
		7.64%	2015	171,207				
		7.64%	2016	184,152				
		7.64%	2017	199,719				
		7.64%	2018	3,164,901				
Total Industrial Revenue Bonds					<u>\$ 42,280,483</u>	<u>\$ 6,850,000</u>	<u>\$ 14,318,087</u>	<u>\$ 34,812,396</u>

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

<u>Function/Program</u>	Full-time Equivalent Employees as of December 31									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government	10	10	10	10	10	10	11	11	11	11
Public safety										
Police	13	15	14	13	17	15	17	17	20	21
Fire *	-	-	-	11	12	13	13	13	14	14
Fire Reservist *	-	-	-	13	12	11	12	15	13	12
Civilians	5	5	5	5	6	6	5	6	6	7
Streets and highways	5	5	6	6	6	6	7	7	7	7
Culture and recreation	4	5	5	5	5	6	6	6	6	6
Stormwater **	-	-	-	-	-	-	1	1	1	1
Wastewater	4	4	5	5	5	5	5	5	5	5
Total	41	44	45	68	73	72	77	81	83	84

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

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

Source: City of Andover Human Resources

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Arrests	260	229	366	291	229	241	217	395	519	421
Accidents	241	235	264	213	239	283	267	269	309	333
Citations (including parking)	2,099	1,812	2,128	2,360	2,256	2,756	2,056	1,713	2,237	2,702
Calls for service	4,907	5,235	5,533	5,108	4,997	4,711	10,858	14,863	15,488	15,021
Fire										
Structure fires	25	22	23	25	11	25	26	21	70	11
Other fires	65	81	100	43	42	86	83	47	43	74
Medical calls	251	350	404	333	231	394	405	775	862	819
Other calls	184	239	239	161	105	405	321	282	377	327
Inspections	-	-	-	175	234	125	137	176	250	362
Training hours	-	-	-	-	-	4,767	3,907	3,428	2,886	3,652
Streets and highways										
Streets sealed (square yards)	51,835	52,870	60,805	87,992	90,633	73,905	104,956	64,588	110,313	122,141
Water										
Public water service connections	2,074	2,544	2,769	2,897	3,279	3,495	3,597	3,731	3,950	4,023
GPD average consumption	728,461	609,409	898,112	726,162	891,627	781,420	842,351	1,066,129	1,046,750	1,053,828
Wastewater										
Service Connections	3,271	3,609	3,743	3,863	3,991	4,156	4,521	4,690	4,829	4,879
Average Daily Flow (thousands of gallons)	700	700	720	770	840	840	816	937	921	882

Source: Various City of Andover departments

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	7	9	11	11	13	14	15	18	18	17
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Nonstaffed substations	-	-	-	-	-	2	2	2	2	2
Streets and highways										
Miles of paved streets	38	41	43	45	46	49	52	54	55	58
Miles of unpaved streets	11	12	12	12	12	12	12	12	12	14
Traffic Signals	5	5	5	5	5	5	5	5	6	6
Parks & Recreation										
Neighborhood parks	3	3	3	3	3	3	3	3	3	3
56 Acre recreation complex:										
Baseball/softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer fields	2	2	2	2	2	2	2	2	1	1
Playground areas	2	2	2	2	3	3	3	3	2	2
Tennis/basketball courts	3	3	3	3	3	3	3	3	3	3
Picnic Shelters	2	2	2	2	2	2	2	2	2	2
9 hole golf course	1	1	1	1	1	1	1	1	1	1
Community center	1	1	1	1	1	1	1	1	1	1
80 Acre Passive Recreation Park:										
Fishing Lake	1	1	1	1	1	1	1	1	1	1
Playground areas										
Picnic Shelters								2	2	2
Handicap accessible paved walking path										
Conference Cabin	1	1	1	1	1	1	1	1	1	1
Scout Lodge										
Lodge	1	1	1	1	1	1	1	1	1	1
Gazebo										
Community 5 acre park										
Undeveloped Playground areas										
Water *										
Fire hydrants	340	358	374	395	458	502	527	543	549	578
Miles of water lines	46	48	49	53	56	60	64	66	67	70
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	60	62	62	64	65	80	82	83	84	88

* 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, 2009

Direct Expense Items:

Health/Dental Insurance		\$ 573,833
Social Security		236,764
Worker's Compensation		68,170
Unemployment Insurance		16,424
Retirement		325,035
New Hire Physicals		3,844
		<u>\$ 1,224,070</u>

Indirect Expense Items (time off with pay):

Vacation	4,915	Hours	\$ 102,166
Sick Leave	2,535	Hours	45,826
Holiday	5,418	Hours	100,204
	<u>12,868</u>	Hours	<u>\$ 248,196</u>

Total Payroll	\$ 3,173,529
Total Hours Worked	156,812
Total Hours Paid	172,901
Cost of Direct Expense Items	\$ 1,224,070
Cost of Indirect Expense Items	<u>248,196</u>
Total Cost of Fringe Benefits	<u>\$ 1,472,266</u>
Cost Per Hour Worked	\$ 9.39
Cost as Percent of Payroll	46.39%

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

	<u>Vacation</u>	<u>Sick Leave</u>
Balance 1/1/09	6,989	18,405
Value of Accumulated Days	\$ 138,678	\$ 378,042
Hours Accumulated During Year	5,818	6,924
Hours Used During Year	4,915	2,535
Hours Lost Due to Termination		399
Paid Hours Over 480 Hours		540
Lost Hours Over 480 Hours		756
Hours Balance 12/31/08	7,892	21,099
Value of Accumulated Days 12/31/09	\$ 154,144	\$ 428,582

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

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

Accumulation of vacation cannot exceed 150% of amount available to the employee.
 Full-time employees accumulate sick leave at the rate of one day per month worked.
 Sick leave can only be used in the event of illness, except in the case of a death in the employee's immediate family. The employee may take three days off, that will be chargeable to sick leave, in addition to the three days of funeral leave. At termination, any sick leave balance is canceled. Accumulation cannot exceed 12 weeks/480 hours.
 After the maximum hours of 480 is reached, the employee, based on their hourly salary, will be paid 5/12 of the unused hours over the maximum as of December 31st.