

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 24, 2021

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF ANDOVER, MINNESOTA (Anoka County)

\$7,960,000* GENERAL OBLIGATION STREET RECONSTRUCTION AND EQUIPMENT BONDS, SERIES 2021A

PROPOSAL OPENING: December 7, 2021, 10:00 A.M., C.T. **CONSIDERATION:** December 7, 2021, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$7,960,000* General Obligation Street Reconstruction and Equipment Bonds, Series 2021A (the "Bonds") are being issued pursuant to Minnesota Statutes, Sections 410.32, 412.301 and 475.58, subdivision 3b, and Chapter 475, by the City of Andover, Minnesota (the "City") to finance certain street reconstruction projects described in the City's Street Reconstruction Plan dated November 3, 2021 and the acquisition of capital equipment. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS: December 28, 2021

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	\$1,050,000	2026	\$1,070,000	2029	\$930,000
2024	1,060,000	2027	915,000	2030	940,000
2025	1,070,000	2028	925,000		

MATURITY ADJUSTMENTS:

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2022 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2028 and thereafter are subject to call for prior optional redemption on February 1, 2027 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$7,880,400.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$159,200 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: U.S. Bank National Association

BOND COUNSEL: Taft Stettinius & Hollister LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY OF ANDOVER CITY COUNCIL

		<u>Term Expires</u>
Sheri Bukkila	Mayor	January 2025
Jamie Barthel	Council Member	January 2023
Ted Butler	Council Member	January 2025
Valerie Holthus	Council Member	January 2023
Randy Nelson	Council Member	January 2025

ADMINISTRATION

Jim Dickinson, City Administrator
Lee Brezinka, Finance Manager

PROFESSIONAL SERVICES

Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other offices located in Waukesha, Wisconsin and Denver, Colorado*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Andover, Minnesota (the "City") and the issuance of its \$7,960,000* General Obligation Street Reconstruction and Equipment Bonds, Series 2021A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on December 7, 2021.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of December 28, 2021. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected U.S. Bank National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Sections 410.32, 412.301 and 475.58, subdivision 3b, and Chapter 475, by the City to finance certain street reconstruction projects described in the City's Street Reconstruction Plan dated November 3, 2021 (the "Street Reconstruction Portion") and the acquisition of capital equipment (the "Equipment Certificates Portion").

All equipment has an expected useful life at least as long as the term of the Equipment Certificates Portion of the Bonds. The par amount of the Equipment Certificates Portion of the Bonds does not exceed 0.25% of the estimated market value of the City. The estimated market value of the City for taxes collectible in 2021 is \$3,685,960,800. Therefore, the maximum par amount of the Equipment Certificates Portion of the Bonds cannot exceed \$9,214,902.

ESTIMATED SOURCES AND USES*

	Street Reconstruction Portion	Equipment Certificates Portion	Total Bond Issue
Sources			
Par Amount of Bonds	\$7,330,000	\$630,000	\$7,960,000
Issuer Equity contribution (2021 tax collect)	<u>-</u>	<u>170,000</u>	<u>170,000</u>
Total Sources	\$7,330,000	\$800,000	\$8,130,000
 Uses			
Total Underwriter's Discount (1.000%)	\$73,300	\$6,300	\$79,600
Costs of Issuance	64,460	5,540	70,000
Deposit to Project Fund	<u>7,192,240</u>	<u>788,160</u>	<u>7,980,400</u>
Total Uses	\$7,330,000	\$800,000	\$8,130,000

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Street Reconstruction Portion	Equipment Certificates Portion	Total Bond Issue
2/01/2023	\$895,000	\$155,000	\$1,050,000
2/01/2024	905,000	155,000	1,060,000
2/01/2025	910,000	160,000	1,070,000
2/01/2026	910,000	160,000	1,070,000
2/01/2027	915,000	-	915,000
2/01/2028	925,000	-	925,000
2/01/2029	930,000	-	930,000
2/01/2030	<u>940,000</u>	<u>-</u>	<u>940,000</u>
Total	\$7,330,000	\$630,000	\$7,960,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which the City will pledge its full faith, credit and taxing powers. The City anticipates that the debt service will be paid from ad valorem property taxes. Ad valorem taxes will be levied in an amount sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA+" by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB ") through its Electronic Municipal Market Access ("EMMA ") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

Original Issue Discount

Some of the Bonds ("the OID Bonds) may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2020 have been audited by Redpath and Company, Ltd., St. Paul, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and the declaration of a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2018/19	2019/20	2020/21
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% ² Over \$1,880,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$162,000 - .75% Over \$162,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2020/21 Economic Market Value \$3,956,273,269¹

	2020/21 Assessor's Estimated Market Value	2020/21 Net Tax Capacity
Real Estate	\$3,652,526,000	\$36,700,449
Personal Property	33,434,800	666,326
Total Valuation	<u><u>\$3,685,960,800</u></u>	<u><u>\$37,366,775</u></u>
Less: Captured Tax Increment Tax Capacity ²		(119,819)
Fiscal Disparities Contribution ³		<u>(1,348,420)</u>
Taxable Net Tax Capacity		\$35,898,536
Plus: Fiscal Disparities Distribution ³		<u>5,475,223</u>
Adjusted Taxable Net Tax Capacity		<u><u>\$41,373,759</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 93.27% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$3,956,273,269.

² The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

³ Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, and fiscal capacity indicated market value as determined by the Minnesota Department of Revenue. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$30,872,830	82.62%
Agricultural	284,967	0.76%
Commercial/industrial	2,677,773	7.17%
Public utility	145,984	0.39%
Railroad operating property	65,234	0.17%
Non-homestead residential	2,653,661	7.10%
Personal property	666,326	1.78%
Total	<u>\$37,366,775</u>	<u>100.00%</u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Adjusted Taxable Net Tax Capacity²	Percent Increase/Decrease in Estimated Market Value
2016/17	\$2,806,893,400	\$2,633,480,159	\$27,920,178	\$31,220,437	3.42%
2017/18	3,116,175,500	2,959,411,470	31,287,043	34,815,276	11.02%
2018/19	3,271,908,300	3,121,797,779	32,975,265	36,571,115	5.00%
2019/20	3,561,318,700	3,422,826,162	36,099,539	40,030,576	8.85%
2020/21	3,685,960,800	3,543,956,781	37,366,775	41,373,759	3.50%

¹ Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

² Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2020/21 Gross Tax Capacity	Percent of City's Total Net Tax Capacity
Minnegasco, Inc.	Utility	\$304,238	0.81%
Presbyterian Homes of Andover	Apartment/Commercial	251,795	0.67%
Connexus Energy	Utility	245,398	0.66%
Wal-Mart	Commercial	186,388	0.50%
Arbor Oaks Senior Living Realty LLC	Apartment	181,781	0.49%
Target	Commercial	166,692	0.45%
Andover Ltd. Partnership	Commercial	147,260	0.39%
Great River Energy	Utility	142,857	0.38%
Andover Station 2016 LLC	Commercial	120,860	0.32%
PC Arbor Oaks LLC	Apartment	120,330	0.32%
Total		<u>\$1,867,599</u>	<u>5.00%</u>

City's Total 2020/21 Net Tax Capacity \$37,366,775

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Anoka County.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by tax abatement revenues	\$26,085,000
Total G.O. debt secured by taxes (includes the Bonds)*	18,915,000
Total G.O. debt secured by utility revenues	1,610,000
Total General Obligation Debt*	<u><u>\$46,610,000</u></u>

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

City of Andover, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 12/28/2021)

Taxable Abatement Bonds						Tax Abatement Bonds			
Series 2012C						Bonds - 501(c)(3) 1)			
Dated	Amount	Maturity	02/01	02/01	02/01	08/01/2019	\$15,770,000	08/01/2019	\$17,315,000
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Total Principal	Total Interest	Total P & I	Principal Outstanding
2022	945,000	268,931	545,000	564,775	1,490,000	833,706	2,323,706	24,595,000	5,71%
2023	960,000	249,281	570,000	536,900	1,530,000	786,181	2,316,181	23,065,000	11.58%
2024	985,000	228,000	600,000	507,650	1,585,000	735,650	2,320,650	21,480,000	17.65%
2025	1,005,000	204,356	630,000	476,900	1,635,000	681,256	2,316,256	19,245,000	23.92%
2026	1,030,000	178,275	660,000	444,650	1,690,000	622,925	2,312,925	18,155,000	30.40%
2027	1,055,000	150,250	695,000	410,775	1,750,000	561,025	2,311,025	16,405,000	37.11%
2028	1,085,000	120,147	725,000	375,275	1,810,000	495,422	2,305,422	14,595,000	44.05%
2029	1,125,000	87,675	765,000	341,850	1,890,000	429,525	2,319,525	12,705,000	51.29%
2030	1,160,000	53,400	795,000	310,650	1,955,000	364,050	2,319,050	10,750,000	58.79%
2031	1,200,000	18,000	825,000	278,250	2,025,000	296,250	2,321,250	8,725,000	66.55%
2032			860,000	248,850	860,000	248,850	1,108,850	7,865,000	69.85%
2033			885,000	222,675	885,000	222,675	1,107,675	6,980,000	73.24%
2034			910,000	195,750	910,000	195,750	1,105,750	6,070,000	76.73%
2035			940,000	168,000	940,000	168,000	1,108,000	5,130,000	80.33%
2036			965,000	139,425	965,000	139,425	1,104,425	4,165,000	84.03%
2037			995,000	110,025	995,000	110,025	1,105,025	3,170,000	87.85%
2038			1,025,000	79,725	1,025,000	79,725	1,104,725	2,145,000	91.78%
2039			1,055,000	48,525	1,055,000	48,525	1,103,525	1,090,000	95.82%
2040			1,090,000	16,350	1,090,000	16,350	1,106,350	0	100.00%
	10,550,000	1,558,316	15,535,000	5,477,000	26,085,000	7,035,316	33,120,316		

1) The City anticipates that the interest portion of this issue will be paid from ad valorem property taxes.

City of Andover, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 12/28/2021)

Open Space Bonds 1) Series 2010A				Capital Improvement Plan Bonds Series 2018A				Equipment Certificates Series 2020A				Street Reconstruction and Equip Bonds Series 2021A						
Dated Amount	Principal 02/18/2010 \$1,660,000	Interest 02/01	Principal 12/27/2018 \$10,000,000	Interest 02/01	Principal 03/19/2020 \$1,310,000	Interest 02/01	Principal 12/28/2021 \$7,960,000*	Interest 02/01	Estimated Principal 02/01	Interest 02/01	Principal 02/01	Interest 02/01	Estimated Principal 02/01	Interest 02/01	Total P & I 02/01	Principal Outstanding 02/01	% Paid Year Ending	
2022	170,000	2,656	130,000	344,506	320,000	33,400	0	620,000	30,873	0	620,000	1,670,000	50,080	411,436	1,031,436	18,295,000	3.28%	
2023			290,000	334,006	330,000	20,400	1,050,000	45,395	1,060,000	1,070,000	1,074,486	16,525,000	404,486	2,074,486	2,074,486	16,525,000	12.11%	
2024			300,000	319,256	345,000	6,900	1,060,000	40,803	1,070,000	1,075,000	371,751	14,920,000	1,729,684	1,729,684	2,076,751	14,920,000	21.12%	
2025			315,000	303,881	287,631		1,070,000	35,453	1,070,000	1,085,000	344,684	13,535,000	1,728,084	1,728,084	323,084	12,130,000	28.44%	
2026			335,000	287,631	350,000		915,000	29,308	270,506	29,308	340,000	12,130,000	1,728,084	1,728,084	323,084	12,130,000	35.87%	
2027			350,000	270,506	370,000		925,000	22,405	256,206	22,405	345,000	10,865,000	1,728,084	1,728,084	323,084	10,865,000	42.56%	
2028			370,000	256,206	380,000		925,000	14,288	244,956	14,288	350,000	9,570,000	1,728,084	1,728,084	323,084	9,570,000	49.41%	
2029			390,000	233,406	390,000		930,000	94,935	221,556	94,935	350,000	8,260,000	1,728,084	1,728,084	323,084	8,260,000	56.33%	
2030			400,000	221,556	400,000		940,000		415,000	400,000	350,000	6,930,000	1,728,084	1,728,084	323,084	6,930,000	63.36%	
2031			415,000	209,331	425,000		950,000		425,000	415,000	350,000	6,530,000	1,728,084	1,728,084	323,084	6,530,000	65.48%	
2032			425,000	196,731	440,000		960,000		440,000	425,000	350,000	6,115,000	1,728,084	1,728,084	323,084	6,115,000	67.67%	
2033			440,000	183,756	450,000		970,000		450,000	440,000	350,000	5,690,000	1,728,084	1,728,084	323,084	5,690,000	69.92%	
2034			450,000	170,125	465,000		980,000		465,000	450,000	350,000	6,23,756	1,728,084	1,728,084	323,084	6,23,756	72.24%	
2035			465,000	155,538	480,000		990,000		480,000	465,000	350,000	620,125	1,728,084	1,728,084	323,084	620,125	74.67%	
2036			480,000	140,181	495,000		1,000,000		495,000	480,000	350,000	620,538	1,728,084	1,728,084	323,084	620,538	77.08%	
2037			495,000	124,338	515,000		1,010,000		515,000	495,000	350,000	620,181	1,728,084	1,728,084	323,084	620,181	79.62%	
2038			515,000	107,603	530,000		1,020,000		530,000	515,000	350,000	619,338	1,728,084	1,728,084	323,084	619,338	82.24%	
2039			530,000	89,969	550,000		1,030,000		550,000	530,000	350,000	622,603	1,728,084	1,728,084	323,084	622,603	84.96%	
2040			550,000	71,400	570,000		1,040,000		570,000	550,000	350,000	619,969	1,728,084	1,728,084	323,084	619,969	87.76%	
2041			570,000	51,800	585,000		1,050,000		585,000	570,000	350,000	621,400	1,728,084	1,728,084	323,084	621,400	90.67%	
2042			585,000	31,588	610,000		1,060,000		610,000	585,000	350,000	616,588	1,728,084	1,728,084	323,084	616,588	93.68%	
2043			610,000	10,675								610,000	10,675	620,675	10,675	620,675	100.00%	
2044					170,000	2,656	9,790,000	4,358,947	995,000	60,700	7,960,000	273,738	18,915,000	4,696,041	4,696,041	23,611,041	0	2044

* Preliminary, subject to change.

1) This represents the \$1,660,000 Open Space portion of the \$3,140,000 General Obligation Open Space and Refunding Bonds, Series 2010A.

City of Andover, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 12/28/2021)

Water Revenue Bonds 1)			Water Revenue Refunding Bonds		
Series 2009A			Series 2016B		
Dated Amount	03/26/2009 \$2,365,000		12/07/2016 \$3,925,000		
Maturity	02/01		02/01		
Calendar Year Ending	Principal	Interest	Principal	Interest	Total Principal
2022	80,000	8,493	675,000	20,550	755,000
2023	80,000	5,253	690,000	6,900	770,000
2024	85,000	1,806			85,000
	245,000	15,551	1,365,000	27,450	1,610,000
					Total Interest
					784,043
					12,153
					1,806
					86,806
					85,000
					0
					Principal Outstanding
					855,000
					85,000
					0
					% Paid
					46.89%
					2022
					94.72%
					2023
					100.00%
					2024

1) This represents the \$1,025,000 Water Revenue portion of the \$2,365,000 General Obligation Bonds, Series 2009A.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations issued to pay judgments against the City; and (8) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2020/21 Assessor's Estimated Market Value	\$3,685,960,800
Multiply by 3%	0.03
Statutory Debt Limit	<u>\$110,578,824</u>
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(18,915,000)</u>
Unused Debt Limit*	<u><u>\$91,663,824</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2020/21 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
Anoka County	\$453,476,406	9.1237%	\$49,315,000	\$4,499,353
I.S.D. No. 11 (Anoka-Hennepin Schools)	301,893,093	12.8635%	251,620,000	32,367,139
I.S.D. No. 15 (St. Francis Public Schools)	40,833,612	6.2198%	85,080,000 ³	5,291,806
Anoka County Regional Railroad Authority	453,476,407	9.1237%	18,860,000	1,720,730
Metropolitan Council	4,884,505,255	0.8470%	193,320,000 ⁴	1,637,420
City's Share of Total Overlapping Debt				\$45,516,447

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does **not** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

⁴ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$3,956,273,269)	Debt/ Current Population Estimate (32,601)
Direct G.O. Debt Secured By:			
Tax Abatement Revenues	\$26,085,000		
Taxes*	18,915,000		
Utility Revenues	1,610,000		
Total General Obligation Debt (includes the Bonds)*	\$46,610,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	(1,610,000)		
Tax Supported General Obligation Debt*	\$45,000,000	1.14%	\$1,380.33
City's Share of Total Overlapping Debt	\$45,516,447	1.15%	\$1,396.17
Total*	\$90,516,447	2.29%	\$2,776.49

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2016/17	\$11,894,578	\$11,838,094	\$11,890,778	99.97%
2017/18	12,372,620	12,313,840	12,361,074	99.91%
2018/19	13,060,024	12,969,199	13,024,503	99.73%
2019/20	14,434,449	14,352,130	14,352,130	99.43%
2020/21	14,870,811	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The City cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, including the Bonds.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through December 31, 2020.

³ Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2016/17	2017/18	2018/19	2019/20	2020/21
Anoka County w/Library	36.841%	35.334%	34.473%	33.078%	31.086%
Anoka County/City Radio	0.432%	0.486%	0.435%	0.405%	0.383%
City of Andover	37.375%	34.628%	35.311%	35.656%	35.576%
I.S.D. No. 11 (Anoka-Hennepin Schools)	18.590%	18.392%	16.330%	16.948%	16.152%
I.S.D. No. 15 (St. Francis Public Schools)	28.893%	26.962%	24.858%	22.200%	21.957%
Anoka County Railroad Authority	0.802%	0.738%	0.685%	0.494%	0.481%
Coon Creek Watershed	1.385%	1.388%	1.316%	1.273%	1.261%
Andover/Lower Rum River Watershed	37.740%	34.953%	35.622%	35.943%	35.848%
Metropolitan Council	0.866%	0.841%	0.627%	0.596%	0.645%
Metro Mosquito	0.467%	0.453%	0.415%	0.398%	0.387%

Referendum Market Value Rates:

City of Andover	0.00682%	0.00617%	0.00573%	0.00573%	0.00418%
I.S.D. No. 11 (Anoka-Hennepin Schools)	0.21561%	0.25862%	0.26028%	0.24352%	0.23694%
I.S.D. No. 15 (St. Francis Public Schools)	0.10357%	0.09735%	0.10622%	0.09003%	0.08508%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Anoka County.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1974. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator and Finance Manager are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 61 full-time, 20 part-time, and 15 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Minnesota Teamsters Public and Law Enforcement Employees Union, Local No. 320	December 31, 2023

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$455,036 as of December 31, 2021. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of October 18, 2021)

Fund	Total Cash and Investments
General	\$6,818,215
Special Revenue	3,176,605
Debt Service	1,058,466
Capital Projects	29,845,568
Enterprise Funds	7,995,581
Internal Service Funds	1,024,958
Agency Funds	450,294
Total Funds on Hand	<u>\$50,369,687</u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2018	2019	2020
Water			
Total Operating Revenues	\$3,061,920	\$2,756,944	\$3,349,237
Less: Operating Expenses	<u>(2,250,133)</u>	<u>(2,228,247)</u>	<u>(2,417,489)</u>
Operating Income	\$811,787	\$528,697	\$931,748
Plus: Depreciation	<u>892,585</u>	<u>868,447</u>	<u>850,293</u>
Revenues Available for Debt Service	<u><u>\$1,704,372</u></u>	<u><u>\$1,397,144</u></u>	<u><u>\$1,782,041</u></u>
Sewer			
Total Operating Revenues	\$2,325,456	\$2,329,462	\$2,355,039
Less: Operating Expenses	<u>(2,185,780)</u>	<u>(2,294,616)</u>	<u>(2,462,031)</u>
Operating Income	\$139,676	\$34,846	(\$106,992)
Plus: Depreciation	<u>566,260</u>	<u>584,512</u>	<u>613,240</u>
Revenues Available for Debt Service	<u><u>\$705,936</u></u>	<u><u>\$619,358</u></u>	<u><u>\$506,248</u></u>
Storm Sewer			
Total Operating Revenues	\$537,422	\$564,154	\$594,524
Less: Operating Expenses	<u>(614,832)</u>	<u>(734,334)</u>	<u>(616,220)</u>
Operating Income	(\$77,410)	(\$170,180)	(\$21,696)
Plus: Depreciation	<u>263,735</u>	<u>279,105</u>	<u>294,935</u>
Revenues Available for Debt Service	<u><u>\$186,325</u></u>	<u><u>\$108,925</u></u>	<u><u>\$273,239</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2020 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Amended Budget ¹
Revenues					
Property taxes	\$8,332,634	\$8,634,130	\$8,864,720	\$9,303,234	\$9,594,493
Licenses and permits	546,378	562,525	855,831	892,279	436,450
Intergovernmental	793,931	829,861	822,128	861,179	889,621
Special assessments	0	0	0	0	0
Charges for services	843,023	888,947	1,133,161	1,070,899	752,360
Fines	75,287	73,719	62,349	47,630	50,250
Investment income	64,751	107,561	208,958	148,974	75,000
Miscellaneous	179,912	176,663	184,558	172,062	138,850
Total Revenues	\$10,835,916	\$11,273,406	\$12,131,705	\$12,496,257	\$11,937,024
Expenditures					
Current:					
General government	\$2,642,222	\$2,748,464	\$2,840,484	\$2,906,328	\$3,527,056
Public safety	4,778,336	4,956,350	5,091,792	5,162,232	5,516,750
Public works	1,470,723	1,671,735	1,720,953	1,650,363	1,830,871
Parks and recreation	1,152,988	1,158,535	1,182,928	1,369,954	1,617,523
Recycling	169,956	199,182	224,574	228,124	233,759
Economic development	14,875	11,940	15,001	12,778	0
Capital outlay	60,875	129,038	24,366	66,099	135,000
Debt service	0	0	0	0	0
Total Expenditures	\$10,289,975	\$10,875,244	\$11,100,098	\$11,395,878	\$12,860,959
Excess of revenues over (under) expenditures	\$545,941	\$398,162	\$1,031,607	\$1,100,379	(-\$923,935)
Other Financing Sources (Uses)					
Sale of capital asset	\$0	\$0	\$7,500	\$0	\$0
Transfers in	196,930	178,558	188,008	190,688	212,031
Transfers (out)	(750,000)	(230,000)	0	(1,000,000)	(750,000)
Total Other Financing Sources (Uses)	(553,070)	(51,442)	195,508	(809,312)	(537,969)
Net changes in Fund Balances	(\$7,129)	\$346,720	\$1,227,115	\$291,067	(-\$1,461,904)
General Fund Balance January 1	\$7,796,745	\$7,789,616	\$8,136,336	\$9,363,451	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$7,789,616	\$8,136,336	\$9,363,451	\$9,654,518	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$117,253	\$112,971	\$122,993	\$140,602	
Unassigned	7,672,363	8,023,365	9,240,458	9,513,916	
Total	\$7,789,616	\$8,136,336	\$9,363,451	\$9,654,518	

¹ The 2021 budget was adopted on December 1, 2020. The deficit shown in the amended budget is a planned use of the fund balance by the City. The City prepares a fund balance analysis each year to determine what is needed for working cash flow and any internal designations for emergencies in public safety, facility management, snow removal and information technology. The balance is part of a discussion for the following budget year identified as a specific budget development guideline adopted by the City Council.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 30,598 and a current population estimate of 32,601, and comprising an area of 23,040 acres, is located approximately 16 miles north of the City of Minneapolis.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 11 (Anoka-Hennepin Schools)	Elementary and secondary education	816 ²
Wal-Mart	Retail	335
Fairview Andover Clinic	Healthcare	300
Anoka County Sheriff's Office	County government and services	250 ²
Kottkes Bus Service	Transportation	225
YMCA	Youth organization and fitness center	220
Target	Retail	200
TE Connectivity	Automotive engineering	142
GAF Material Corp.	Roofing materials-manufacturing	125
Anoka County Highway Department	County government and services	120 ²

Source: *Data Axle Reference Solutions, written and telephone survey (October 2021), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

² Reflects total number of employees within City limits.

BUILDING PERMITS

	2017	2018	2019	2020	2021 ¹
<u>New Single Family Homes</u>					
No. of building permits	94	60	116	139	110
Valuation	\$27,847,717	\$19,703,856	\$37,256,817	\$45,464,139	\$35,695,655
<u>New Commercial/Industrial</u>					
No. of building permits	0	2	1	0	0
Valuation	\$0	\$2,860,000	\$3,381,400	\$0	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	731	893	1,312	1,720	1,431
Valuation	\$32,780,459	\$39,800,074	\$71,127,531	\$63,547,846	\$43,758,519

Source: The City.

¹ As of October 25, 2021.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	26,588
2010 U.S. Census population	30,598
2019 State Demographer's Estimate	32,601
Percent of Change 2000 - 2010	15.08%

Income and Age Statistics

	The City	Anoka County	State of Minnesota	United States
2019 per capita income	\$43,035	\$36,978	\$37,625	\$34,103
2019 median household income	\$109,930	\$82,175	\$71,306	\$62,843
2019 median family income	\$117,376	\$95,429	\$89,842	\$77,263
2019 median gross rent	\$1,655	\$1,118	\$977	\$1,062
2019 median value owner occupied units	\$289,500	\$232,400	\$223,900	\$217,500
2019 median age	39.9 yrs.	38.5 yrs.	38.0 yrs.	38.1 yrs.
	State of Minnesota		United States	
City % of 2019 per capita income	114.38%		126.19%	
City % of 2019 median family income	130.65%		151.92%	

Housing Statistics

	The City	2010	2019	Percent of Change
All Housing Units	8,205	10,091		22.99%

Source: 2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Anoka County	Anoka County	Anoka County	State of Minnesota
2017	188,873		3.3%	3.4%
2018	191,154		2.8%	3.0%
2019	192,712		3.1%	3.2%
2020	187,703		6.0%	6.2%
2021, September	188,374		2.9%	2.8%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.



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Comprehensive Annual Financial Report

of the

City of Andover, Minnesota

For the Year Ended

December 31, 2020

Prepared By: Finance Department
City of Andover

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

You may have heard the popular "train myth" about how Andover received its name. The myth states that a train tipped over in a swamp, and an eyewitness, relaying the incident, said it "went over and over," thereby naming the city "Andover." However, research reveals that the name Andover first appeared in an article dated March 14, 1899 in the *Anoka County Union Newspaper* - before train tracks were ever built in the city.

The article stated that the Eastern Minnesota line of the Great Northern Railway was in the process of constructing railroad tracks from the Coon Creek Cut-off to the North. The railway announced that new railroad stations with mathematical precision were to be located five miles apart from each other. The new stations (from Coon Creek to the North, along the new railroad line) were to be named Andover, Cedar, Bethel, Isanti, Cambridge, Stanchfield, Graham, Cornell, and Brook Park. On July 4, 1899, the first train passed through the Andover station. Where the railway came up with the name Andover remains unknown.

Andover Village was established in 1972 and then became the City of Andover, a city of the fourth class, in 1974. Today the City of Andover's population exceeds 20,000, classifying it as a second-class city.

The City of Andover as it exists today consists of 23,040 acres. Andover has a population estimated at 33,000. A growing suburb of the northern metropolitan area, the City of Andover is approximately sixteen miles from Minneapolis.

SERVICES PROVIDED. The City of Andover provides various services to the residents in the community. The current services are:

* Andover City Policy and Council Members	General Government: Mayor and City council Newsletter City clerk Administration Human resources	Information systems Financial administration Elections Assessing Legal Planning and zoning	Animal control
Dear Honorable Mayor and Council Members,	Public Safety: Police Fire protection	Traffic signals Street signs Central equipment maintenance	
The Comprehensive Annual Financial Report is submitted in conformance with all applicable governing laws and regulations. The following has set the standards forth:	Public Works: Streets and highways Snow and ice removal Street lighting	Street signs Central equipment maintenance	
	Sanitation: Storm sewers	Sanitary sewer maintenance	
	Parks and Recreation	Recycling	

FINANCIAL STATEMENT FORMAT. This Comprehensive Annual Financial Report is presented in three main sections:

- I. Introductory
- II. Financial
- III. Statistical

The **Introduction** includes a list of the City's principal officials as of December 31, 2020, the table of contents, the public officials' organizational chart, and this letter of Transmittal. The **Financial Section** includes: (1) independent auditor's report; (2) management's discussion and analysis; (3) government wide and fund financial statements; (4) notes to the financial statements; (5) required supplementary information; (6) the combining statements, individual fund statements; and (7) the supplemental information. The **Statistical Section** includes tables and reports of various economic, social, financial, and fiscal data designed to reflect trends and ratios.

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

REPORTING ENTITY. All City funds, departments, commissions, and other organizations for which the City of Andover is financially accountable are presented within the Comprehensive Annual Financial Report. The Andover Firefighters Relief Association does not meet the established criteria for inclusion in the reporting entity, and accordingly is excluded from this report.

GENERAL INFORMATION. The city we know today as Andover was first organized in 1857 under the name "Round Lake Township." However, in 1860 the name was changed to "Grow Township" in honor of Senator Galusha A. Grow of Pennsylvania. Senator Grow spoke at a political campaign in Anoka that year, and the town name was changed to reflect Senator Grow because of his strong advocacy of the Union cause. At that time, the population was 330 and included the geographical area we know today as Ham Lake. In fact, the area of Ham Lake was considered a part of Grow Township until 1871.

In 1972, the Grow Township Board of Supervisors recognized that the town was growing at a very rapid rate. They felt a village form of government would provide better services to the community. Board supervisors then voted in favor of proceeding with the incorporation process. The board voted to submit a new name for the village. "Andover Village" was chosen because the name Andover had historical interest. The historical interest, we believe, came from the Andover train station.

You may have heard the popular "train myth" about how Andover received its name. The myth states that a train tipped over in a swamp, and an eyewitness, relaying the incident, said it "went over and over," thereby naming the city "Andover." However, research reveals that the name Andover first appeared in an article dated March 14, 1899 in the *Anoka County Union Newspaper* - before train tracks were ever built in the city.

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* State Auditor, State of Minnesota * Government Finance Officers Association * Governmental Accounting Standards Board	General Government: Mayor and City council Newsletter City clerk Administration Human resources	Information systems Financial administration Elections Assessing Legal Planning and zoning	Animal control
	Public Safety: Police Fire protection	Traffic signals Street signs Central equipment maintenance	
	Public Works: Streets and highways Snow and ice removal Street lighting	Street signs Central equipment maintenance	
	Sanitation: Storm sewers	Sanitary sewer maintenance	
	Parks and Recreation	Recycling	

GOVERNMENT STRUCTURE. Andover is a statutory city with the City Council appointing a City Administrator. The City Administrator has operating responsibilities for all City functions. A list of public officials and organizational chart can be found on page 10 and 11, respectively.

ECONOMIC CONDITION AND OUTLOOK

Moderate population growth is expected to continue in 2021 and 2022, with an estimated population of 33,482 by 2021. The rate of residential growth as compared to the growth in the 1990's and 2000's has significantly declined as the availability of residentially zoned property decreased. The City has experienced a significant amount of commercial growth from 2000 through current 2020. Continued commercial growth is anticipated over the next couple years, beyond that growth will slow as the amount of undeveloped commercially zoned property also declines.

The City's General Fund has two major categories of revenue, which accounted for 83% of the total in 2020. They are general property taxes at 74.4% and charges for services at 8.6%. In prior years, intergovernmental revenue was the second largest category of revenue for the General Fund. Intergovernmental revenue includes state aids such as local government aid (LGA), market value homestead credit (MVHC), highway maintenance aid, fire relief aid and police aid, and county grants, such as recycling and community development.

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

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

During the past several years, the State of Minnesota has made numerous changes to laws pertaining to the distribution of LGA, Homestead and Agricultural Credit Aid (HACA) and MVTC resulting in significant reductions in intergovernmental revenue.

The City has been able to make up this loss in aid through operational efficiencies and an increased tax levy, the most substantial increase in the local tax rate took place in 2002. The tax laws that resulted in the 2002 change also greatly reduced school district property tax levies, resulting in no net tax increase for most residential property owners. Sweeping changes approved in 2003 resulted in the loss of approximately \$590,000 in aid to Andover, that loss in aid was originally intended to be for two years (2003 & 2004) but that loss was extended to include years 2005 and 2006. The state allowed cities the ability to levy up to 60% of the lost 2003 aid in 2004. Again, in 2008 through 2012, the State of Minnesota significantly reduced MVTC to help deal with the state budget deficit. In 2013, the State eliminated MVTC and instituted the new market value exclusion program.

In 2014, LGA was reinstated for the City in the amount of \$74,655. Due to the unpredictability of the State, those funds were used to help offset the growing needs of the Road and Bridge Capital Projects Fund for street improvements/replacements. The City is not intending to rely on this funding for general operational needs. In 2015, LGA was eliminated again for the City. In 2016, the City received \$2,706 in LGA. In 2017, 2018, 2019 and 2020, it was eliminated again for the City.

For 1998 through 2000, cities with populations over 2,500 were under levy limit restrictions imposed by the State. Levy limits severely curb the ability of cities to generate additional tax revenue needed to respond to an increasing demand for services. For 1999 and 2000, the levy limit formula was modified to allow for increases based on commercial and industrial growth. This was a favorable change for Andover, as the City experienced a surge in commercial growth during that period. Levy limits were lifted starting in 2001 but were reinstated for 2002 - 2004. The 2004 levy limits were so severe that the State did not allow cities the ability to capture residential and commercial market value growth. Levy limits were lifted from 2005 to 2008 but reinstated for 2009 and are still in place in some form yet today.

The City's General Fund receives a substantial amount of revenue from licenses and permits. The past ten years are shown below:

	Revenues	Change
2011	\$ 387,206	n/a
2012	449,826	\$ 62,620
2013	536,706	86,880
2014	364,430	(172,276)
2015	457,422	87,992
2016	625,907	173,485
2017	546,378	(79,529)
2018	562,525	16,147
2019	855,831	293,306
2020	892,279	36,448

Revenue from residential building continued to modestly increase from 2011 to 2013, but it is unlikely that those revenues will reach the levels of the early 2000's as a reduced number of new residential lots being added to the overall lot inventory. From 2011 to 2013, the home building market showed signs of improvement and some commercial activity taking place accounted for the increase in permit revenue. In 2014, there was a decrease in both residential and commercial activity. There was a slight increase in construction activity in 2015. In 2016, there was an increase in both residential and commercial construction. In 2017, there was a decrease in single-family building permits issued going from 111 permits in 2016 to 94 in 2017. The decline in single-family building permits continued in 2018 to a total of 60, but commercial permit valuations exceeded 2017 by over \$100,000.00 thus the increase in 2018. The increase in 2019 is due to single-family building permits reaching 116 nearly double that of 2018. The growth continued in 2020 with single-family building permits topping out at 139, 23 permits greater than 2019.

The City's General Fund also receives a considerable amount of revenue from charges for services. The past ten years are shown below:

	Revenues	Change
2011	\$ 866,584	n/a
2012	973,605	\$ 107,021
2013	1,122,461	148,856
2014	998,510	(123,951)
2015	804,228	(194,282)
2016	912,219	107,991
2017	843,023	(69,196)
2018	888,947	45,924
2019	1,133,161	244,214
2020	1,070,899	(62,262)

The City analyzes user fees every year as part of the budget process and adjusts where appropriate. From 2011 to 2013, the home building market showed signs of improvement and some commercial activity taking place accounted for the increase in plan review revenue. In 2014, the decrease in both residential and commercial activity resulted in a decrease as compared to 2013. A reduction in the scope of roadway projects accounted for a large part of the reduction in 2015 for engineering fees charged as compared to 2014. The increase in 2016 pertains to plan check fees associated with the increase in construction activity and engineering fees charged to roadway projects. The slight decline in 2017 relates to the decrease in housing permits issued to 2016. The increase in 2018 pertains to plan check fees associated with the commercial construction activity taking place. The increase in 2019 is due to single-family building permits reaching 116, nearly double of 2018. There was a lot of commercial activity as well with the school district and city starting expansion projects. Residential growth continued in 2020 but the lack of any commercial activity results in a decrease compared to 2019.

In 2020, the City issued 139 new single-family building permits with a total valuation of \$45,464,139 compared to 116 new single-family building permits with a total valuation of \$37,258,817 the prior year. The past ten years are shown below:

	New Residential	New Commercial / Industrial
	Permits	Valuation
2011	58	\$ 11,803,000
2012	81	15,243,007
2013	98	21,027,891
2014	52	14,16,971
2015	74	21,58,010
2016	111	28,893,036
2017	94	27,847,716
2018	60	19,703,856
2019	116	37,258,817
2020	139	45,464,139

Residential Development

New residential Final Plat approval included 90 urban lots within the Catcher's Creek East, Shadowbrook North, and Villas at Crosswinds Woods 2nd Addition. Also 46 rural lots were approved in a development known as the Meadows at Petersen Farms. The City currently has a supply of 83 urban lots and 60 rural lots (which includes the lots above).

Commercial Industrial Development

New institutional/commercial/industrial businesses moved to Andover in 2020. These business' included Margie's Kitchen & Cocktails, Metta Coffee Company LLC, Thrivent Financial, and Tuff's Karate.

Andover High School moved forward with their phase 2 additions and remodeling. Phase 2 included an additional gymnasium, and fitness spaces. Legacy Christian Academy completed their expansion project originally started during 2019. The expansion included an additional sheet of ice convertible to turf, team rooms, dryland training space, meeting space, restrooms, state rental/pro shop and a walking/jogging track. The overall expansion project also included an additional field house court, oversized gathering area (crash space), multipurpose rooms for teens and seniors, office space and community meeting rooms. Several other improvements occurred throughout the facility which included repairing concrete and installing new rubberized sports court classrooms.

To the Honorable Mayor and City Council
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flooring to field house courts 1,2 and 3, upgrading the existing ice arena's refrigeration system and transforming existing Community Meeting Rooms into a Senior/Multipurpose space. The Andover YMCA completed their expansion with the addition of a new gymnasium with a wood floor, new Kid's Stuff space both indoor and outdoor, more upper-level fitness floor space and existing lobby area improvements.

EMPLOYMENT

The City of Andover's largest employers are government entities. The Anoka-Hennepin School District has a significant presence in the community and Andover County's Parks and Highway Departments and Sheriff's Office headquarters are in Andover. The City of Andover is best classified as a bedroom community since most of the residents commute outside of Andover for employment opportunities. The City does anticipate with the completion of development of the Andover Station Commercial Park that additional employment opportunities will be provided to residents soon.

Major employers in Andover are as follows:

Firm	Type of Business / Product	Number of Employees
Anoka-Hennepin ISD No 11	Elementary and secondary education	662
Wal-Mart	Retail	335
Fairview - Andover Clinic	Healthcare	300
Kotkes Bus Service, Inc.	Bus transportation	225
YMCA	Youth organization / fitness center	220
TE Connectivity	Connector and sensor manufacturing	201
Target	Retail	200
Anoka County Sheriff's Office	County government and services	171
GAF Materials Corp	Roofing materials/manufacturing	150
Anoka County Highway Department	County government and services	120

MAJOR INITIATIVES

FOR THE YEAR. The City has many accomplishments to report for 2020. The following list is a summary of some of the major initiatives completed throughout the year.

- 1) In 2020 the City again saw new residential development which included approval of 90 urban lots within the Catcher's Creek West, Catcher's Creek East, Shadowbrook North, and Villas at Crosstown Woods 2nd Addition. Also 46 rural lots were approved in a development known as the Meadows at Petersen Farms. The City currently has a supply of 83 urban lots and 60 rural lots (which includes the lots above).
- 2) In 2020, the City issued 139 new single-family building permits with a total valuation of \$45,464,138 compared to 110 new single-family building permits with a total valuation of \$37,258,817 for the preceding year.
- 3) In 2020, the City saw commercial, industrial and institutional construction throughout the community totaling close to \$11.5 million in valuation. Many businesses came to Andover that did extensive tenant finishes, upgrades or remodels in existing multi-tenant buildings, including as follows: Cherrywood Advanced Living, Andover Animal Hospital, Hanson Commissary, Casey's General Store, Crooked Lake Elementary, CVS Pharmacy, Hanson Builders, Verizon Wireless, Integra Dental, Margie's Kitchen & Cocktails, and the Andover YMCA.
- 4) In 2020, Legacy Christian Academy, a K-12 private school, completed their school expansion project. The expansion includes a three-story classroom addition (approximately 33,000 sq. ft.) between the existing buildings to replace temporary classrooms.
- 5) Andover High School is receiving close to \$30 million in additions totaling 67,000 square feet and other improvements adding another 5,700 square feet of space in the school. Phase 1 of the additions and remodeling started in 2018 and was completed in 2019. Part of the project is the removal of 12 portable classrooms. The school was originally designed for 1,400 students, but today 1,700 students attend the school. Phase 2 construction taking place in 2020, when complete in 2021 will bring the school's capacity to 2,000 students.
- 6) The City completed the master planning concept layout of the City Campus site in 2016 to prepare for the facility needs for the ultimate build out of the City. The master planning concept layout provides for the Public Works, Public Safety, General Government and Recreational long-term needs of the community. In 2017, the City hired two

architectural firms to start the design for a Public Works Maintenance Facility, cold storage building and to explore a potential expansion of the Andover YMCA/Community Center. Both projects completed design in 2018. The Public Works component (Maintenance Facility, Fleet Storage Building and Vehicle Wash Bay) was out for bid in late 2018 and a bid awarded for construction in early 2019 with a \$10.5 million budget, construction was completed Summer of 2020. The Community Center Expansion design continued throughout 2018, the project (a new sports complex with elevated walking track, additional Fieldhouse court, team training space, youth center, remodeled Community Rooms, added meeting spaces and expanded parking) was out for bid in early 2019 and a bid awarded for construction in late Spring 2019 with a \$17.9 million budget, construction was completed Fall of 2020.

- 7) In 2017 and 2018, the City of Andover, in cooperation with the Anoka County Highway Department, worked through the planning of the Hanson Boulevard Reconstruction. Right of Way clearing and utility work took place in 2018 with full construction of Phase 1 in 2019. Phase 2 was completed in 2020. This project was financed primarily by a federal grant. Trails and intersection improvements were also constructed as part of the project phases.
- 8) The City of Andover EDA went through the public hearing process in 2011 to modify the City Development Plan to create redevelopment areas of the community and to facilitate the opportunity to acquire dilapidated and substandard multi-family homes within specified target areas. The EDA was successful in acquiring one 4plex property in November of 2011 to start the redevelopment process with hopes of continuing to add to the critical land mass necessary to start marketing for a redevelopment project. In late 2017 the EDA was successful in acquiring three more 4plex properties and one additional 4-plex in 2018. In 2020, the EDA was successful in acquiring four 4-plex properties and one duplex building. It is anticipated the EDA will continue to pursue the acquisition of additional properties in the redevelopment areas from willing sellers to create the critical mass necessary for a successful mixed-use development.
- 9) In 2020, to assist Andover small businesses impacted by the COVID-19 pandemic shutdowns the City of Andover EDA successfully developed and administered a small business grant program that distributed \$1.8 million in CARES funding to Andover small businesses and non-profits.
- 10) Andover residents continue to have one of the highest recycling rates per person for all recyclable materials in Anoka County. In 2014, the City added a new Recycling Center to expand the current recycling opportunities for Andover residents. In 2020, the City continued to host monthly recycling events (on weekends), generally with a specific focus, such as paper shredding and appliance or electronics collection.
- 11) A strategic planning session was held with the City Council, a final Council Community Vision and Organization Goals and Values document was approved at the July 7, 2015 City Council meeting. As part of the 2020 Budget Development process the Council participated in a new strategic planning process updating the Council Community Vision and Organization Goals and Values document. For the 2021 Budget development process that document was integrated into various department work plans and budgets.
- 12) The City's Comprehensive Annual Financial Report for the year ended December 31, 2019 was awarded the Government Finance Officers Association's "Excellence in Financial Reporting Award." The City completes this document internally and recognized significant cost savings in the form of reduced financial consulting fees. This is the eighteenth consecutive year receiving the award and it is anticipated that the City's Comprehensive Annual Financial Report for the year ended December 31, 2020 will also achieve this award.
- 13) For the nineteenth year in a row, the City of Andover was awarded the City's 2020 Annual Budget. This award recognizes excellence in the preparation of the City's budget document as a policy document, an operations guide, as a financial plan and as a communications device.
- 14) Ongoing implementation of a single-family rental housing license program to provide property owners/landlords with educational materials and checklists on how to inspect and maintain the exterior of the property, a list of potential ordinance violations that may occur with a rental property, and an exterior inspection of the building and grounds with city staff. This program was authorized by the Andover City Council in 2009 and is reviewed annually, there were close to 260 single family rental licenses issued throughout the City in 2020.
- 15) The City continues to make significant progress on the process of digitally imaging documents retained, this includes standard and legal documents and large construction plan documents. The imaging project has helped the City reduce staffing through data storage retrieval efficiencies, eliminated the need for office expansion and has expedited City research projects.
- 16) The City continues to utilize updates to our financial management software to improve reporting and operating efficiencies. These updates continue to yield reduced personnel costs and more timely reports. In 2020, the City saw

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

increased growth in the number of online and counter credit card payments for various City permits and services.
Approximately 62% of the Building Department's permits were done online.

FOR THE FUTURE. The City continues to focus on quality-of-life improvements throughout the City. These efforts cover a broad array of areas, including protecting and improving the environment, revitalization of parks and public areas, expanding recreational opportunities, providing cost-effective city services, increased communication between city representatives and the public, and added commercial/retail opportunities.

The City utilizes many avenues to reach its residents, whether through community access television, electronic reader boards, the City newsletter, Facebook, Twitter, or the City's webpage (www.andovermn.gov). It is important to the City that our residents are informed and can participate in the activities of their City. The City did conduct a community survey in 2006, with the help of a polling firm, to secure opinions and suggestions from the public. The City initiated and completed a community survey in early 2014, the City received very high marks.

RELEVANT FINANCIAL POLICIES

The City has a policy regarding General Fund reserve balances. The City plans for an unassigned fund balance in the General Fund equivalent to 6-months of the current year's budgeted expenditures to provide working capital between semi-annual property tax settlements. Since the property tax settlements are received by the City in July and December, the City needs sufficient cash reserves to avoid short-term borrowing to finance operations. The City also classifies fund balances for prepaid items, inventories, and other legal obligations. The City may also classify a portion of fund balance for special purposes.

The primary goal of the City's investment policy is to ensure the safety of the principal invested. Cash temporarily idle during the year is invested in certificates of deposit, commercial paper, and obligations of the U.S. Treasury and government agencies. Cash balances from all City funds are pooled into an investment fund and investment income is distributed on a pro-rata basis at the end of each quarter. Extended maturities are utilized to take advantage of higher yields but staggered in a way to meet projected liquidity needs.

Capital financing for major improvements is provided through improvement bonds, general obligation bonds, tax increment bonds, or revenue bonds. Depending on the project, special assessments may be levied upon properties to share in the cost of the improvement project. The special assessments are collected over a period of time and are used to help satisfy the improvement bond debt or reimburse the fund used to finance the project.

The City Council has also adopted financial management policies to allow for the planning of adequate funding of services desired by the public, to manage City finances wisely, and to carefully account for public funds. These policies are reviewed each year when the annual budget is adopted. The financial management policies include: operating budget policies; revenue policies; accounting, auditing, and financial reporting policies; investment policies; debt policies; capital improvement policies; and risk management policies.

The City Council has adopted a comprehensive set of internal control procedures. The City's accounting system was developed and is continually evaluated to assure the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance in the areas of safeguarding assets against loss from unauthorized use or disposition, reliability of financial records, and convenience of access for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance adopted by the City Council recognizes that the evaluation of cost and benefit requires estimates and judgments by management, and the cost of a control should not exceed the benefits likely to be derived. All internal controls are evaluated against the above criteria. It is our belief that the City's internal accounting controls adequately safeguard the City's assets and provide reasonable assurance of properly recording financial transactions.

OTHER INFORMATION

AWARDS. The Government Finance Officers Association (GFOA) of the United States and Canada presented a Distinguished Budget Presentation Award to the City of Andover for its annual budget for the fiscal year beginning January 1, 2020. This is the ninetieth year, in a row, the City of Andover has received this award. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. This award is valid for a period of one year only. We believe that the annual budget for the fiscal year beginning January 1, 2021 continues to conform to the program requirements and have submitted it to the GFOA to determine its eligibility for another award.

The GFOA also presented the Certificate of Achievement for Excellence in Financial Reporting Award to the City of Andover for its 2019 Comprehensive Annual Financial Report. This is the eighteenth time the City of Andover has received this award. To receive this award, a government unit must publish an easily readable and efficiently organized comprehensive annual financial

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

report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. This award is valid for a period of one year only. We believe this report for 2020 continues to conform to the Certificate of Achievement Program requirements and have submitted it to the GFOA to determine its eligibility for another award.

INDEPENDENT AUDIT. State statutes require an annual audit by independent certified public accountants. Redpath and Company, Ltd. was engaged by the City to render an opinion on the City's financial statements. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

ACKNOWLEDGMENTS. The preparation of this report could not have been accomplished without the efficient services and dedication of the Finance Department staff and the consultation of the City's auditing firm. Staff members: Lee Breznak, Melissa Kauzon and Brenda Fildes have my sincere appreciation for their contribution to the preparation of this report. I also want to express our appreciation to the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a fiscally responsible manner.

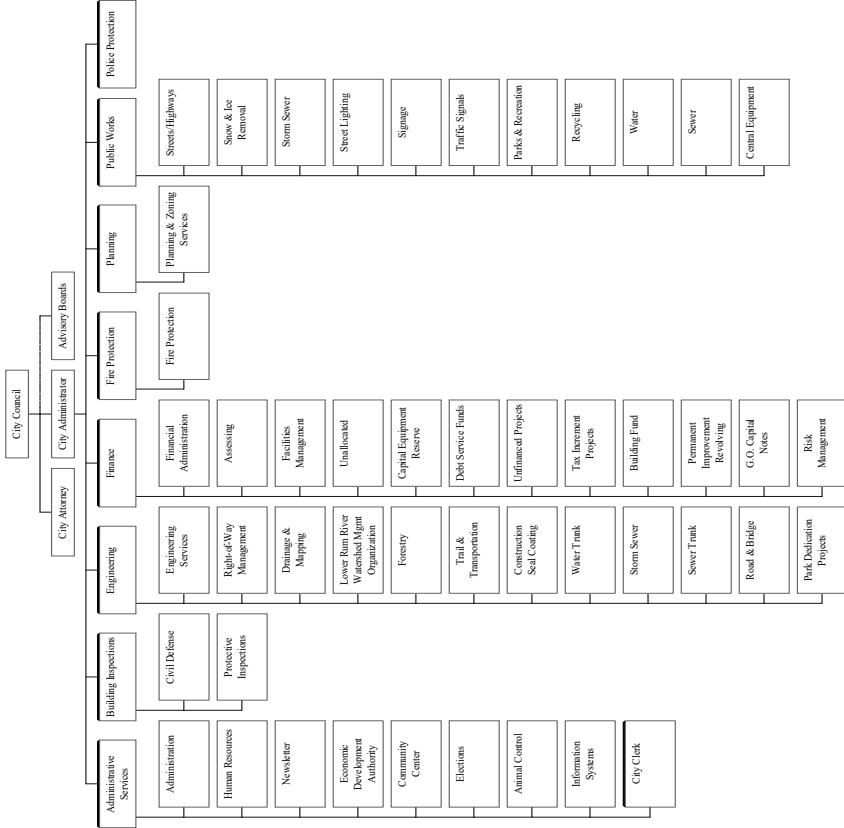
Respectfully submitted,

James Dickinson
City Administrator

CITY OF ANDOVER, MINNESOTA
ORGANIZATION
December 31, 2020

**CITY OF ANDOVER
Organizational Chart**

Office	Name	Term
Mayor	Julie True	January 5, 2021
Council Member	Jamie Barthel	January 1, 2023
Council Member	Sheri Bukiila	January 5, 2021
Council Member	Valerie Holthus	January 1, 2023
Council Member	Ted Butler	January 5, 2021
City Administrator/ City Clerk	James Dickinson	Appointed
Community Development Director	Joe Janish	Appointed
Director of Public Works / City Engineer	David Berkowitz	Appointed
Finance Manager	Lee Breznik	Appointed
Building Official	Fred Patch	Appointed
Fire Chief	Dennis Jones	Appointed
Attorney	Hawkins & Baumgartner, P.A.	Appointed
Fiscal Consultants	Ehlers & Associates, Inc.	Appointed





II. FINANCIAL SECTION

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Andover
Minnesota**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended
December 31, 2019

Christopher P. Morris
Executive Director/CEO

INDEPENDENT AUDITORS REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Andover, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Andover, Minnesota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Andover, Minnesota, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Andover, Minnesota's 2019 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated June 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

As management of the City of Andover, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2 through 9 of this report.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Andover, Minnesota's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, statistical section and other financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2021, on our consideration of the City of Andover, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Andover, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Andover, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

May 13, 2021

Financial Highlights

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$205,633,049 (net position). Of this amount, \$46,996,078 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies. The City's total net position increased by \$14,562,227 from current year activity, primarily due to the budget savings, an increase in commercial/residential construction fees and capital contributions from construction activity.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42,428,360.

	General	Special Revenue	Debt Service	Capital Projects	Totals
Nonspendable	\$ 40,602	\$ 2,123	\$ 124,381	\$ 2,099,876	\$ 142,725
Restricted	-	-	-	-	4,631,447
Committed	-	508,062	-	-	508,062
Assigned	9,115,916	373,351	-	-	27,238,359
Unassigned	<u>\$ 9,654,518</u>	<u>\$ 1,007,917</u>	<u>\$ 2,099,876</u>	<u>\$ 29,666,049</u>	<u>\$ 42,428,360</u>

The City's total long-term liabilities decreased by \$584,434 during the current fiscal year, primarily due to the debt service payments.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Bonds payable	\$ 40,619,047	\$ 1,310,000	\$ 1,632,156	\$ 40,296,891
Other post employment benefits	290,934	47,708	(11,113)	327,529
Compensated absences	721,654	467,444	(348,329)	840,769
Net pension liability	3,077,985	544,434	(290,280)	3,332,139
Total governmental activities	<u>\$ 44,795,620</u>	<u>\$ 2,389,586</u>	<u>(\$ 281,378)</u>	<u>44,792,326</u>
Business-type activities:				
Bonds payable	3,111,058	7,766	(738,316)	2,372,742
Other post employment benefits	47,362	73,754	(1,809)	53,5319
Compensated absences	212,248	60,908	(23,645)	235,302
Net pension liability	396,161	142,428	(84,570)	431,424
Total business-type activities	<u>3,766,829</u>	<u>\$ 2,512,014</u>	<u>(\$ 3,096,448)</u>	<u>\$ 47,892,015</u>
Total City long-term liabilities	<u>\$ 48,476,449</u>			

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) fund financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, sanitation, parks and recreation, recycling and economic development. The business-type activities of the City include water, sewer and storm sewer.

The government-wide financial statements can be found on pages 29 through 31 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activity activities.

The City maintains seven individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the following major funds: General Fund and the following capital projects funds (CPF): Water Trunk, Sewer Trunk, Road and Bridge, 2018 A.G.O. Capital Improvement Plan Bonds, 2019 A.G.O. Abatement Bonds and Tax Increment Projects.

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds.

A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 32 through 37 of this report.

Proprietary funds. When the City charges customers for the services it provided – whether to outside customers or to other departments of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of revenues, expenses and changes in net position.

The enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses enterprise funds to account for its water, sanitary sewer and storm sewer operations.

Internal service funds are used to report activities that provide supplies and services for the City's other departments, such as the equipment maintenance and insurance funds. The internal service funds are reported with governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 38 through 43 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 through 75 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information on budgetary comparisons, the modified approach for streets and trails infrastructure and pension information. Combining and individual fund statements and schedules can be found on pages 90 through 122 of this report.

Government-wide Financial Analysis

As noted earlier, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$205,633,049 (net position).

The largest portion of the City's net position (\$1,547,833,340 or 75 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. It does not include any refunding debt that has not met the refunding date of the original issue. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF ANDOVER'S NET POSITION

	Governmental Activities		Business-Type Activities		Totals
	2019	2020	2019	2020	
Current and other assets	\$ 60,002,871	\$ 48,857,525	\$ 10,773,602	\$ 11,788,100	\$ 70,776,473
Capital assets	132,358,461	153,692,666	41,658,673	42,714,795	60,645,625
Total assets	192,541,017	202,550,191	52,432,275	54,502,895	244,973,292
Deferred outflows of resources	554,870	469,014	34,748	37,114	589,618
Long-term liabilities outstanding	44,709,620	44,797,328	3,766,829	3,094,687	48,476,449
Other liabilities	4,808,958	3,449,184	87,460	56,756	4,896,418
Total liabilities	49,518,578	48,246,512	3,854,389	3,151,443	53,372,867
Deferred inflows of resources	1,036,651	504,876	82,570	23,334	1,119,221
Net position:					528,210
Net investment in capital assets	106,637,436	114,441,287	38,547,614	40,342,053	145,185,050
Restricted	5,294,610	3,851,631	–	5,294,610	3,851,631
Unrestricted	30,608,612	35,974,890	9,982,550	11,023,179	40,591,162
Total net position	\$ 142,540,658	\$ 154,267,817	\$ 48,530,164	\$ 51,365,232	\$ 191,070,822
					\$ 205,633,049

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$46,998,078) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Government-wide Activities

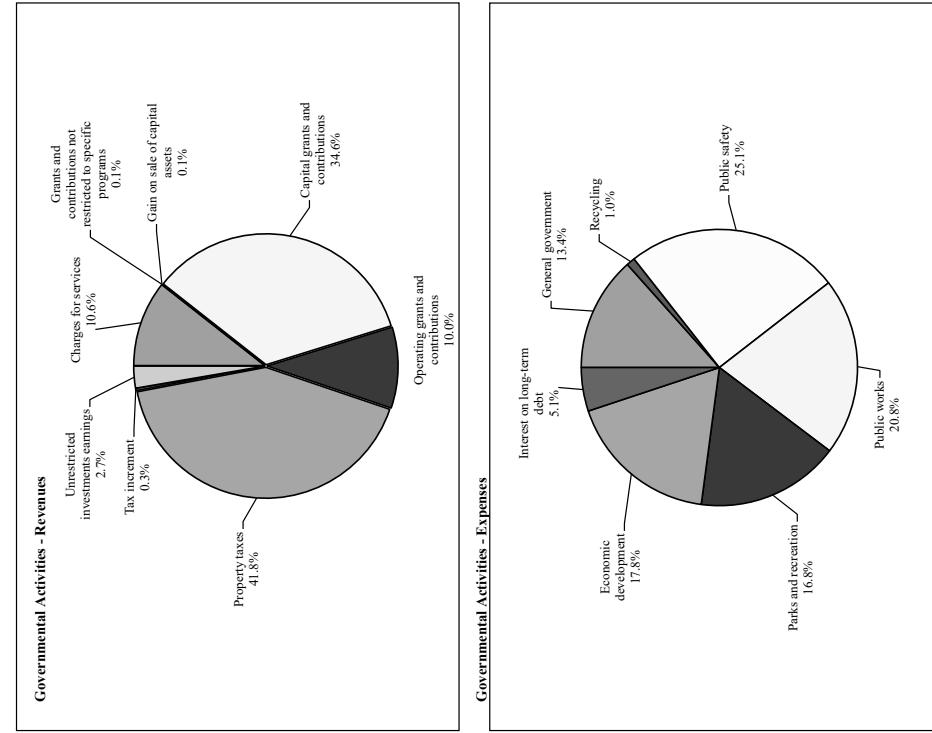
Governmental activities increased the City's net position by \$11,727,159 and business-type activities increased net position by \$2,835,068.

Key elements of the activities are as follows:

City of Andover's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues:						
Program revenues:						
Charges for services	\$ 4,175,896	\$ 3,684,878	\$ 5,650,560	\$ 6,298,800	\$ 9,826,456	\$ 9,983,678
Operating grants and contributions	1,662,842	3,453,564	-	-	1,662,842	3,453,564
Capital grants and contributions	4,950,131	12,006,951	712,976	2,807,445	5,663,107	14,814,396
General revenues:						
Property taxes	13,011,406	14,479,488	-	-	13,011,406	14,479,488
Tax increment	89,414	100,979	-	-	89,414	100,979
Grants and contributions not restricted to specific programs	14,053	4,129	-	-	14,053	4,129
Unrestricted investments	1,346,685	930,876	236,356	173,446	1,583,041	1,104,322
Earnings	24,550	3,000	15,818	-	40,368	3,000
Gain on sale of capital assets	25,214,977	34,663,865	6,615,710	9,270,691	31,890,687	43,943,556
Total revenues						
Expenses:						
General government	3,159,045	3,193,326	-	-	3,159,045	3,193,326
Public safety	5,426,472	6,002,090	-	-	5,426,472	6,002,090
Public works	5,939,704	4,964,909	-	-	5,939,704	4,964,909
Parks and recreation	3,507,705	3,997,538	-	-	3,507,705	3,997,538
Recycling	231,625	234,475	-	-	231,625	234,475
Economic development	202,182	4,240,712	-	-	202,182	4,240,712
Interest on long-term debt	917,913	1,226,839	-	-	917,913	1,226,839
Water	-	-	2,280,247	2,449,287	2,280,247	2,449,287
Sewer	-	-	2,289,555	2,454,250	2,289,555	2,454,250
Storm sewer	-	-	737,854	617,883	737,854	617,883
Total expenses	19,384,646	23,859,909	5,307,656	5,521,420	24,692,302	29,381,329
Increase (decrease) in net position before transfers	5,890,331	10,803,956	1,308,054	3,758,271	7,198,385	14,562,227
Transfers	(327,730)	923,203	327,730	(923,203)	-	-
Change in net position	5,562,601	11,727,159	1,635,784	2,835,068	7,198,385	14,562,227
Net position - beginning	136,978,057	142,540,658	46,894,380	48,530,164	183,872,437	191,070,822
Net position - ending	\$ 142,540,658	\$ 154,267,817	\$ 48,530,164	\$ 51,365,232	\$ 191,070,822	\$ 205,633,049

Following are specific graphs that provide comparisons of the governmental activities revenues and expenses:

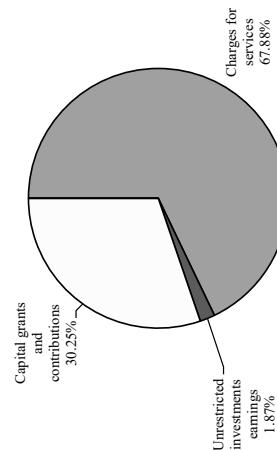


CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

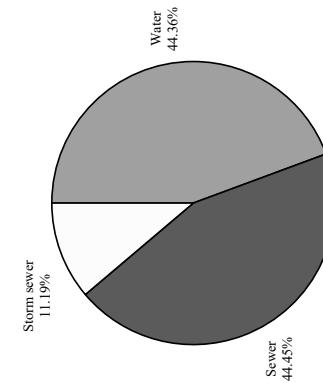
CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Following are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities



Business-Type Activities - Expenses



Financial Analysis of the Government's Funds

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42,428,360. Approximately 22.4 percent of this total amount (\$9,513,916) constitutes unassigned fund balance. The remainder of the fund balance (\$32,914,444) is not available for new spending because it is either 1) nonspendable (\$142,725), 2) restricted (\$4,651,447), 3) committed (\$508,062) or 4) assigned (\$27,612,210).

Major Funds

The general fund increased by \$291,067 in 2020, which was a \$1,647,227 change from the final budget and \$926,048 less than last year's increase in fund balance. The final budget showed a decrease in fund balance of \$1,356,160. The change in fund balance is due to various departments under-spending and revenues exceeding budgets related to residential and commercial construction activity. The change compared to 2019 is largely due to the one-time transfer of \$1,100,000 to the Road and Bridge Capital Projects Fund in 2020.

The water and sewer trunk capital projects funds fluctuate based on development activity and whether there is any cost sharing for pipe oversizing, extra depth, etc. The addition of the following developments has increased connection fees and special assessments: Cache Creek East and West Additions, Country Oaks North 4th addition, Watson Cove 2nd Addition, and Shadowbrook North addition. The water trunk fund (\$300,000) and sewer trunk fund (\$40,000) continue to receive funds from the water and sewer enterprise funds to be set aside for future infrastructure replacements.

The road and bridge capital projects fund increased by \$3,144,304 primarily due to the one-time transfer of \$1,000,000 from the General Fund for road improvements and the advance of state aid construction monies.

The 2018A G.O. capital improvement plan bonds capital projects fund decreased due to the construction of the public works maintenance facility and cold storage building.

The 2019A G.O. abatement bonds capital projects fund decreased due to the construction of the community center expansion project.

The tax increment capital projects fund decreased by \$2,054,600 primarily due to the purchase of five rental properties for future redevelopment.

Nonmajor Funds

The city general special revenue fund decreased \$44,808 primarily due to the construction of a monument entrance sign.

The community center special revenue fund decreased \$186,532 due to covid-19 closures and planned repairs.

The 2014A G.O. equipment certificates debt service fund decreased by \$36,226 due to the timing of when tax revenue is collected and when debt service payments are made. Final payment was made and this fund was closed in 2020.

The 2020A G.O. equipment certificates debt service fund increased by \$33,615 due to the timing of when tax revenue is collected and when debt service payments are made.

The 2019A G.O. abatement bonds debt service fund increased by \$586,181 due to the timing of when tax revenue is collected and when debt service payments are made.

The building fund capital projects fund increased by \$114,219 due to using other available funds for planned projects in 2020.

The 2020A G.O. equipment certificates capital projects fund increased by \$829,537 due to the timing of when bonds are sold and equipment purchased.

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

The unrestricted net position in the respective proprietary funds are enterprise funds of \$10,915,144 (water \$5,954,799, sewer \$4,074,700) and storm sewer \$88,665) and internal service funds of \$1,015,847. The enterprise funds had a net increase in net position from current year activity of \$2,849,754 (water \$1,588,014, sewer \$308,061 and storm sewer \$953,679). Internal service funds had net decrease in net position of \$46,297.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$196,407,461 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment.

The City has elected to use the modified approach as defined in GASB Statement No. 34 for infrastructure reporting for its Pavement Management Program, which includes streets and trails. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- 1) The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (a) an up-to-date inventory; (b) perform condition assessments and summarize the results using a measurement scale; and (c) estimate annual amount to maintain and preserve at the established condition assessment level.

2) The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

Prior to 2013, the continuous scale was from 0 to 100 where 0 is assigned to the least acceptable physical condition and 100 is assigned to a new street or trail. Starting in 2013, the continuous scale was from 0 to 10, where 0 is assigned to the least acceptable physical condition and 10 is assigned the physical characteristics of a new street or trail. The City's policy is to achieve an average rating of good which is 6 – 6.9 (56 – 70 old scale) for all streets and trails. In the fall of 2019, the City conducted a physical condition assessment of the streets and trails constructed since 1974. This assessment will be completed every three years. As of December 31, 2020, the City's street and trail system was rated at an Overall Condition Index (OCI) of 5.4.

The City's streets and trails are constantly deteriorating resulting from the following factors: (1) traffic using the system; (2) the sun's ultraviolet rays drying out and breaking down the top layer of pavement; (3) utility company/private development trenching operations; (4) water damage from natural precipitation; and (5) frost heave. The City is continuously taking actions to prolong the life of the system through short-term maintenance activities such as pothole patching, crack sealing, seal coating and overtying. The City expended \$2,667,008 on street and trail maintenance for the year ending December 31, 2020. These expenditures delayed deterioration and the overall condition of the system remains at an appropriate OCI level through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City's street and trail system at the average OCI rating of good is approximately \$1,150,000.

Year	Maintenance Estimate	Actual Expenditures	OCI Rating
2011	\$1,150,000	\$ 1,770,980	83
2012	1,150,000	3,894,784	83
2013	1,150,000	2,471,123	6.9
2014	1,150,000	2,029,026	6.7
2015	1,150,000	1,114,900	6.7
2016	1,150,000	1,585,756	6.3
2017	1,150,000	3,548,327	6.4
2018	1,150,000	2,274,146	6.4
2019	1,150,000	3,701,063	5.3
2020	1,150,000	2,667,008	5.4

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land and improvements	\$ 11,205,798	\$ 15,335	\$ -	\$ 11,221,133
Streets and trails	87,716,023	1,869,973	-	89,585,996
Construction in progress	14,087,766	168,192	(14,087,766)	168,192
Buildings and improvements	27,552,688	34,225,048	(66,911)	61,810,825
Furniture and equipment	969,869	184,456	(37,200)	1,171,25
Machinery and equipment	8,905,807	610,669	(224,409)	9,922,067
Other park improvements	8,200,494	277,937	(42,195)	8,436,236
Total capital assets	158,638,445	37,251,610	(14,438,481)	181,731,574
Less accumulated depreciation for:				
Buildings and improvements	14,373,629	1,499,645	(66,911)	15,806,363
Furniture and equipment	581,925	86,181	(37,200)	630,906
Machinery and equipment	6,575,481	392,92	(224,409)	6,743,364
Other park improvements	4,569,264	33,206	(42,195)	4,588,275
Total accumulated depreciation	26,100,299	2,309,324	(370,715)	28,038,908
Business-type activities:				
Land and improvements	730,243	-	-	730,243
Construction in progress	15,877,590	-	-	15,877,590
Buildings and improvements	23,436	-	-	23,436
Furniture and equipment	1,576,915	-	-	1,576,915
Machinery and equipment	60,497,170	2,976,517	-	63,473,687
Total capital assets being depreciated	78,867,281	2,976,517	(161,927)	81,681,871
Less accumulated depreciation for:				
Buildings and improvements	10,359,787	420,007	-	10,779,794
Furniture and equipment	23,437	-	-	23,437
Machinery and equipment	869,318	91,262	-	960,580
Collection and distribution	25,956,066	1,247,199	-	27,203,265
Total accumulated depreciation	37,208,608	1,758,468	-	38,967,076
Business-type activities				
capital assets - net	41,658,673	1,218,049	(161,927)	42,714,795
Total capital assets - net	\$ 174,196,819	\$ 36,460,335	\$ 14,249,693	\$ 196,407,461

Additional information on the City's capital assets can be found in Note 5.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$43,745,604, an decrease of \$918,403 from 2019. General obligation statement bonds (\$27,245,000) were used to refund the 2006 and 2007 EDA lease revenue refunding bonds and expand the existing community center. General obligation revenue bonds (\$2,435,000) were used for an addition to the water treatment plant and the refunding of portions of the water treatment plant bonds. Certificates of indebtedness (\$1,444,000) financed capital equipment purchases. Capital improvement bonds (\$9,915,000) were used to construct a new vehicle maintenance facility with a washbay and a cold storage building. Referendum bonds (\$335,000) were used to finance land acquisitions for the preservation of open space.

Additional long-term debt in the amount of \$1,385,633 for issuance premiums and \$1,075,971 for compensated absences.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020

BASIC FINANCIAL STATEMENTS

City of Andover's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
Bonds payable:			
Abatement bonds	\$ 27,245,000	\$ 2,345,000	\$ 27,245,000
G.O. revenue bonds	-	2,345,000	2,345,000
Certificates of indebtedness	1,444,000	-	1,444,000
Capital improvement bonds	9,915,000	-	9,915,000
Referendum bonds	335,000	-	335,000
Total bonds payable	38,939,000	2,345,000	41,284,000
Issuance premiums	1,357,891	27,742	1,385,633
Compensated absences	840,769	235,202	1,075,971
Total	<u><u>\$ 41,137,660</u></u>	<u><u>\$ 2,607,944</u></u>	<u><u>\$ 43,745,604</u></u>

The City maintains an AA+ rating with a stable outlook from Standard and Poor's.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 5% of total Estimated Taxable Market Value. The current debt limitation for the City is \$102,684,785. Only \$36,917,953 of the City's outstanding debt is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Notes 6 and 7.

Requests for information. This financial report is designed to provide a general overview of the City of Andover's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Andover, Attn: Finance Manager, 1685 Crosstown Boulevard NW, Andover, Minnesota 55304 or by calling 763-755-5100.

CITY OF ANDOVER, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2020
With Comparative Totals For December 31, 2019

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	Primary Government Business-Type Activities		Totals	
	Government Activities	Business-Type Activities	2020	2019
Assets:				
Cash and investments	\$ 44,658,453	\$ 10,061,198	\$ 54,720,371	\$ 65,232,807
Cash and investments with escrow agent	126,682	38,873	126,682	152,233
Accrued interest	174,337	-	123,210	294,460
Due from other governmental units	387,061	12,867	399,928	311,426
Accounts receivable - net	296,709	1,399,633	1,690,342	1,532,686
Property taxes receivable:				
Unremitted	358,031	-	358,031	93,750
Delinquent	146,271	-	146,271	118,220
Special assessments receivable:				
Unremitted	5,336	3,379	8,715	3,158
Delinquent	21,161	251,702	272,863	295,780
Deferred	1,699,076	1,341	1,700,417	1,677,340
Inventories - at cost	234,408	18,387	252,795	239,318
Land held for resale	750,000	-	750,000	825,000
Capital assets - net:				
Nondepreciable	101,075,321	740,243	101,805,564	113,901,757
Depreciable	52,617,345	41,984,552	94,601,897	60,295,062
Total assets	202,550,191	54,502,895	257,057,086	244,973,292
Deferred outflows of resources:				
Related to other post employment benefits	15,241	2,540	17,781	12,922
Related to pensions	453,773	34,574	488,347	576,696
Total deferred outflows of resources	469,014	37,114	506,128	589,618
Liabilities:				
Interest payable	108,035	(108,035)	-	-
Accounts payable	347,296	60,110	407,406	334,396
Contracts payable	1,539,098	22,521	1,561,619	3,362,305
Deposits payable	543,081	2,234	543,315	328,738
Due to other governmental units	72,312	29,271	101,583	73,979
Salaries payable	194,166	28,325	222,491	172,751
Unearned revenue	100,857	-	100,857	58,142
Accrued interest payable	544,339	22,330	566,669	566,107
Other post employment benefits:				
Due in more than one year	327,529	53,319	380,848	338,296
Compensated absences:				
Due within one year	126,115	35,280	161,395	140,085
Bonds payable (net of unamortized premiums):				
Due in more than one year	714,654	199,922	914,576	793,817
Due within one year	1,899,000	735,742	2,634,000	2,286,000
Due in more than one year	38,397,891	1,637,742	40,035,633	41,444,05
Net pension liability:				
Due in more than one year	3,332,139	433,424	3,765,563	3,474,446
Total liabilities	48,246,512	3,151,443	51,397,955	53,372,867
Deferred inflows of resources:				
Related to pensions	504,876	23,334	528,210	1,119,221
Net position:				
Net investment in capital assets	114,441,287	40,342,053	154,783,340	145,185,050
Restricted for:				
Debt service	1,582,258	-	1,582,258	91,7364
Tax increment purposes	2,132,935	-	2,132,935	4,262,535
Public services	136,438	-	136,438	114,711
Unrestricted	35,974,899	1,023,179	46,998,078	40,591,162
Total net position	<u><u>\$ 154,267,817</u></u>	<u><u>\$ 51,365,222</u></u>	<u><u>\$ 205,633,049</u></u>	<u><u>\$ 101,070,822</u></u>

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

CITY OF ANDOVER, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2020
With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Government activities:					
General government	\$ 3,193,326	\$ 757,188	\$ 116,826	\$ 161,994	\$ (2,319,312)
Public safety	6,002,090	1,154,232	971,611	11,067,995	(3,714,253)
Public works	4,964,909	296,533	449,343	-	(3,884,721)
Parks and recreation	3,997,558	1,301,624	-	776,962	6,848,962
Recycling	234,475	48,705	113,300	-	(1,918,972)
Economic development	4,240,712	126,596	1,802,444	-	(72,470)
Interest on long-term debt	1,226,839	-	-	-	(2,311,632)
Total government activities	<u>23,859,909</u>	<u>3,684,878</u>	<u>3,453,564</u>	<u>12,006,651</u>	<u>(1,226,839)</u>
Business-type activities:					
Water	2,449,287	3,349,237	-	950,396	1,850,346
Sewer	2,454,250	2,358,039	-	851,570	752,359
Storm sewer	617,883	594,524	-	1,005,779	982,120
Total business-type activities	<u>5,521,420</u>	<u>6,298,800</u>	<u>-</u>	<u>2,807,445</u>	<u>-</u>
Total primary government	<u>\$ 29,381,329</u>	<u>\$ 9,983,678</u>	<u>\$ 3,453,564</u>	<u>\$ 14,814,496</u>	<u>(1,129,691)</u>

Governmental Activities	Business-type Activities	Primary Government
		Totals
		2020
		2019
\$ (2,319,312)	\$ -	\$ (2,319,312)
(3,714,253)	-	(3,714,253)
6,848,962	-	6,848,962
(1,918,972)	-	(1,918,972)
(72,470)	-	(72,470)
(2,311,632)	-	(2,311,632)
(1,226,839)	-	(1,226,839)
<u>(4,714,516)</u>	<u>-</u>	<u>(4,714,516)</u>
General revenues:		
General property taxes	14,479,488	14,479,488
Tax increment collections	100,979	100,979
Grants and contributions not restricted to specific programs	-	-
Unrestricted investment earnings	4,129	4,129
Gain on sale of capital assets	930,876	1,104,322
Transfers	3,000	3,000
	923,203	1,583,041
Total general revenues, gain on sale of capital assets and transfers	<u>16,441,675</u>	<u>(749,757)</u>
Change in net position	11,727,159	2,835,068
Net position - beginning	142,540,658	48,536,164
Net position - ending	<u>\$ 154,267,817</u>	<u>\$ 51,365,232</u>

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

CITY OF ANDOVER, MINNESOTA
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 December 31, 2010
 With Comparative Totals For December 31, 2009

Statement 3

	2018A					
	General	Water Trunk CFF	Sewer Trunk CFF	Road & Bridge CFF	G.O. Capital Improvement Plan Bonds CFF	Tax Abatement Bonds CFF
Assets:						
Cash and investments	\$ 10,652,623	\$ 5,880,979	\$ 8,049,053	\$ 8,528,556	\$ 293,637	
Cash and investments with escrow agent						
Accrued interest	31,430	26,391	36,270	34,369	-	
Due from other governmental units	45,357	-	-	268,680	-	
Accounts receivable - net	73,033	-	-	-	15,767	
Property taxes receivable:						
Unremitted	230,757	-	-	34,476	-	
Deficient	96,689	-	-	14,446	-	
Special assessments receivable:						
Unremitted	177	1,016	-	4,143	-	
Deficient	10,192	-	10,969	-	-	
Inventorys - at cost	304,827	83,203	1,215,254	-	-	
Land held for resale	140,602	-	-	-	-	
Total assets	<u>\$ 10,680,860</u>	<u>\$ 6,213,213</u>	<u>\$ 8,168,526</u>	<u>\$ 10,110,893</u>	<u>\$ 309,404</u>	

Liabilities, Deferred Inflows of Resources, and Fund Balances

	2019A					
	G.O.	Capital Improvement Projects CFF	Tax Abatement Bonds CFF	Other Governmental Funds	Totals 2020	Totals 2019
Assets:						
Cash and investments	\$ 1,332,299		\$ 2,190,757	\$ 8,798,189	\$ 47,804,141	\$ 58,898,353
Cash and investments with escrow agent						
Accrued interest	-	-	-	-	-	
Due from other governmental units	-	-	-	-	-	
Accounts receivable - net	-	-	-	-	-	
Property taxes receivable:						
Unremitted	-	-	-	-	-	
Deficient	-	-	-	-	-	
Special assessments receivable:						
Unremitted	-	-	-	-	-	
Deficient	-	-	-	-	-	
Inventorys - at cost	-	-	-	-	-	
Land held for resale	-	-	-	-	-	
Total assets	<u>\$ 1,332,299</u>	<u>\$ 2,190,757</u>	<u>\$ 8,798,189</u>	<u>\$ 47,804,141</u>	<u>\$ 58,898,353</u>	
Liabilities:						
Accounts payable	\$ 185,650	\$ -	\$ 6,154	\$ 114,165	\$ 320,154	\$ 254,594
Contracts payable	24,003	5,741	62,789	1,151,042	40,730	1,539,098
Deposits payable	505,880	5,741	1,139	-	10,938	13,642
Due to other governmental units	34,333	226	2,060	-	-	35,693
Salaries payable	169,505	-	-	-	-	14,176
Unearned revenue	-	-	-	-	-	100,857
Total liabilities	<u>919,461</u>	<u>5,967</u>	<u>5,741</u>	<u>1,156,267</u>	<u>57,822</u>	<u>2,759,273</u>
Deferred inflows of resources:						
Unavailable revenues	106,881	304,827	83,203	1,240,669	-	751,257
Fund balances (deficit):						
Nonspendable	140,602	-	-	-	17,6032	1,381,678
Restricted	-	-	-	-	-	3,053,794
Committed	-	5,902,419	8,079,582	8,804,203	-	508,002
Assumed	-	-	-	-	-	4,826,006
Unassigned	-	9,513,916	-	-	-	27,612,210
Total fund balances	<u>9,654,518</u>	<u>5,902,419</u>	<u>8,079,582</u>	<u>8,804,203</u>	<u>17,6032</u>	<u>1,381,678</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 10,680,860</u>	<u>\$ 6,213,213</u>	<u>\$ 8,168,526</u>	<u>\$ 10,110,893</u>	<u>\$ 1,332,299</u>	<u>\$ 2,190,757</u>
Fund balance reported above						
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						
Deferred outflows of resources - related other post employment benefits and pensions are not current financial resources and, therefore, are not reported in the funds.						
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.						
Internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds.						
The assets and liabilities are included in the governmental activities statement of net position along with a deflation of net revenue attributable to business-type activities.						
Long-term liabilities, including bonds payable, other post employment benefits, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.						
Deferred inflows of resources - pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.						
Net position of governmental activities						
The accompanying notes are an integral part of these financial statements.						

Fund balance reported above
 Amounts reported for governmental activities in the statement of net position are different because:
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
 Deferred outflows of resources - related other post employment benefits and pensions are not current financial resources and, therefore, are not reported in the funds.
 Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

The assets and liabilities are included in the governmental activities statement of net position along with a deflation of net revenue attributable to business-type activities.

Long-term liabilities, including bonds payable, other post employment benefits, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.

Deferred inflows of resources - pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.

Net position of governmental activities

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

**CITY OF ANDOVER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2020
With Comparative Actual Amounts For The Year Ended December 31, 2019**

Statement 4

	General	Water Trunk CPF	Sewer Trunk CPF	Road & Bridge CPF	G.O. Capital Improvement Plan Bonds CPF	2018A		2019A, G.O. Abatement Bonds CPF		2020		Totals Governmental Funds 2019	
						\$	\$	\$	\$	\$	\$	\$	\$
Revenues:													
General property taxes	\$ 9,303,234	\$ -	\$ -	\$ 1,388,555	\$ -			\$ 3,760,148	\$ -		\$ 14,451,737	\$ 12,985,006	
Tax increment collections	-	-	-	-	-			100,979	-		100,979	90,189	
Licenses and permits	892,279	-	-	-	2,811,862	-	-	-	2,538,760	-	892,279	855,831	
Intergovernmental	861,179	48,242	30,089	549,453	-	-	-	-	4,215	-	6,211,801	2,786,445	
Special assessments	-	-	-	-	-	-	-	-	601,124	-	631,999	721,950	
Changes for services	1,070,899	-	-	-	-	-	-	-	-	-	1,672,023	1,941,637	
Fines	47,630	148,974	131,533	174,256	183,155	12,717	56,695	52,494	153,847	-	47,630	62,349	
Investment income	-	-	-	-	-	-	-	-	-	-	913,371	1,316,876	
Miscellaneous:	-	-	873,581	263,301	-	-	-	-	-	-	389,033	472,753	
Park dedication fees	-	-	-	-	-	-	-	-	-	-	1,136,882	1,152,759	
Connection charges	-	-	-	-	-	-	-	-	-	-	635,629	636,803	
Rent	-	-	-	-	-	-	-	-	-	-	862,805	1,462,431	
Other	-	172,062	-	-	-	2,632	-	100,147	360,314	(30,600)	-	-	
Total revenues	12,966,257	1,053,356	467,646	4,932,825	15,349		314,945	253,620		8443,070	(30,600)	27,946,448	
Expenditures:												24,985,119	
Current:													
General government	2,906,328	-	-	-	-	-	-	-	-	-	173,016	3,079,344	
Public safety	5,162,232	196,625	4,651	2,667,708	-	-	-	-	-	-	592,011	5,096,029	
Public works	1,650,363	-	-	-	-	-	-	-	-	-	70,311	4,754,243	
Parks and recreation	1,389,934	-	-	-	-	-	-	-	-	-	1,125,640	5,691,654	
Recycling	228,124	-	-	-	-	-	-	-	-	-	2,398,220	2,495,598	
Economic development	-	-	-	-	-	-	-	-	-	-	-	228,124	
Unallocated Capital outlay:	12,778	-	-	-	-	-	-	-	-	-	-	4,154,024	
General government	-	-	-	-	-	-	-	-	-	-	-	15,001	
Public safety	-	-	10,143	20,287	127,213	3,230,821	-	-	-	-	-	21,759	
Public works	66,099	-	-	-	-	-	-	11,601,835	-	-	-	318,484	
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-	253,483	
Economic development	-	-	-	-	-	-	-	-	-	-	-	1,119,923	
Debt service:	-	-	-	-	-	-	-	-	-	-	-	30,151	
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	1,561,000	
Interest	-	-	-	-	-	-	-	-	-	-	-	1,290,844	
Paying agent fees	-	-	-	-	-	-	-	-	-	-	-	568,864	
Construction/acquisition costs	-	-	7,145	-	-	-	-	-	-	-	-	3,671,947	
Total expenditures	11,395,878	213,913	-	24,938	2,794,221	3,230,821	11,601,835	2,308,220	8,437,646	-	12,781,857	8,404,840	
Revenues over (under) expenditures	1,100,379	839,443	-	442,708	2,138,604	(3,215,472)	(11,286,890)	(2,054,600)	5,424	(30,600)	-	30,151	
Other financing sources (uses):													
Transfers in	190,688	300,000	400,000	1,005,700	-	-	-	-	-	-	632,422	1,323,739	
Transfers out	(1,000,000)	(59,740)	-	-	-	-	-	-	-	-	1,569,322	(58,110)	
Bonds issued	-	-	-	-	-	-	-	-	-	-	1,310,000	1,577,000	
Bond premium	-	-	-	-	-	-	-	-	-	-	95,481	1,458,695	
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	3,000	-	-	32,050	
Total other financing sources (uses)	(897,312)	240,260	400,000	1,005,700	-	-	-	-	-	-	1,471,581	18,263,734	
Net increase (decrease) in fund balance	291,067	1,079,703	842,708	3,144,304	(3,215,472)	(11,286,890)	(2,054,600)	1,477,005	-	-	(9,722,175)	8,066,584	
Fund balance - January 1	9,363,451	4,822,716	7,236,874	5,659,399	3,255,415	11,463,922	3,436,278	6,912,980	-	-	52,150,535	44,143,951	
Fund balance - December 31	\$ 9,654,518	\$ 5,902,419	\$ 8,079,582	\$ 8,804,203	\$ 39,943	\$ 176,032	\$ 1,381,678	\$ 8,389,985	\$ -	\$ 42,428,360	\$ 52,150,535		

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

CITY OF ANDOVER, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2020
With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 5

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	2020	2019
Amounts reported for governmental activities in the statement of activities (page 30) are different because:		
Net changes in fund balances - total governmental funds (page 33)	\$ (9,722,175)	\$ 8,006,584
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	14,528,019	14,685,621
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position (i.e., sales, trade-ins, and donations).	6,633,646	830,648
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(24,640)	(114,694)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	322,156	(15,755,047)
Vested post employment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the benefits earned during the years. This amount is the net effect of employee benefit earned and paid during the year.	(32,430)	(38,964)
Transfer out of governmental capital assets contributed to Enterprise Funds.	(7,145)	(1,593,359)
Some expenses reported in the statement of activities do not require use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(126,266)	(407,972)
Governmental funds report pension contributions for defined benefit plans as expenditures, however, pension expense is reported in the Statement of Activities. This is the amount by which pension expense differs from pension contributions:		
Pension contributions	\$ 362,014	
Pension expense	(174,414)	
	187,600	(29,647)
Internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to governmental activities.	(31,606)	(20,569)
Change in net position of governmental activities (page 31)	<u>\$ 11,727,159</u>	<u>\$ 5,562,601</u>

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

CITY OF ANDOVER, MINNESOTA
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2020
 With Comparative Totals For December 31, 2019

Statement 6

	Water	Sewer	Storm Sewer	Total		
				Governmental Activities - Internal Service Funds		
				2020	2019	2019
Assets:						
Current assets:						
Cash and cash equivalents	\$ 5,742,474	\$ 3,595,701	\$ 723,743	\$ 10,061,918	\$ 9,040,561	\$ 1,009,554
Accrued interest	21,860	14,170	2,843	38,873	44,934	5,783
Due from other governmental units	-	12,867	-	12,867	15,345	-
Accounts receivable - net	583,603	631,532	184,498	1,399,633	1,366,213	-
Special assessments receivable:						
Unremitted	1,639	1,386	353	3,379	1,222	-
Delinquent	115,697	105,886	30,119	251,702	273,742	-
Deferred	-	-	1,341	1,341	1,750	-
Inventories - at cost	18,387	-	-	18,387	29,815	-
Total current assets	6,483,660	4,361,543	942,897	11,788,100	10,733,602	84,553
Noncurrent assets:						
Capital assets:						
Land	730,243	-	-	730,243	730,243	-
Buildings and structures	15,877,590	-	-	15,877,590	15,877,590	-
Machinery and equipment	308,316	757,033	555,001	1,600,350	1,600,350	-
Distribution and collection system	21,319,542	28,500,532	13,635,614	63,473,688	60,497,171	-
Construction in progress	38,235,691	29,237,565	14,208,615	81,681,871	78,667,281	-
Total capital assets	(19,325,715)	(15,808,728)	(5,832,631)	(38,867,076)	(37,728,608)	-
Less: Allowance for depreciation						
Total noncurrent assets	18,989,976	15,428,837	8,375,982	42,114,795	41,658,673	-
Total assets	25,393,636	19,790,380	9,318,870	54,902,895	52,332,275	1,104,518
Deferred outflows of resources:						
Related to other post employment benefits	1,452	1,088	-	2,540	1,846	-
Related to pensions	20,631	13,941	-	34,574	32,902	-
Total deferred outflows of resources	22,083	15,029	-	37,114	34,748	-
Liabilities:						
Current liabilities:						
Accounts payable	52,788	3,825	3,497	60,110	44,840	27,142
Accrued interest	12,276	4,261	5,984	22,521	78,261	34,962
Deposits payable	2,234	-	-	2,234	3,534	-
Interest payable	22,330	-	-	22,330	28,919	-
Due to other governmental units	21,412	7,859	-	29,271	32,403	-
Salaries payable	13,819	11,224	3,282	28,325	22,224	10,395
Bonds payable - due within one year	735,000	-	-	735,000	725,000	7417
Compensated absences payable - due within one year	18,459	10,151	6,670	35,280	31,877	-
Total current liabilities	878,318	37,320	19,433	935,071	967,018	37,537
Noncurrent liabilities:						
Other post employment benefits - due in more than one year	30,468	22,851	-	53,319	47,362	-
Bonds payable - due in more than one year	1,637,742	-	-	1,637,742	2,386,058	-
Compensated absences payable - due in more than one year	104,599	57,524	37,799	199,922	180,411	-
Net pension liability - due in more than one year	258,656	174,768	-	433,424	396,161	-
Total noncurrent liabilities	2,031,465	255,143	37,799	2,324,467	3,089,992	-
Total liabilities	2,899,783	292,463	57,322	3,259,478	3,977,010	37,537
Deferred inflows of resources:						
Related to pensions	13,925	9,409	-	23,334	8,570	-
Total net position	\$ 22,092,013	\$ 19,503,537	\$ 9,261,646	\$ 51,257,197	\$ 48,407,443	\$ 1,062,139
Net position reported above						
Amounts reported for business-type activities in the statement of net position are different because internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to business-type activities.						
Net position of business-type activities						
The accompanying notes are an integral part of these financial statements.						

CITY OF ANDOVER, MINNESOTA
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 7

Totals
 Governmental Activities -
 Internal Service Funds

	Water	Sewer	Storm Sewer	Intra Activity Eliminations	2020	Totals	2019	Totals	2020	Internal Service Funds	2019
Operating revenues:											
User charges	\$ 3,248,856	\$ 2,353,737	\$ 594,124		\$ 6,196,717	\$ 5,561,256	\$ 1,217,279	\$ 1,174,617			
Meters	36,948	-	400		36,948	28,526	-	-	60,778	60,778	-
Other	63,433	1,302			65,135	60,778	72,329	22,606			
Total operating revenues	3,349,237	2,355,039	594,324		6,298,800	5,650,560	1,289,608	1,197,223			
Operating expenses:											
Personal services	548,413	375,048	204,405		1,127,866	1,097,202	53,533	494,324			
Supplies	249,625	18,019	6,672		274,316	224,194	335,851	391,124			
Other service charges	769,158	180,749	110,208		(30,000)	1,029,515	973,900	486,701			
Disposal charges	-	1,274,975	-		1,274,975	1,199,237	-	-			
Depreciation	850,293	613,240	294,935		1,758,468	1,732,064	-	-			
Total operating expenses	2,417,489	2,462,031	616,220		(30,600)	5,465,140	5,226,597	1,353,105			
Operating income (loss)	931,748	(106,992)	(21,696)		30,600	833,660	423,963	(63,497)			(74,085)
Nonoperating revenues (expenses):											
Investment income	97,204	63,256	12,986		-	173,446	236,336	17,205			29,809
Gain on sale of capital assets	-	-	-		-	(41,594)	15,818	-			-
Interest expense	(41,594)	-	-		-	(57,352)	-	-			-
Total nonoperating revenues (expenses)	55,610	63,256	12,986		-	131,852	194,822	17,205			29,809
Income (loss) before contributions and transfers	987,358	(43,736)	(8,710)		30,600	965,512	618,785	(46,292)			(44,276)
Capital contributions	957,541	851,570	1,005,479		-	2,814,590	2,306,335	-			-
Transfers:											
Transfers in	59,740	-	-		-	59,740	58,110	-			-
Transfers out	(416,625)	(499,773)	(43,090)		(30,600)	(99,088)	(1,323,739)	-			-
Total transfers	(356,885)	(499,773)	(43,090)		(30,600)	(93,034)	(1,265,629)	-			-
Change in net position	1,588,014	308,061	953,679		-	2,849,754	1,659,491	(46,292)			(44,276)
Net position - January 1	20,903,999	19,195,476	8,307,568		-	48,407,443	46,747,952	1,062,139			1,064,415
Net position - December 31	\$ 22,492,013	\$ 19,503,537	\$ 9,261,647		\$	\$ 51,257,197	\$ 48,407,443	\$ 1,015,847			\$ 1,062,139
Net changes in net position reported above						\$ 2,849,754	\$ 1,659,491				
Amounts reported for business-type activities in the statement of activities are different because: Internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to business-type activities.											
Change in net position of business-type activities											
The accompanying notes are an integral part of these financial statements.											

Amounts reported for business-type activities in the statement of activities are different because:
Internal service funds are used by management to charge the cost of equipment maintenance
and insurance to individual funds. This amount is the portion of net revenue attributable to
business-type activities.

Change in net position of business-type activities

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

CITY OF ANDOVER, MINNESOTA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

	Water	Sewer	Storm/Sewer						
Cash flows from operating activities:									
Receipts from customers and users	\$ 2,388,912	\$ 587,250	\$ 587,250	\$ 5,810,644	\$ 1,294,236	\$ 1,198,247			
Payment to employees	(1,474,914)	(176,799)	(176,799)	(2,642,380)	(2,590,467)	(831,502)	(731,277)		
Net cash flows from operating activities	<u>1,708,627</u>	<u>549,542</u>	<u>209,908</u>	<u>2,252,877</u>	<u>2,250,830</u>	<u>(70,841)</u>	<u>(25,985)</u>		
Cash flows from noncapital financing activities:									
Transfers in	59,740	-	-	59,740	58,110	-	-		
Transfers out	(416,625)	(449,773)	(43,090)	(659,488)	(1,293,139)				
Net cash flows from noncapital financing activities	<u>(356,885)</u>	<u>(449,773)</u>	<u>(43,090)</u>	<u>(689,448)</u>	<u>(1,235,029)</u>				
Cash flows from capital and related financing activities:									
Acquisition of capital assets	(61,499)	-	-	(61,499)	(186,329)	-	-		
Interest paid on debt	(725,000)	-	-	(725,000)	(63,664)	-	-		
Proceeds from the sale of capital assets	-	-	-	-	(718,316)	15,818	-		
Net cash flows from capital and related financing activities	<u>(786,499)</u>	<u>-</u>	<u>-</u>	<u>(786,499)</u>	<u>(952,491)</u>				
Cash flows from investing activities:									
Investment income	100,178	66,226	13,023	179,527	232,255	18,700	29,592		
Net increase in cash and cash equivalents	725,421	116,095	179,341	1,021,357	393,565	(52,141)	3,607		
Cash and cash equivalents - January 1	<u>5,017,553</u>	<u>3,479,606</u>	<u>543,902</u>	<u>9,040,961</u>	<u>8,644,996</u>	<u>1,009,534</u>	<u>1,005,947</u>		
Cash and cash equivalents - December 31	<u>\$ 5,742,474</u>	<u>\$ 3,505,701</u>	<u>\$ 723,743</u>	<u>\$ 10,061,918</u>	<u>\$ 9,040,561</u>	<u>\$ 957,413</u>	<u>\$ 1,009,534</u>		
Reconciliation of operating income to net cash provided (used) by operating activities:									
Operating income (loss)	\$ 931,748	\$ (106,992)	\$ (21,690)	\$ 803,060	\$ 393,363	\$ (63,497)	\$ (74,085)		
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:									
Depreciation	850,293	613,240	294,935	1,758,468	1,732,064	-	-		
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:									
Decrease (increase) in accounts due from other governmental units	(52,058)	25,210	(6,372)	2,478	16,975	-	-		
Decrease (increase) in accounts receivable	14,809	6,185	-	(33,420)	150,868	4,628	1,024		
Decrease (increase) in special assessments	1,1228	-	-	20,292	(7759)	-	-		
Decrease (increase) in inventory	(630)	(1,516)	-	11,428	(63,520)	(7,130)	28,027		
Increase (decrease) in deferred outflows of resources	10,915	1,249	3,106	(2,366)	37,467	-	-		
Increase (decrease) in accounts payable	5,472	154	(6,1366)	15,270	(1,057)	(7,820)	17,680		
Increase (decrease) in deposits payable	(1,300)	-	-	(55,740)	40,102	-	-		
Increase (decrease) in deposits in trust	681	(2,574)	(1,239)	(1,030)	1,300	-	-		
Increase (decrease) in other governmental units	3,079	3,307	-	(3,132)	3,939	-	-		
Increase (decrease) in salaries payable	3,404	2,553	-	6,101	3,935	2,978	1,369		
Increase (decrease) in other post employment benefits	1,0252	7,175	3,727	5,957	6,429	-	-		
Increase (decrease) in compensated absences	1,5673	21,590	-	22,954	13,321	-	-		
Increase (decrease) in net pension liability	(36,719)	(22,512)	-	37,763	(8,940)	-	-		
Increase (decrease) in deferred inflows of resources	-	-	-	(59,236)	(24,357)	-	-		
Total adjustments	<u>836,879</u>	<u>656,534</u>	<u>231,604</u>	<u>1,725,017</u>	<u>1,057,467</u>	<u>(7,344)</u>	<u>48,100</u>		
Net cash provided (used) by operating activities	<u>\$ 1,708,627</u>	<u>\$ 549,542</u>	<u>\$ 209,908</u>	<u>\$ 2,528,077</u>	<u>\$ 2,250,830</u>	<u>\$ (70,841)</u>	<u>\$ (25,985)</u>		
Noncash investing, capital and financing activities:									
Assets contributed to the Enterprise Funds	<u>\$ 957,541</u>	<u>\$ 851,570</u>	<u>\$ 1,005,479</u>	<u>\$ 2,814,590</u>	<u>\$ 2,306,335</u>	<u>\$ -</u>	<u>\$ -</u>		

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

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Andover was incorporated in 1974 and operates under the State of Minnesota Statutory Plan A form of government. The governing body consists of a five-member City council elected by voters of the City.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. FINANCIAL REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

COMPONENT UNITS

In conformity with generally accepted accounting principles, the financial statements of the component units have been included in the financial reporting entity as blended component units.

The Andover Economic Development Authority (EDA) is an entity legally separate from the City. However, for financial reporting purposes, the EDA is reported as if it were part of the City's operations because the members of the City Council serve as EDA Board Members and its purpose is to promote development within the City. The activity of the EDA is reported in the EDA General Special Revenue Fund. Separate financial statements are not prepared for the EDA.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Program revenues are reported instead as *general revenues*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only

the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Water Trunk Capital Projects Fund (CPF)* is used to account for water access fees and trunk improvements as part of development. It is also used to reserve monies that will be needed for capital infrastructure replacements in the future.

The *Sewer Trunk CPF* is used to account for sewer access fees and sanitary sewer improvements. The *Road and Bridge CPF* accounts for all road projects and the pavement management program, which includes annual seal coating, crack sealing and overlays for roads.

The *2018/19 General Obligation (G.O.) Capital Improvement Plan Bonds CPF* accounts for the construction of a new vehicle maintenance facility with a wash bay and a cold storage building.

The *2019 G.O. Abatement Bonds CPF* accounts for the addition to the Andover YMCA Community Center. The project consists of a multi-sports complex, additional court added to the existing field house, and teen/senior meeting rooms.

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

The City reports the following major proprietary funds:

The *Water Fund* accounts for the water service charges, which are used to finance the water system operating expenses.

The *Sewer Fund* accounts for the sewer service charges, which are used to finance the sanitary sewer system operating expenses.

The *Storm Sewer Fund* accounts for the storm sewer utility charges, which are used to finance the storm sewer operating expenses.

Additionally, the City reports the following fund type:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish *operating revenues* and *expenses* from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for an allowable use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

D. BUDGETS

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the General and Special Revenue Funds. Budgeted expenditure appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

E. LEGAL COMPLIANCE - BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through City Council action.
4. Expenditures may legally exceed budgeted appropriations at the fund level through City Council action. Also, the City Council may authorize transfers of budgeted amounts between departments within any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. The legal level of budgetary control is at the department level for the General Fund and at the fund level for the Special Revenue Funds. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Administrator or between departments by the City Council.
7. The City Council made supplemental budget appropriations throughout the year. Individual amendments were not material in relation to the original appropriations which were adjusted.

The following is a listing of Special Revenue Funds whose expenditures exceed budget appropriations:

	Final Budget	Actual	Over Budget
Special Revenue Funds: Charitable Gambling	\$ 30,000	\$ 57,368	\$ 27,368

The expenditures over budget were funded by greater than anticipated revenues and/or available fund balance.

F. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the individual funds on the basis of applicable cash balance participation of each fund. The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

Investments are stated at fair value, except for investments in external investment pools that meet GASB 79 requirements, are stated at amortized cost. Short-term investments, such as commercial paper and banker's acceptances, are reported at amortized cost.

For purposes of the Statement of Cash Flows of Proprietary Fund Types, cash equivalents are defined as short-term, highly liquid investments that are both:

- a. readily convertible to known amounts of cash, or
 - b. so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.
- The City's policy considers cash equivalents to be those that meet the above criteria and have original maturities of three months or less.

G. RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "interfund receivable/payable." Long-term interfund loans are classified as "interfund loan receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

1. Interfund loan receivables, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.
2. Property taxes and special assessments receivable have been reported net of estimated uncollectible accounts. (See Note 1 H and I.) Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

H. PROPERTY TAX REVENUE RECOGNITION

The City levies its property tax for the subsequent year during the month of December and it is certified to Anoka County, December 30th is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on the following January 1. Anoka County is the collecting agency for the levy and remits the collections to the City three times a year. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax bills for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits a list of taxes to be collected on each parcel of property to the County Treasurer in January of each year. The County Treasurer collects all taxes and is required to mail copies of all personal property tax statements by April 15, and copies of all real estate tax statements by April 15, of each year. Property owners are required to pay one-half of their real estate taxes due by May 15 and the balance by October 15.

If taxes due May 15 are not paid on time, a penalty of 3% is assessed on homesteaded property and 7% on non-homesteaded property. An additional 1% penalty is added each month the taxes remain unpaid, until October 15. If the taxes due May 15 are not paid by October 15, a 2% penalty per month is added to homesteaded property and 4% per month to non-homesteaded property until January 1.

If the taxes are not paid by January 1, further penalties are added. Penalties and interest apply to both taxes and special assessments. There are some exceptions to the above penalties, but they are not material.

Within 30 days after the tax settlement date, the County Treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the City Treasurer. The County Treasurer must pay the balance to the City Treasurer within 60 days after settlement, provided that after 45 days interest accrues at the rate of 6% per annum.

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (referred to the City the following January) and taxes and credits not received at the year-end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflow of resources because they are not available to finance current expenditures.

CITY OF ANDOVER, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2020

CITY OF ANDOVER, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2020

I. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or repayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are allocated first to the County's costs of administering all tax forfeit properties. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes revenue from special assessments when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (referred to the City the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in government funding are completely offset by deferred inflow of resources.

J. INVENTORIES

Inventories of the Governmental Funds and the Proprietary Funds are stated at cost, which approximates market, using the first-in, first-out (FIFO) method.

Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

K. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures expenses at the time of consumption.

L. LAND HELD FOR RESALE

Land held for resale represents various property purchases made by the City with the intent to sell in order to increase tax base or attract new business. These assets are stated at the lower of cost or net realizable value.

M. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangible assets such as easements and computer software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (except for easements which is \$10,000) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The City has chosen the modified approach for reporting street and trail system capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010 which required the City to capitalize and amortize intangible assets. Intangible assets include easements and computer

software. Pursuant to GASB Statement 51, in the case of initial capitalization of intangible assets, the City chose to capitalize intangible assets retroactively to 1980, except for permanent easements and internally generated software. The City has already accounted for computer software at historical cost and therefore retrospective reporting was not necessary. The City does not have any temporary easements to record that meet the threshold of \$10,000.

Property, plant and equipment of the primary government, as well as the component units, are depreciated/amortized using the straight line method over the following estimated useful lives:

Assets	Life
Buildings and improvements	10 - 30 years
Furniture and equipment (including software)	5 - 10 years
Machinery and equipment	5 - 10 years
Other park improvements	10 - 30 years
Storm sewer	50 years
Distribution and collection systems	50 years
Temporary easements	5 - 15 years

The City elected to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting of its streets and trails. The City conducted a physical assessment in the fall of 2010 of the condition of the streets and trails constructed since 1974. This condition assessment will be performed every 3 years. Each segment of City owned street or trail was assigned a physical condition based on potential defects. An Overall Condition Index (OCI) was assigned to each segment. The index is expressed in a continuous scale from 0 to 10, where 0 is assigned to the least acceptable physical condition and 10 is assigned to those segments that have the characteristic of a new street or trail. The following conditions were defined:

Range	Description
8 - 10	Excellent
7 - 7.9	Very good
6 - 6.9	Good
4 - 5.9	Fair
2 - 3.9	Poor
1 - 1.9	Very poor
0 - .9	Substandard

The City's policy relative to maintaining the street and trail assets is to achieve an average rating of "Good" for all segments. This acceptable rating allows minor cracking and patching of the pavement along with minor roughness that could be noticeable to the users of the system.

N. COMPENSATED ABSENCES

City employees earn vacation and sick pay accruing each payroll period. Unused vacation can be accrued by the employees up to a maximum of 200 hours (240 hours if on the annual leave plan) as the anniversary date of the individual's employment with the City, unless a specific authorization is granted to an employee. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

O. LONG-TERM OBLIGATIONS

Employees can also accrue an unlimited amount of unused sick leave. Employees with two or more years of service are entitled to receive severance pay equal to a percentage of unused sick pay ranging from 20-50 percent based on years of service, up to a maximum of 400 hours. The liability for severance pay is accounted for the same as accrued vacation pay.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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P. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable—consists of amounts that are not in spendable form, such as prepaid items.

Restricted—consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed—consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned—consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City's Administrator and Finance Director are authorized to establish assignments of fund balance.

Unsigned—is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

Q. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

R. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

S. RECLASSIFICATIONS

Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

T. COMPARATIVE TOTALS

The basic financial statements and combining and individual fund financial statements and schedules include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

U. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. It is other post employment benefits and the pension related deferred outflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. The government also has a type of item, which arises only under a modified accrual basis of accounting,

that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes, tax increment, special assessments, certified bills and land held for resale.

V. DEFINED BENEFIT PENSION PLANS - STATEWIDE

Pensions. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

W. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, other post employment benefits and net pension liability, are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$45,341,667) difference are as follows:

Bonds payable	\$ (40,296,891)
Accrued interest payable	(544,339)
Other post employment benefits	(327,529)
Compensated absences	(840,769)
Net pension liability	(3,332,139)

Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	\$ (45,341,667)
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Another element of that reconciliation states that "internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. The assets and liabilities are included in the governmental activities statement of net position along with a deduction of net revenue attributable to business-type activities." The details of this \$907,812 difference are as follows:

Internal Service Funds net position	\$ 1,015,847
Net revenue attributable to business-type activities	(108,055)

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$14,528,019 difference are as follows:

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Capital outlay	\$ 16,330,198
Construction/acquisition costs	7,145
Depreciation expense	(2,309,324)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 14,528,019</u></u>
Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position." The details of this \$6,633,646 difference are as follows:	
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u><u>\$ 6,633,646</u></u>
Another element of that reconciliation states "Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds." The details of this (\$24,640) difference are as follows:	
Unavailable revenue - general property taxes:	
At December 31, 2019	(1,257)
At December 31, 2020	1,257
Unavailable revenue - tax increment taxes:	
At December 31, 2019	(1,257)
At December 31, 2020	1,257
Unavailable revenue - special assessments:	
At December 31, 2019	(1,697,628)
At December 31, 2020	1,720,337
Unavailable revenue - land held for resale:	
At December 31, 2019	(825,000)
At December 31, 2020	750,000
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (24,640)</u></u>
Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds." Neither transaction, however, has any effect on net position. The details of this \$322,156 difference are as follows:	
Debt issued or incurred:	
Issuance of certificates of indebtedness	\$ (1,310,000)
Principal repayments:	
Abatement bonds	910,000
Certificates of indebtedness	406,000
Capital improvement bonds	85,000
Referendum bonds	160,000
Amortization of bond premium	<u><u>71,156</u></u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 322,156</u></u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$126,266) difference are as follows:

Compensated absences	\$ (119,115)
Accrued interest	(7,151)

Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities

Acrued interest	\$ (126,266)
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Another element of that reconciliation states that "internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to governmental activities." The details of this (\$31,606) difference are as follows:

Internal Service Funds change in net position	\$ (46,292)
Net revenue attributable to business-type activities	14,686

Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities

Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	\$ (31,606)
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Note 2 DEPOSITS AND INVESTMENTS

DEPOSITS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such banks are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Securities pledged as collateral are required to be held in safekeeping by the City Clerk/Treasurer or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2020, the bank balance of the City's deposits was covered by federal depositary insurance or covered by perfected collateral pledged and held in the City's name. The City has no additional deposit policies addressing custodial credit risk.

INVESTMENTS

Subject to rating, yield, maturity and issuer requirements as prescribed by statute, Minnesota Statutes 118A.04 and 118A.05 authorize the City to invest in United States securities, state and local securities, commercial paper, time deposits, high-risk mortgage-backed securities, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trust and guaranteed investment contracts.

As of December 31, 2020, the City had the following investments and maturities:

Principal repayments:	
Abatement bonds	910,000
Certificates of indebtedness	406,000
Capital improvement bonds	85,000
Referendum bonds	160,000
Amortization of bond premium	<u><u>71,156</u></u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 322,156</u></u>

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Investment Type	Credit Rating	Fair Value	Investment Maturity (in Years)			More Than 10
			Less Than 1	1 - 5	6 - 10	
Money market funds	N/A	\$ 2,997,965	\$ 2,997,965	\$ -	\$ -	\$ -
Minnesota Municipal Money Market Fund (4M)	N/A	2,314,404	2,314,404	-	-	-
Certificates of deposit	N/A	13,826,841	8,880,298	4,946,543	-	-
Local/State governments	AA1/A2 AA1/A2/AA3	265,633	203,696	61,937	-	-
U.S. agencies	AAA	8,954,131	2,571,979	4,148,637	2,233,515	-
	AAA	5,755,180	1,532,172	3,151,637	867,061	204,610
Total investments		<u>\$ 18,443,599</u>	<u>7,406,500</u>	<u>10,401,775</u>	<u>635,124</u>	<u>-</u>
Deposits		<u>52,557,853</u>	<u>\$ 25,907,014</u>	<u>\$ 22,710,529</u>	<u>\$ 3,735,700</u>	<u>\$ 204,610</u>
Total cash and investments		<u><u>\$ 2,389,200</u></u>	<u><u>\$ 54,847,053</u></u>	<u><u>\$ 54,847,053</u></u>	<u><u>\$ 54,847,053</u></u>	<u><u>\$ 54,847,053</u></u>

The following is a reconciliation of the City's total cash and investment balances at December 31, 2020:

Government-wide statement of net position:	
Cash and investments	\$ 54,720,371
Cash and investments with escrow agent	126,682
Total	\$ 54,847,053

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurements as of December 31, 2020:

Investment Type	Investment Type	Fair Value Measurement Using		
		12/31/2020	Level 1	Level 2
Investments at fair value:				
Federal Home Loan Bank		\$ 4,929,830	\$ -	\$ 4,929,830
Federal Farm Credit Bank		5,362,887	-	5,362,887
Federal Home Loan Mortgage Corporation		5,982,610	-	5,982,610
Federal National Mortgage Association		2,168,072	-	2,168,072
Municipal Bonds		14,975,244	-	14,975,244
Brokered Certificates of Deposit		13,826,841	-	13,826,841
Total investments at fair value		47,245,484	\$ -	\$ 47,245,484
Investments not categorized:				
External investment pool:				
4M		2,314,404		
Wells Fargo Bank Money Market		2,997,965		
Total investments not categorized		5,312,369		
Total		\$ 52,557,853		

The 4M Fund is an external investment pool investment which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. It is an unrated pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is managed to maintain a portfolio weighted average maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1. The pool measures their investments in accordance with Government Accounting Standards Board Statement No. 79, at amortized cost. The 4M Plus Fund requires funds to be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period are subject to a penalty equal to 7 days interest on the amount withdrawn.

Custodial Credit Risk - Investments - For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. As of December 31, 2020, \$25,000 of the City's \$52,557,853 investments was uninsured and unregistered, with securities held in the City's name.

Interest Rate Risk - The City has a formal investment policy that states the City will minimize the credit risk, the risk of loss due to the failure in the portfolio will fail due to the changes in general interest rates, by:

- 1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
 - 2) Investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools.
- Credit Risk - The City** has a formal investment policy that states the City will minimize the risk of loss due to the failure of the security issuer or backer, by:
- 1) Limiting investments to the safest types of securities.
 - 2) Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business.
- A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply: audited financial statements, proof of National Association of Securities Dealers (NASD) certification, proof of state registration, completed broker/dealer questionnaire, and certification of having read and understood and agreeing to comply with the City's investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the City Administrator.

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Concentration of Credit Risk: More than 35% of the City's investments are in various holdings with U.S. agencies; Federal Home Loan Bank (9.4%), Federal Farm Credit Bank (10.2%), Federal National Mortgage Association (41.1%) and Federal Home Loan Mortgage Corporation (11.4%). The City's policy on concentration of investments is as follows:

- 1) Diversification - The investments shall be diversified by:
 - a) Investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities).
 - b) Limiting investment in securities that have higher credit risks,
 - c) investing in securities with varying maturities, and
 - d) continuously investing portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

2) Maximum Maturities - To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing, or having average lives, of more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2020 are as follows:

	Delinquent Property Taxes	Special Tax Increment	Assessment Receivable	Total
Major Funds:				
General Fund	\$ 46,411	\$ -	\$ 10,192	\$ 56,603
Water Trunk CPF	-	-	284,195	284,195
Sewer Trunk CPF	-	-	57,210	57,210
Road and Bridge CPF	6,934	-	1,034,206	1,041,140
Tax Increment Projects CPF	-	1,257	-	1,257
Nonmajor Funds	16,263	-	93,416	109,679
Total	\$ 69,608	\$ 1,257	\$ 1,479,219	\$ 1,550,084

Note 4 UNAVAILABLE REVENUES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	Total capital assets being depreciated - net	Governmental activities capital assets - net
Total	\$ 19,528,559	\$ 33,088,786

	\$ 132,538,146	\$ 14,087,766	\$ 153,692,666
Total	\$ 132,538,146	\$ 14,087,766	\$ 153,692,666

Major Funds:
General Fund
Water Trunk CPF
Sewer Trunk CPF
Road and Bridge CPF
Tax Increment Projects CPF

	Property Taxes	Tax Increment	Special Assessments	Land held for Resale	Total
Major Funds:					
General Fund	\$ 96,689	\$ -	\$ 10,192	\$ 304,827	\$ 106,881
Water Trunk CPF	-	-	-	83,203	304,827
Sewer Trunk CPF	14,446	-	1,257	1,226,223	83,203
Road and Bridge CPF	-	-	-	-	1,240,669
Tax Increment Projects CPF	-	-	-	750,000	751,257
Nonmajor Funds	33,879	-	95,792	-	129,671
Total	\$ 145,014	\$ 1,257	\$ 1,720,237	\$ 750,000	\$ 2,616,508

Note 5 CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the government-wide statement of net position. The City elected to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting for its streets and trails. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Primary Government				
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 11,205,798	\$ 115,335	\$ -	\$ 11,321,133
Streets and trails	87,716,023	1,869,973	-	89,585,996
Construction in progress	14,087,766	168,192	(14,087,766)	168,192
Total capital assets not being depreciated	113,009,587	21,53,500	(14,087,766)	101,075,321
Capital assets being depreciated:				
Buildings and improvements	27,552,688	34,325,048	(66,911)	61,810,825
Furniture and equipment	969,869	184,556	(37,200)	1,117,125
Machinery and equipment	8,905,807	610,669	(224,409)	9,292,067
Other park improvements	8,200,494	277,937	(42,195)	8,436,236
Total capital assets being depreciated	45,628,858	35,398,110	(370,715)	80,656,253
Less accumulated depreciation for:				
Buildings and improvements	14,373,629	1,499,645	(66,911)	15,806,363
Furniture and equipment	581,925	86,81	(37,200)	630,906
Machinery and equipment	6,575,481	392,292	(224,409)	6,743,364
Other park improvements	4,569,264	331,206	(42,195)	4,858,275
Total accumulated depreciation	26,100,299	2,309,224	(370,715)	28,038,908
Total capital assets being depreciated - net	19,528,559	33,088,786	-	52,617,345
Governmental activities capital assets - net	\$ 132,538,146	\$ 14,087,766	\$ 153,692,666	

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Primary Government		Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 730,243	\$ -	\$ (161,927)	\$ 730,243	
Construction in progress	161,927	-	(161,927)	730,243	
Total capital assets not being depreciated	892,170	-	(161,927)	730,243	
Capital assets being depreciated:					
Buildings and improvements	15,877,590	-	-	15,877,590	
Furniture and equipment (including software)	23,436	-	-	23,436	
Machinery and equipment	1,576,915	-	-	1,576,915	
Collection and distribution	60,497,170	2,976,517	-	63,473,687	
Total capital assets being depreciated	77,975,111	2,976,517	-	80,951,628	
Less accumulated depreciation for:					
Buildings and improvements	10,359,787	420,007	-	10,779,794	
Furniture and equipment	23,437	-	-	23,437	
Machinery and equipment	869,318	91,262	-	960,580	
Collection and distribution	25,956,066	1,247,199	-	27,203,265	
Total accumulated depreciation	37,208,608	1,758,468	-	38,967,076	
Total capital assets being depreciated - net	40,766,503	1,218,049	-	41,984,552	
Business-type activities capital assets - net	<u>\$ 41,658,673</u>	<u>\$ 1,218,049</u>	<u>\$ (161,927)</u>	<u>\$ 42,714,795</u>	
Depreciation/amortization expense was charged to functions/programs of the primary government as follows:					
General activities:					
General government	\$ 98,146				
Public safety	298,242				
Public works	392,464				
Parks and recreation	1,502,142				
Recycling	6,862				
Economic development	11,468				
Total depreciation/amortization expense - governmental activities	<u>\$ 2,399,324</u>				
Business-type activities:					
Water	\$ 850,293				
Sewer	613,240				
Storm sewer	294,935				
Total depreciation/amortization expense - business-type activities	<u>\$ 1,758,468</u>				
CONSTRUCTION COMMITMENTS					
At December 31, 2020, the City did not have any construction commitments.					

Note 6 LONG-TERM DEBT

	Issue Date	Maturity Date	Interest Rate	Original Issue Date	Payable
GOVERNMENTAL ACTIVITIES:					
Abatement Bonds:					
2012 G.O. Abatement Bonds	12/27/2012	2/1/2031	1.00-3.00%	\$ 17,315,000	\$ 11,475,000
2019A G.O. Abatement Bonds	8/7/2019	2/1/2040	3.00-5.00%	15,770,000	15,770,000
Total abatement bonds				33,085,000	27,245,000
Certificates of Indebtedness:					
2016A G.O. Equipment Certificates	2/19/2016	2/1/2021	1.90%	520,000	134,000
2020A G.O. Equipment Certificates	31/9/2020	2/1/2024	4.00%	1,310,000	1,310,000
Total certificates of indebtedness				1,830,000	1,444,000
Capital Improvement Bonds:					
2018A G.O. Capital Improvement Plan Bonds	12/27/2018	2/1/2044	3.00-5.00%	10,000,000	9,915,000
Refendum Bonds:					
2010A G.O. Open Space Referendum Bonds	2/18/2010	2/1/2022	2.00-3.12%	1,660,000	335,000
Total - bonded indebtedness				46,575,000	38,939,000
Issuance premiums				-	1,357,891
Compensated absences payable				-	840,769
Total governmental activities indebtedness				46,575,000	41,137,660
BUSINESS-TYPE ACTIVITIES:					
General Obligation Revenue Bonds:					
2009A G.O. Water Revenue Bonds	3/26/2009	2/1/2024	2.00-4.25%	1,025,000	320,000
2016B G.O. Water Revenue Refunding Bonds	12/7/2016	2/1/2023	2.00%	3,925,000	2,025,000
Total general obligation revenue bonds				4,950,000	2,345,000
Issuance premiums				-	27,742
Compensated absences payable				-	235,202
Total business-type activities indebtedness				4,950,000	2,607,944
Total City indebtedness					
For the governmental activities, compensated absences are generally liquidated by the General and Special Revenue Funds.					
Annual debt service requirements to maturity for general obligation bonds are as follows:					

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		Governmental Activities			Capital Improvement Bonds		
		Certificates of indebtedness		Principal	Interest	Principal	Interest
	Principal	Interest	Principal			Principal	Interest
2021	\$ 1,160,000	\$ 871,906	\$ 449,000	\$ 47,373	\$ 125,000	\$ 350,388	
2022	1,490,000	833,706	320,000	33,400	130,000	344,506	
2023	1,530,000	786,181	330,000	20,400	290,000	334,606	
2024	1,585,000	735,650	345,000	6,900	300,000	319,256	
2025	1,635,000	681,256	-	-	315,000	303,881	
2026-2030	9,095,000	2,472,947	-	-	1,825,000	1,292,706	
2031-2035	5,620,000	1,131,325	-	-	2,150,000	981,500	
2036-2040	5,130,000	394,050	-	-	2,485,000	617,638	
2041-2044	-	-	-	-	2,315,000	165,462	
Total	\$ 27,245,000	\$ 7,907,221	\$ 1,444,000	\$ 108,073	\$ 9,915,000	\$ 4,709,826	

		Business-Type Activities			Business-Type Activities		
		G.O. Revenue Bonds		Principal	Interest	Principal	Interest
	Principal	Interest	Principal			Principal	Interest
2021	\$ 165,000	\$ 7,870	\$ 735,000	\$ 45,492			
2022	170,000	2,656	755,000	29,042			
2023	-	-	770,000	12,153			
2024	-	-	85,000	1,806			
	\$ 335,000	\$ 10,526	\$ 2,345,000	\$ 88,493			

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

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Abatement bonds	\$ 28,155,000	\$ (910,000)	\$ 27,245,000	\$ 1,160,000	
Certificates of indebtedness	540,000	1,310,000	(406,000)	449,000	
Capital improvement bonds	10,000,000	-	(85,000)	9,915,000	125,000
Refendum bonds	495,000	-	(160,000)	335,000	165,000
Total bonds payable	39,190,000	1,310,000	(1,561,000)	38,939,000	1,899,000
Issuance premiums	1,429,047	-	(71,156)	1,357,891	-
Compensated absences	721,634	467,444	(348,329)	840,769	126,115
Total governmental activities	\$ 41,340,701	\$ 1,771,444	\$ (1,980,485)	\$ 41,137,660	\$ 2,025,115
long-term liabilities					

For the governmental activities, bonds can be summarized in the following categories:

The *abatement bonds* were used to purchase the 132,000 square foot building from the EDA and expand the building. The bonds are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the bonds.

The *certificates of indebtedness* are used to finance the purchase of capital equipment. The certificates are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the certificates.

The *capital improvement bonds* are used to finance the construction of the public works maintenance facility with a wash bay and a cold storage building. The bonds are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the bonds.

The *refendum bonds* were used to finance various land acquisitions for open space preservation within the City. The bonds are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the certificates.

For the business-type activities, the *G.O. revenue bonds* were used to finance the construction of a water treatment plant. The bonds are payable from net revenues of the water system and are general obligations of the City for which its full faith, credit and taxing powers are pledged.

REVENUES PLEDGED

201/2 G.O. *Abatement Bonds*. The City has pledged future lease revenue, operating revenues (net of operating expenses) and, if necessary, a debt service tax levy to repay its \$17,315,000 bond issued in August 2019. Proceeds from this bond were used to finance the expansion of the community center. Total principal and interest remaining on the bonds is \$21,831,275, payable through February 2040. For the current year, principal and interest paid and total property tax revenues were \$590,500 and \$996,913, respectively.

2016/4 G.O. *Equipment Certificates*. The City has pledged future property tax revenue to repay the \$520,000 bonds issued in February 2016. Proceeds from the bonds were used to finance the purchase of capital equipment. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$135,273, payable through February 2021. For the current year, principal and interest paid and total property tax revenues were \$134,791 and \$142,775, respectively.

2020/4 G.O. *Equipment Certificates*. The City has pledged future property tax revenue to repay the \$1,310,000 bonds issued in March 2020. Proceeds from the bonds were used to finance the purchase of capital equipment. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$1,416,800, payable through February 2024.

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through February 2024. For the current year, principal and interest paid and total property tax revenues were \$19,213 and \$348,540, respectively.

2018 G.O. Capital Improvement Plan Bonds. The City has pledged future property tax revenue to repay the \$10,000,000 bonds issued in December 2018. Proceeds from the bonds were used to finance the construction of a public works maintenance facility with a wash bay and a cold storage building. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$14,624,826, payable through February 2044. For the current year, principal and interest paid and total property tax revenues were \$441,131 and \$41,794, respectively.

2010 G.O. Open Space Referendum Bonds. The City has pledged future property tax revenue to repay the \$1,660,000 bonds issued in 2010. Proceeds from the bonds were used to finance various land acquisitions for open space preservation within the City. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$345,526, payable through February 2022. For the current year, principal and interest paid and total property tax revenues were \$172,828 and \$184,240 respectively.

2009 4 G.O. Water Revenue Bonds. The City has pledged future water customer revenues, net of operating expenses, to repay the \$1,024,500 bonds issued in March 2009. Proceeds of the bonds provided financing for the addition to the water treatment plant. The bonds are payable from water customer net revenues and are payable through 2024. The total principal and interest remaining on the bonds is \$347,143. The principal and interest paid for the current year and total customer net revenues were \$89,499 and \$1,425,156, respectively.

2016 G.O. Water Revenue Refunding Bonds. The City has pledged future water customer revenues, net of operating expenses, to repay the \$3,925,000 bonds issued in December 2016. Proceeds of the bonds refunded the Series 2007B Bonds. The bonds are payable from water customer net revenues and are payable through 2023. The total principal and interest remaining on the bonds is \$2,086,350. The principal and interest paid for the current year and total customer net revenues were \$697,000 and \$1,425,156, respectively.

Note 7. LEGAL DEBT MARGIN

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. The City's legal debt margin for 2020 and 2019 is computed as follows:

	December 31,	2019
Estimated taxable market value	<u>\$ 3,422,826.162</u>	<u>\$ 3,121,797.779</u>
Debt limit (3% of market value)	<u>102,684,785</u>	<u>93,653,933</u>
Amount of debt applicable to debt limit:		
Total bonded debt	\$ 41,284,000	\$ 42,260,000
Less: Nonapplicable debt		
G.O. water revenue bonds	(2,345,000)	(3,070,000)
Less: Cash and investments in related debt service funds	(2,021,047)	(1,148,376)
Total debt applicable to debt limit	<u>36,917,953</u>	<u>37,771,624</u>
Legal debt margin	<u>\$ 65,766,832</u>	<u>\$ 55,882,309</u>

Note 8. DEFINED BENEFIT PENSION PLANS - PERA

A. PLAN DESCRIPTION

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

All full-time (with exception of employees covered by PEPFF) and certain part-time employees of the City are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan (PEPFF)

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

B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated Plan members is 1.2% of average salary for each of the first ten years of service and 1.1% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits, capped at 66.

Benefits are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989. Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. PEPFF

Benefits for PEPFF members first hired after June 30, 2010 but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014 vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. CONTRIBUTIONS

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

1. GERF Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the GIERF for the year ended December 31, 2020 were \$317,872. The City's contributions were equal to the required contributions as set by state statute.

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2. PEPFF Contributions

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The City's contributions to the PEPFF for the year ended December 31, 2020 were \$34,168. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

1. GERP Pension Costs

At December 31, 2020, the City reported a liability of \$3,495,351 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$1.6 million, totaling \$107,788. The net pension liability associated with the City's contribution meets the definition of a special funding situation. The State of Minnesota is considered a non-employer contributing entity and the state's contribution totals the net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0576% at the end of the measurement period and 0.0576% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 3,495,351
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>107,788</u>
Total	\$ 3,603,139

For the year ended December 31, 2020 the City recognized pension expense of \$138,736 for its proportionate share of the GERP's pension expense. In addition, the City recognized an additional \$9,381 of pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERP. At December 31, 2020, the City reported its proportionate share of the GERP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 31,876	\$ 13,225
Changes in actuarial assumptions	-	129,816
Net collective difference between projected and actual investment earnings	58,941	-
Changes in proportion	28,899	45,129
Contributions paid to PERA subsequent to the measurement date	<u>159,103</u>	<u>-</u>
Total	\$ 278,819	\$ 188,170

The \$159,103 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,218	\$ 6,546
Changes in actuarial assumptions	46,197	134,874
Net collective difference between projected and actual investment earnings	17,253	-
Changes in proportion	118,712	198,620
Contributions paid to PERA subsequent to the measurement date	<u>16,148</u>	<u>-</u>
Total	\$ 209,528	\$ 340,040

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\$16,148 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2021	\$ (27,839)
2022	(39,476)
2023	(46,042)
2024	(1,713)
2025	(11,590)
Thereafter	-
	\$ (146,660)

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disablitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for GERF and 1.0% per year for PEPPF.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- As recommended in the June 30, 2019 experience study, assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.
- The base mortality tables were changed from RH-2014 to Pub-2010 tables, with adjustments.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 3.5% to 4.5%.
- The assumed number of married female new retirees electing 100% Joint & Survivor option changed from 1.5% to 3.0%.
- The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.
- The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method, in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		2024	2025
Domestic Equity	35.5%	35.5%	5.10%
International Stocks	17.5%	17.5%	5.30%
Bonds (Fixed Income)	20.0%	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	25.0%	5.90%
Cash	2.0%	2.0%	0.00%
Total			100%

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on that assumption, the fiduciary net position of the GERF and the PEPPF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. PENSION LIABILITY SENSITIVITY

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Increase in Discount Rate (7.5%)	1% Decrease in Discount Rate (6.5%)
City's proportionate share of the GERF net pension liability	\$ 5,601,836	\$ 3,495,351
City's proportionate share of the PEPPF net pension liability	538,571	270,212
	48,192	

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpfa.org.

I. PENSION EXPENSE

Pension expense recognized by the City for the fiscal year ended December 31, 2020 is as follows:

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GERF	\$ 148,117
PEPFF	5,862
Total	\$ 153,979

For the governmental activities, pension liabilities are generally liquidated by the General and Special Revenue Funds.

Note 9. DEFINED CONTRIBUTION LUMP SUM SERVICE PENSION PLAN – VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION

PLAN DESCRIPTION

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 8, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees through a single employer defined benefit plan. The term *plan* refers to the City's requirement by State Statute to provide retirees with access to health insurance. The OPEB plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

Retirees

The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Employees who satisfy the Rule of 90 or attain age 55 and have completed 10 years of service at termination can immediately commence medical benefits. Retirees may obtain dependent coverage while the participating retiree is under age 65. Covered spouses may continue coverage after the retiree's death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee's death.

All health care coverage is provided through the City's group health insurance plan. The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan. The premium is a blended rate determined by the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

C. PARTICIPANTS

As of the actuarial valuation dated December 2018, participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	2
Active employees	48
Total	50
Participating employers	1

D. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

The City's total OPEB liability of \$380,848 was measured as of December 31, 2019 and was determined by an actuarial valuation using the alternative measurement method as of December 31, 2018. Changes in the total OPEB liability during 2020 were:

Year	Ending	City	State	Total
12/31/2018	\$ 55,000	\$ 176,391	\$ 231,391	
12/31/2019	—	181,102	181,102	
12/31/2020	55,000	194,699	249,699	

FUNDING POLICY

The State of Minnesota contributes amortization aid, or two percent fire aid, in accordance with state statute requirements. Plan members are not required to contribute to the plan. The state legislature may amend contribution requirements of the City and State. The City is allowed to make voluntary contributions of other public funds pursuant to Minnesota Statutes Section 424A. The City receives the State aid contribution and is required by state statutes to pass this through as payment to the Association. This transaction is recorded as revenue and expenditure in the City's financial statements. Contributions for the last three years are as follows:

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Balance - beginning of year	\$ 338,296
Changes for the year:	
Service Cost	17,068
Interest	12,944
Changes of benefit terms	-
Differences between expected and actual experience	25,462
Changes in assumptions	(12,922)
Benefit payments	42,552
Net Changes	
Balance - end of year	\$ 380,848

For governmental activities, OPEB liabilities are generally liquidated by the General and Special Revenue Funds.

E. ACTUAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Discount rate	2.75%
Investment rate of return	2.75%
Healthcare cost trend rates	6.40% for FY2019, gradually decreasing over several decades to an ultimate rate of 4.00% in FY2075 and later years.
Retirees' share of benefit-related costs	100%

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return was based on an index rate for 20-year tax-exempt municipal bonds (Fidelity 20-Year Municipal G.O. AA Index).

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.

Based on past experience of the plan, 75% of future retirees are assumed to continue medical coverage until age 65. 50% of police/fire employees are assumed to retire at age 55, the balance at 65. 50% of other City employees are assumed to retire at age 62, the balance at age 65.

F. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.75%) or 1% higher (3.75%) than the current rate:

1% Decrease in Discount Rate	Discount Rate <u>(1.75%)</u>	Discount Rate <u>(2.75%)</u>	1% Increase in Discount Rate <u>(3.75%)</u>
Total OPEB liability	\$ 408,569	\$ 380,848	\$ 354,351

G. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current rate:

Government Activities	\$ 30,600	\$ -
Business-Type Activities	\$ -	\$ 30,600
Total	\$ 30,600	\$ 30,600

Balance - beginning of year	\$ 338,296
Changes for the year:	
Service Cost	17,068
Interest	12,944
Changes of benefit terms	-
Differences between expected and actual experience	25,462
Changes in assumptions	(12,922)
Benefit payments	42,552
Net Changes	
Balance - end of year	\$ 380,848

H. OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2020, the City recognized \$37,693 of OPEB expense. At December 31, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

Total OPEB liability	\$ 339,202	\$ 380,848	\$ 429,582
Deferred Outflows	Deferred Inflows	of Resources	of Resources

Contributions between measurement date and reporting date

\$ 17,781

\$ 17,781

Note 11. INTERFUND RECEIVABLES/PAYABLES, LOANS AND TRANSFERS

The City made the following interfund transfers during the year:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Water Fund	\$ 93,975	Admin allocation
General Fund	Sewer Fund	\$ 77,123	Admin allocation
General Fund	Storm Sewer Fund	19,590	Admin allocation
Water Trunk CPF	Water Fund	300,000	Replacement reserve
Sewer Trunk CPF	Water Fund	400,000	Replacement reserve
Road & Bridge CPF	General Fund	1,000,000	Road improvements
Road & Bridge CPF	Nonmajor Fund	5,700	Roadway degradation
Water Trunk Fund CPF	Water Fund	59,740	Debt service allocation
Water Fund	Nonmajor Fund	22,650	Debt service allocation
Nonmajor Fund	Water Fund	22,650	Debt service allocation
Nonmajor Fund	Sewer Fund	23,500	Debt service allocation
Nonmajor Fund	Storm Sewer Fund	175,146	Debt service allocation
Nonmajor Fund	Nonmajor Fund	88,476	Close Fund
Nonmajor Fund	Nonmajor Fund	300,000	Debt service allocation
Nonmajor Fund	Nonmajor Fund		

Additionally, computer service fees paid by the Water, Sewer and Storm Sewer Enterprise Funds to the General Fund have been reclassified as transfers on the Government-Wide Statement of Activities as follows:

Government Activities	\$ 30,600	\$ -
Business-Type Activities	\$ -	\$ 30,600
Total	\$ 30,600	\$ 30,600

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Note 12. TAX INCREMENT DISTRICTS

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

1 . Name of District: Type of District: Authorizing Law: Established: Duration of District: Original net tax capacity: Current net tax capacity:	Tax Increment Financing District 1-5 Redevelopment M.S. Section 469 2012 Through 2039 \$ 6,139 92,299
Captured net tax capacity - retained by the City	\$ 86,160

2 . Name of District: Type of District: Authorizing Law: Established: Duration of District: Original net tax capacity: Current net tax capacity:	Tax Increment Financing District 1-6 Redevelopment M.S. Section 469 2014 Through 2024 \$ 21,998 67,456
Captured net tax capacity - retained by the City	\$ 45,458

Note 13. CONTINGENCIES

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty workers' compensation, and other miscellaneous insurance coverages.

B. LITIGATION

The City continues to carry commercial insurance for all other risks of loss, including employee health and disability insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

C. FEDERAL AND STATE FUNDS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the

applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2020.

D. TAX INCREMENT DISTRICTS

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance that would have a material effect on the financial statements.

E. TAX ABATEMENTS - PAY-AS-YOU-GO TAX INCREMENT

The City provides tax abatements pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the City. TIF captures the increase in tax capacity and property taxes from development or redevelopment to provide funding for the related project.

The City has one tax increment pay-as-you-go agreement. The agreement is not a general obligation of the City and is payable solely from available tax increment. Accordingly, this agreement is not reflected in the financial statements of the City. Details of the pay-as-you-go are as follows:

TIF District #1-5, Arbor Oaks Project:

Issued in 2012 in the principal sum of \$540,000 with an interest rate of 5.00% per annum. Principal and interest shall be paid on August 1, 2014 and each February and August thereafter and including February 1, 2029. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. Principal and interest payments will be completed February 1, 2029. The City shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2029. The current year abatement (TIF note payments) amounted to \$68,648. At December 31, 2020, the principal amount outstanding on the note was \$308,564.

Note 14. DEFERRED AD VALOREM TAX LEVIES - BONDED DEBT

General Obligation bond issues sold by the City are financed by ad valorem tax levies and special assessment bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the County Auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest.

These future scheduled tax levies are not shown as assets in the accompanying financial statements at December 31, 2020. Future scheduled tax levies for all bonds outstanding at December 31, 2020 totaled \$51,184,812.

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 15 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2020, a summary of the governmental fund balance classifications are as follows:

	General	Water Trunk CFF	Sewer Trunk CFF	Road & Bridge CFF	Capital Improvement Plan Bonds CFF	Tax Increment Projects CFF	Other Governmental Funds	Total
Nonspendable:	\$ 140,602	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,725
Inventory								
Festivus for Debservice	-	-	-	39,943	176,632	1,381,678	1,381,678	
Capital improvements	-	-	-	-	-	-	-	
Tax increment	-	-	-	-	-	-	-	
Public services	-	-	-	-	-	-	-	
Total restricted	-	-	-	-	39,943	176,632	1,381,678	3,053,794
Committed to:								
Economic development	-	-	-	-	-	-	-	
Property mapping system	-	-	-	-	-	-	-	
Solid waste management	-	-	-	-	-	-	-	
Seal cutting news dev.	-	-	-	-	-	-	-	
Total committed	-	-	-	-	-	-	-	
Assigned to:								
Sanitary sewer system	-	5,902,419	-	-	-	-	-	
Street rehabilitation	-	-	8,079,582	-	-	-	-	
Development purposes	-	-	-	8,804,203	-	-	-	
Community center	-	-	-	-	-	-	-	
Community resources programs	-	-	-	-	-	-	-	
Police services	-	-	-	-	-	-	-	
Parks & recreation	-	-	-	-	-	-	-	
Facilities management	-	-	-	-	-	-	-	
Pavement traits	-	-	-	-	-	-	-	
Capital improvements	-	-	-	-	-	-	-	
Total assigned	-	5,902,419	8,079,582	8,804,203	-	-	-	27,561,210
Unassigned	9,413,916	-	-	-	-	-	-	9,313,016
Total	\$ 9,414,515	\$ 5,902,419	\$ 8,079,582	\$ 8,804,203	\$ 39,943	\$ 176,632	\$ 1,381,678	\$ 42,284,560

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year—July and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy established a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 51-53% of the subsequent year's budgeted expenditures. At December 31, 2020, the unassigned fund balance of the General Fund targeted for cash-flow needs was 76% of the subsequent year's budgeted expenditures.

Note 16 CONDUIT DEBT OBLIGATION

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2020, the following revenue bonds were outstanding:

Project	Date of Issue	Original Issue	Retired	Outstanding 12/31/2020
Presbyterian Homes of Andover, Inc. YMCA of the Greater Twin Cities	11/1/2003 12/1/2019	\$ 13,145,000 6,650,000	\$ (5,058,614) (590,000)	\$ 8,086,386 6,060,000
Note 17 OPERATING LEASES				

The City received revenue from agreements for the lease of space for antennas placed on the water tower and an emergency siren pole. The City also has leases with the Greater Minneapolis YMCA, Subway Real Estate, LLC for building space at the Andover YMCA Community Center and various tenants in three residential 4-plexes. Terms of each lease are as follows:

Location	Lessee	Annual Lease Amount	Annual Lease Adjustment Factor	Expiration Date	Renewal Options
City Hall water tower	Sprint Nextel	\$ 31,827	3% annually	12/31/2022	3 - 5 year terms
City Hall water tower	T-Mobile USA, Inc	27,537	3% annually	12/31/2026	3 - 5 year terms
City Hall water tower	Verizon	25,725	3% annually	5/31/2024	3 - 5 year terms
Emergency Siren Pole	T-Mobile USA, Inc	14,000	\$1,000 annual increase	9/22/2023	1 - 5 year term
Andover YMCA Comm Ctr	Greater Minneapolis YMCA	63,500	N/A	8/1/2035	N/A
Rose Park water tower	Sprint Nextel	15,018	3% annually	3/14/2021	3 - 5 year terms
Rose Park water tower	Verizon	25,478	3% annually	5/31/2024	3 - 5 year terms
Andover YMCA Comm Ctr	Subway Real Estate, LLC	7,815	N/A	10/2/2021	1 - 3 year term
16 Rental Housing Units	Various Tenants	96,900	N/A	Monthly	N/A

Future minimum lease payments are unavailable at this time due to changing variables: CPI and the completion of the capital campaign for the community center.

Note 18 RECENTLY ISSUED ACCOUNTING STANDARDS

The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.
Statement No. 91 *Conduit Debt Obligations*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:
Statement No. 93 *Replacement of Interbank Offered Rates*. The provisions of this Statement contain multiple effective dates, the first being for reporting periods beginning after June 15, 2020.

Statement No. 92 *Omniplus 2020*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.
Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96 *Subscription-Based Information Technology Arrangements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.
The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 87 may have a material impact.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2020
With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 9

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2020
With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 9
(Continued)

	Budgeted Amounts	Final	2020	Actual	Variance with Final Budget - Positive (Negative)	2019	Actual	Variance with Final Budget - Positive (Negative)	2019	Actual
	Original							Original		
Revenues:										
General property taxes	\$ 9,392,032	\$ 9,392,032	\$ 9,303,234	\$ (88,798)	\$ 8,864,720	\$ 8,864,720	\$ 8,864,720	\$ 1,322,806	\$ 1,414,306	\$ 44,352
Licenses and permits	410,900	410,900	839,694	892,279	481,379	855,831	855,831			\$ 1,182,928
Intergovernmental	780,806	780,806	736,210	861,179	822,128	822,128	822,128			
Charges for services	736,210	736,210	75,250	1,070,899	334,689	1,133,161	1,133,161			
Fines	75,250	75,250	75,000	1,070,899	47,630	(27,620)	(27,620)			
Investment income	75,000	75,000	133,850	148,974	73,974	208,958	208,958			
Miscellaneous	133,850	133,850	11,604,048	11,662,936	172,062	38,212	184,588			
Total revenues	11,604,048	11,662,936			12,496,257	833,321	12,131,705			
Expenditures:										
Current:										
General government:										
Mayor and City council	108,315	108,315	95,519	12,796	99,001	99,001	99,001			
Administration	227,334	227,334	187,157	39,577	211,898	211,898	211,898			
Newsletter	25,000	25,000	22,156	2,844	25,022	25,022	25,022			
Human resources	34,100	34,100	16,180	17,920	15,843	15,843	15,843			
Legal	200,941	200,941	195,721	5,220	191,782	191,782	191,782			
City clerk	170,000	170,000	166,221	3,779	160,184	160,184	160,184			
Elections	69,994	99,182	91,643	7,539	20,452	20,452	20,452			
Financial administration	308,356	308,356	294,502	13,854	280,198	280,198	280,198			
Assessing	159,000	159,000	154,483	4,517	149,033	149,033	149,033			
Information systems	194,725	194,725	187,703	7,022	169,828	169,828	169,828			
Planning and zoning	490,296	490,296	453,133	37,163	412,282	412,282	412,282			
Engineering	605,481	605,481	566,224	39,257	561,643	561,643	561,643			
Facility management	640,134	640,134	475,086	165,048	543,318	543,318	543,318			
Total general government	3,267,676	3,262,864	2,906,328	356,536	2,840,484					
Public safety:										
Police	3,245,518	3,245,518	3,114,623	130,895	3,183,610	3,183,610	3,183,610			
Fire protection	1,511,670	1,522,370	1,502,657	1,508,852	13,518	13,273	13,273			
Protective inspection	490,410	507,910	519,183	17,227	12,709	18,609	18,609			
Civil defense	29,936	29,936	2,347	3,603	4,367					
Animal control	5,950	5,950								
Total public safety	5,289,484	5,311,684	5,162,232	149,452	5,091,792					
Public works:										
Streets and highways	738,070	733,070	686,979	46,091	609,570	609,570	609,570			
Snow and ice removal	631,937	631,937	496,668	135,269	703,647	703,647	703,647			
Street signs	235,124	235,124	257,280	(22,156)	202,995	202,995	202,995			
Traffic signals	40,000	40,000	23,044	16,956	26,421	26,421	26,421			
Street lighting	220,900	220,900	186,392	34,508	178,320	178,320	178,320			
Total public works	\$ 1,866,031	\$ 1,861,031	\$ 1,650,363	\$ 210,668	\$ 1,720,953					

See accompanying notes to the required supplementary information.

(Continued)

Statement 9
(Continued)

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Last Ten Years

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY*
GENERAL EMPLOYEES RETIREMENT FUND
For the Last Ten Years

Statement 11
Statement 11
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability*
General Employees Retirement Fund
For the Last Ten Years

	2018	2019	2020
Total OPEB liability:			
Service cost	\$ 14,090	\$ 16,135	\$ 17,068
Interest	10,482	10,008	12,944
Changes of benefit terms	-	-	-
Differences between expected and actual experience	11,969	3,219	25,462
Changes in assumptions	(5,813)	(12,311)	(12,922)
Benefit payments	30,728	45,917	42,552
Net change in total OPEB liability	261,651	292,379	338,296
Total OPEB liability - Beginning	<u>\$ 292,379</u>	<u>\$ 338,296</u>	<u>\$ 380,848</u>
Total OPEB liability - Ending	<u>\$ 4,469,146</u>	<u>\$ 4,620,961</u>	<u>\$ 4,562,782</u>
Covered-employee payroll	6.5%	7.3%	8.3%
Total OPEB liability as a percentage of covered-employee payroll			

See accompanying notes to the required supplementary information.
See accompanying notes to the required supplementary information.

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a ten year trend. Additional years will be added as they become available.

*The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

	Measurement Date	Fiscal Year Ending June 30	Fiscal Year Ending December 31	City's Proportionate Share (Percentage) of the Net Pension Liability Associated with Covered Payroll (a)	City's Proportionate Share (Amount)	State's Proportionate Share (Percentage) of the Net Pension Liability Associated with Covered Payroll (a-b)	City's Proportionate Share (Amount)	State's Proportionate Share (Amount)	City's Proportionate Share (Percentage) of the Net Pension Liability Associated with Covered Payroll (c)	City's Proportionate Share (Amount)	State's Proportionate Share (Percentage) of the Net Pension Liability Associated with Covered Payroll (c)	City's Proportionate Share (Amount)	State's Proportionate Share (Amount)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Pension Liability	
Total OPEB liability:																
Service cost	2015	2015	2015	0.0609%	\$ 3,156,154	\$ 62,597	\$ 3,578,755	88.2%	78.2%	4,853,104	133.9%	3,623,880	68.9%	100.4%	68.9%	
Interest	2016	2016	2016	0.0590%	4,790,507	47,673	3,839,730	133.9%	133.9%	3,823,146	100.4%	3,363,207	85.3%	3,944,067	75.9%	
Changes of benefit terms	2017	2017	2017	0.0594%	3,792,057	3,256,435	3,266,435	106,772	106,772	3,184,575	98,996	4,076,586	80.5%	80.5%	79.5%	
Differences between expected and actual experience	2018	2018	2018	0.0587%	3,363,207	3,363,207	3,283,571	107,788	107,788	3,495,351	107,788	3,603,139	41,56,037	86.7%	79.1%	
Changes in assumptions	2019	2019	2019	0.0576%	3,184,575	3,184,575	3,184,575	107,788	107,788	3,495,351	107,788	3,603,139	41,56,037	86.7%	79.1%	
Benefit payments	2020	2020	2020	0.0583%	3,495,351	3,495,351	3,495,351	107,788	107,788	3,603,139	41,56,037	3,603,139	41,56,037	86.7%	79.1%	

See accompanying notes to the required supplementary information.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS*
GENERAL EMPLOYEES RETIREMENT FUND
For the Last Ten Years

Statement 12

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY*
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For the Last Ten Years

Statement 13

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a,b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b,c)
December 31, 2015	\$ 268,490	\$ 268,490	\$ -	\$ 3,579,867	7.5%
December 31, 2016	283,158	283,158	-	3,775,440	7.5%
December 31, 2017	284,139	284,139	-	3,788,520	7.5%
December 31, 2018	301,507	301,507	-	4,020,093	7.5%
December 31, 2019	310,033	310,033	-	4,153,993	7.5%
December 31, 2020	317,872	317,872	-	4,238,286	7.5%

See accompanying notes to the required supplementary information.

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

See accompanying notes to the required supplementary information.

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

Measurement Date	Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability	Proportionate Share (Amount) of the Net Pension Liability(a)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll(b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		Covered Payroll(a)	Covered Payroll(b)		
June 30, 2015	December 31, 2015	0.0310%	\$ 238,609	\$ 194,74	122.8%
June 30, 2016	December 31, 2016	0.0380%	1,123,689	283,389	396.5%
June 30, 2017	December 31, 2017	0.0280%	3,780,033	28,895	131.3%
June 30, 2018	December 31, 2018	0.0267%	284,595	28,190	83.4%
June 30, 2019	December 31, 2019	0.0272%	289,571	287,498	88.8%
June 30, 2020	December 31, 2020	0.0205%	232,475	270,212	89.3%
			116.2%		87.2%

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS*
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For the Last Ten Years

Statement 14

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions as a Percentage of Covered Payroll (b/c)		
		Contributions in Relation to the Statutorily Required Contribution (b)	Deficiency (Excess) (a-b)	Covered Payroll (c)
December 31, 2015	\$ 38,121	\$ 38,121	\$ -	\$ 235,315
December 31, 2016	45,909	45,909	45,909	283,389
December 31, 2017	45,604	-	45,604	281,506
December 31, 2018	46,365	-	46,365	286,204
December 31, 2019	46,269	-	46,269	272,993
December 31, 2020	34,168	-	34,168	193,040

See accompanying notes to the required supplementary information.

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

Note A BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the departmental level for the General Fund. The following is a listing of General Fund departments whose expenditures exceed budget appropriations.

	Over Budget	Final Budget	Actual	Over Budget
General Fund:				
Current:				
Public Safety:				
Protective inspection	\$ 507,910	\$ 519,183	\$ 11,273	
Public Works:	235,124	257,280	22,156	
Street signs	193,971	228,124	34,153	
Recycling				

Note B MODIFIED APPROACH FOR CITY STREETS AND TRAILS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street and trail system; water treatment and distribution system; wastewater collection system; park and recreation lands and improvement system; storm water conveyance system; and building combined with site amenities such as parking and landscape areas used by the City in the conduct of its business. Each major infrastructure can be divided into subsystems. For example, the street and trail system can be divided into pavement widths, curb type and sidewalk. City owned streets could further be classified as collector or local. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the modified approach as defined in GASB Statement No. 34 for infrastructure reporting for its Pavement Management Program. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- 1) The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- 2) The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City's policy relative to maintaining the street and trail assets is to achieve an average rating of "Good" for all segments. This acceptable rating allows minor cracking and patching of the pavement along with minor roughness that could be noticeable to the users of the system.

In the fall of 2019, the City conducted a physical condition assessment of the streets and trails constructed since 1974. This assessment will be performed every three years. Each street and trail segment was assigned a physical condition based on potential defects. An Overall Condition Index (OCI) was assigned to each street and trail and expressed in a continuous scale. Prior to 2013, the continuous scale was from 0 to 100 where 0 is assigned to the least acceptable physical condition and 100 is assigned to a new street or trail. Starting in 2013, the continuous scale was from 0 to 10, where 0 is assigned to the least acceptable physical condition and 10 is assigned the physical characteristics of a new street or trail. The following conditions were defined:

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

Maintenance

Year

Condition

Rating Scale

Prior to 2013

Current

Rating Scale

Excellent

86 - 100

8 - 10

Very Good

71 - 85

7 - 7.9

Good

56 - 70

6 - 6.9

Fair

41 - 55

4 - 5.9

Poor

26 - 40

2 - 3.9

Very Poor

11 - 25

1 - 1.9

Substandard

0 - 10

0 - .9

As of December 31, 2020, the City's street and trail system was rated at an OCI index of 5.4 on the average with detail condition as follows:

Condition	% of Street and Trails	Rating
Excellent to Good	59.5%	
Fair	31.0%	
Poor to Substandard	9.5%	

The City's streets and trails are constantly deteriorating resulting from the following factors: (1) traffic using the system; (2) the sun's ultraviolet rays drying out and breaking down the top layer of pavement; (3) utility company private development trenching operations; (4) water damage from natural precipitation; and (5) frost heave. The City is continuously taking actions to prolong the life of the system through short-term maintenance activities such as pothole patching, crack sealing, seal coating and overlaying. The City expended \$2,667,000 on street and trail maintenance for the year ending December 31, 2020. These expenditures delayed deterioration; however, the overall condition of the system was not improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City's street and trail system at the average OCI rating of good is approximately \$1,150,000.

Year	Maintenance Estimate	Actual Expenditures	OCI Rating
2011	\$1,150,000	\$ 1,770,980	83
2012	1,150,000	3,894,784	83
2013	1,150,000	2,471,123	6.9
2014	1,150,000	2,029,026	6.7
2015	1,150,000	1,114,900	6.7
2016	1,150,000	1,585,756	6.3
2017	1,150,000	3,548,327	6.4
2018	1,150,000	2,274,146	6.4
2019	1,150,000	3,701,063	5.3
2020	1,150,000	2,667,008	5.4

The City has an on-going street and trail rehabilitation program funded in the Capital Improvement Program that is intended to improve the condition rating of the City streets and trails. The rehabilitation program is formulated based on the deficiencies identified as a part of its Pavement Management Program.

2020 Changes in Actuarial Assumptions:

Note C OPB INFORMATION

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. There are no factors that affect trends in the amounts reported, such as changes in benefit terms or assumptions.

Note D PENSION INFORMATION

PERA – General Employees Retirement Fund

2020 Changes in Actuarial Assumptions:

2019 Changes in Plan Provisions:

2018 Changes in Actuarial Assumptions:

2017 Changes in Actuarial Assumptions:

2020 Changes in Plan Provisions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 2.25% to 3.00%.

As recommended in the June 30, 2019 experience study, assumed salary increase rates were decreased 0.25% and assumed rates of retirement were changed resulting in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination and disability were also changed.

- The base mortality tables were changed from RP-2014 to Pub-2010 tables, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

- The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 35% to 45%.
- The assumed number of married new retirees electing the Life annuity option changed from 15% to 30%.

The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 0.2% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed post-increase rate was changed from 1.0 percent per year through 2044 and 2.5 percent per year thereafter to 1.25 percent per year.

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 percent per year thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all future years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

PERA – Public Employees Police and Fire

2020 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2017 Changes in Actuarial Assumptions:

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2020

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

- The single discount rate was changed from 7.6 percent to 7.5 percent.
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.3 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.5 percent thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 5.5%. The single discount rate was changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 2.25% for payroll growth and 2.5% for inflation.

CITY OF ANDOVER, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2020
 With Comparative Totals For December 31, 2019

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Revenues for these funds can come from a variety of sources, such as taxes, fees, gifts and grants or contributions from other governmental entities. Expenditures from these funds are normally restricted by statute, local ordinance or grant agreements. The funds may be used for either operations or capital outlays as legal restrictions mandate.

DEBT SERVICE FUNDS

A Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term principal, interest and other related costs.

CAPITAL PROJECTS FUNDS

A Capital Projects Fund is used to account for acquisition or construction of major capital facilities financed mainly with governmental fund resources, general obligation debt, special assessments, special assessment debt, grants or other resources that are not part of Proprietary Funds or Trust Funds.

	Special Revenue	Debt Service	Capital Projects	Totals
	2020	2019	2020	Nonmajor Governmental Funds
Assets:				
Cash and investments	\$ 868,733	\$ 2,021,047	\$ 5,250,994	\$ 8,139,74
Cash and investments with escrow agent	126,082	-	126,082	6,809,768
Accrued interest	4,274	3,157	22,402	152,233
Due from other governmental units	-	-	73,024	30,261
Accounts receivable - net	204,184	-	-	-
Property taxes receivable:				
Unremitted	1,153	75,672	15,973	92,798
Delinquent	466	26,721	6,692	33,879
Special assessments receivable:				
Deferred	-	-	95,792	95,792
Inventories - at cost	2,123	-	-	98,260
Total assets	<u>\$ 1,207,615</u>	<u>\$ 2,126,597</u>	<u>\$ 5,463,977</u>	<u>\$ 8,798,189</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 81,806	\$ -	\$ 32,359	\$ 114,165
Deposits payable	1,865	-	11,777	13,642
Due to other governmental units	528	-	35,165	35,693
Salaries payable	14,176	-	-	17,990
Unearned revenue	100,857	-	-	14,176
Total liabilities	<u>199,232</u>	<u>-</u>	<u>79,301</u>	<u>100,857</u>
Deferred inflows of resources:				
Unavailable revenues	466	26,721	102,484	129,671
Fund balance (deficit):				
Nonspendable	2,123	-	-	122,954
Restricted	124,181	2,099,876	829,537	2,123
Committed	508,062	-	-	19,623
Assigned	373,351	-	4,452,655	3,053,794
Total fund balance (deficit)	<u>1,007,917</u>	<u>2,099,876</u>	<u>5,282,192</u>	<u>4,826,062</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 1,207,615</u>	<u>\$ 2,126,597</u>	<u>\$ 5,463,977</u>	<u>\$ 8,798,189</u>

CITY OF ANDOVER, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2020
 With Comparative Totals For The Year Ended December 31, 2019

Statement 16

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
				2020 2019
Revenues:				
General property taxes				
Intergovernmental	\$ 39,963	\$ 3,076,966	\$ 643,219	\$ 3,760,148 2,776,349
Special assessments	2,465,736	-	73,024	2,538,760 2,905
Charges for services	-	-	4,215	4,215 136,450
Investment income	60,124	-	-	60,124 808,476
Miscellaneous:	22,350	11,680	119,817	153,847 155,638
Park dedication fees	-	-	-	-
Rent	635,629	-	389,033	635,629 472,753
Other	186,809	-	173,505	360,314 636,803 476,502
Total revenues	<u>3,951,611</u>	<u>3,088,646</u>	<u>1,402,813</u>	<u>8,443,070</u> <u>5,465,876</u>
Expenditures:				
Current:				
General government	57,368	-	115,648	173,016 170,707
Public safety	50,1520	-	90,491	59,201 4,237
Public works	70,311	-	-	70,311 77,028
Parks and recreation	1,053,900	-	72,140	1,125,640 1,060,073
Economic development	1,844,6024	-	-	1,844,6024 62,147
Capital outlay:	-	-	-	-
General government	-	-	21,759	21,759 -
Public safety	161,994	-	156,490	318,484 72,801
Public works	-	-	283,483	283,483 538,461
Parks and recreation	100,000	-	1,019,923	1,119,923 90,431
Economic development	30,151	-	-	30,151 -
Debt service:	-	-	-	-
Principal retirement	-	1,561,000	-	1,561,000 1,444,000
Interest	-	1,290,844	-	1,290,844 568,864
Paying agent fees	-	5,000	-	5,000 1,000
Total expenditures	<u>3,920,868</u>	<u>2,886,844</u>	<u>1,759,934</u>	<u>8,437,646</u> <u>4,089,749</u>
Revenues over (under) expenditures	<u>130,743</u>	<u>231,802</u>	<u>(357,121)</u>	<u>5,424</u> <u>1,376,127</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(305,700)	520,446	111,976	632,422 547,602
Bonds issued	-	(88,476)	(175,146)	(569,322) (305,800)
Bond premium	-	-	1,310,000	1,310,000 -
Proceeds from sale of capital assets	-	-	95,481	95,481 -
Total other financing sources (uses)	<u>(305,700)</u>	<u>431,970</u>	<u>1,345,311</u>	<u>1,471,581</u> <u>266,352</u>
Net increase (decrease) in fund balance	<u>(174,957)</u>	<u>663,772</u>	<u>988,190</u>	<u>1,477,005</u> <u>1,642,479</u>
Fund balance - January 1	<u>1,182,874</u>	<u>1,436,104</u>	<u>4,294,002</u>	<u>6,912,680</u> <u>5,270,501</u>
Fund balance - December 31	<u>\$ 1,007,917</u>	<u>\$ 2,099,876</u>	<u>\$ 5,282,192</u>	<u>\$ 8,389,985</u> <u>\$ 6,912,980</u>

NONMAJOR SPECIAL REVENUE FUNDS

The City of Andover had the following Special Revenue Funds during the year:

- EDA General - This fund was established to account for activities designed to promote quality economic development within the community.
- Community Center - This fund is used to account for the operations of the Andover YMCA/Community Center, particularly the ice arena, field house and concessions. The aquatic's portion of the Community Center is under the operations of the YMCA.
- Drainage and Mapping - This fund accounts for resources necessary to maintain existing maps and developing new maps and mapping systems for the City.
- LRRWMO - This fund is used to account for the City's involvement with the Lower Rum River Watershed Management Organization (LRRWMO).
- Forestry - This fund was established to account for the protection of forest resources and the development of control plans to ensure preservation or restoration of these resources.
- Right-of-Way Management/Utility - This fund is used to account for activity associated with the management of the public right-of-ways.
- Charitable Gambling - This fund accounts for the 10% of net profits received from gambling activities by local non-profit organizations. According to state statute, all expenditures from this fund must be for public services and police, fire and other emergency or public safety-related services, equipment, and training, excluding pension obligations.
- Construction Seal Coating - This fund accounts for the contributions associated with land development to be used for the respective developments first application of crack seal and seal coat.
- CARES Grant - This fund accounts for the money distributed to local governments to assist with the financial strain of COVID-19.

CITY OF ANDOVER, MINNESOTA
 SUBCOMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 December 31, 2020
 With Comparative Totals For December 31, 2019

Statement 17

	EDA General	Community Center	Drainage and Mapping	LRBWWMO	Forestry	Right-of-Way Management/ Utility	Charitable Gambling	Construction Seal Coating	Totals	
									Nominal Special Revenue Funds 2020	2019
Assets:										
Cash and investments	\$ 143,280	\$ 110,645	\$ 191,434	\$ 74,096	\$ 5,335	\$ 81,740	\$ 156,693	\$ 105,610	\$ 868,33	\$ 1,106,717
Cash and investments with escrow agent	-	126,682	-	-	-	-	-	-	126,682	152,233
Accrued interest	583	1,112	871	281	-	352	673	402	4,274	6,061
Accounts receivable - net	14,277	189,907	-	-	-	-	-	-	204,184	85,092
Property taxes receivable:										
Unremitted				1,153	-	-	-	-	1,153	407
Delinquent	-	-	-	466	-	-	-	-	466	452
Inventories - at cost	-	-	2,123	-	-	-	-	-	2,123	1,957
Total assets	\$ 158,140	\$ 430,369	\$ 192,305	\$ 75,996	\$ 5,335	\$ 82,092	\$ 157,366	\$ 106,012	\$ 1,207,615	\$ 1,352,919
Liabilities, Deferred Inflows of Resources and Fund Balances										
Liabilities:										
Accounts payable	\$ 4,160	\$ 56,435	\$ 22	\$ 230	\$ -	\$ -	\$ 31	\$ 20,928	\$ -	\$ 81,806
Deposits payable	-	1,865	-	-	-	-	-	-	-	1,865
Due to other governmental units	-	528	-	-	-	-	-	-	-	528
Salaries payable	-	13,459	-	399	-	318	-	-	14,176	13,613
Unearned revenue	-	-	-	-	-	-	-	-	100,857	58,142
Total liabilities	\$ 4,160	\$ 72,287	\$ 22	\$ 629	-	349	\$ 20,928	\$ 100,857	\$ 199,232	\$ 169,593
Deferred inflows of resources:										
Unavailable revenues										
Fund balance (deficit):										
Nonspendable	-	2,123	-	-	-	-	-	-	-	2,123
Restricted	-	-	192,283	74,901	-	81,743	124,381	-	124,381	1,957
Committed	153,980	-	355,059	-	5,335	-	-	12,057	-	106,164
Assigned	-	-	-	-	-	-	-	-	5,155	518,312
Total fund balance (deficit)	153,980	\$ 358,082	\$ 192,283	\$ 74,901	5,335	\$ 81,743	136,458	5,155	\$ 1,007,917	\$ 1,182,874
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 158,140	\$ 430,369	\$ 192,305	\$ 75,996	\$ 5,335	\$ 82,092	\$ 157,366	\$ 106,012	\$ 1,207,615	\$ 1,352,919

CITY OF ANDOVER, MINNESOTA
 SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2020
 With Comparative Totals For The Year Ended December 31, 2019

	EDA General	Community Center	Drainage and Mapping	LRRWMO	
Revenues:					
General property taxes	\$ -	\$ -	\$ -	\$ 39,963	
Intergovernmental	26,005	513,765	21,853	-	
Charges for services	2,435	6,793	4,148	1,336	
Investment income					
Miscellaneous:					
Rent					
Other	443	110,781	-	-	
Total revenues	<u>28,883</u>	<u>1,266,968</u>	<u>26,001</u>	<u>41,299</u>	
Expenditures:					
Current:					
General government	-	-	-	-	57,368
Public safety	-	-	-	-	-
Public works	-	17,447	28,698	-	501,520
Parks and recreation	1,053,300	-	-	-	70,311
Economic development	43,540	-	-	-	1,045,404
Capital outlay:					62,147
Public safety	-	-	-	-	-
Parks and recreation	100,000	-	-	-	1,846,024
Economic development	30,151	-	-	-	-
Total expenditures	<u>73,691</u>	<u>1,153,300</u>	<u>17,447</u>	<u>28,698</u>	
Revenues over (under) expenditures	(44,808)	113,468	8,554	12,601	
Other financing sources (uses):					
Transfers out	-	(300,000)	-	-	(305,700)
Net increase (decrease) in fund balance	(44,808)	(186,532)	8,554	12,601	(305,800)
Fund balance (deficit) - January 1	198,788	544,614	183,729	62,300	193,520
Fund balance (deficit) - December 31	<u>\$ 153,980</u>	<u>\$ 358,082</u>	<u>\$ 192,283</u>	<u>\$ 74,901</u>	<u>\$ 989,354</u>

	Forestry	Right-of-Way Management/ Utility	Charitable Gambling	Construction Seal Coating	CARES Grant	Totals Nonmajor Special Revenue Funds 2020 2019
Revenues:						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,963 \$ 39,857
Intergovernmental	26,005	513,765	21,853	39,501	2,465,736	2,465,736
Charges for services	2,435	6,793	4,148	1,687	601,124	601,124
Investment income					22,350	22,350
Miscellaneous:						37,280
Rent						
Other	443	110,781	-	-	-	63,803
Total revenues	<u>28,883</u>	<u>1,266,968</u>	<u>26,001</u>	<u>41,188</u>	<u>2,465,998</u>	<u>3,951,611</u>
Expenditures:						
General government	-	-	-	-	-	57,368
Public safety	-	-	-	-	-	-
Public works	-	17,447	28,698	-	-	501,520
Parks and recreation	1,053,300	-	-	-	-	70,311
Economic development	43,540	-	-	-	-	1,045,404
Capital outlay:						62,147
Public safety	-	-	-	-	-	-
Parks and recreation	100,000	-	-	-	-	1,846,024
Economic development	30,151	-	-	-	-	-
Total expenditures	<u>73,691</u>	<u>1,153,300</u>	<u>17,447</u>	<u>28,698</u>	<u>2,465,998</u>	<u>3,820,868</u>
Revenues over (under) expenditures	(44,808)	113,468	8,554	12,601	98	17,922 21,727 2,081 - 130,743 499,320
Other financing sources (uses):						
Transfers out	-	(300,000)	-	-	-	(305,700)
Net increase (decrease) in fund balance	(44,808)	(186,532)	8,554	12,601	98	11,322 21,727 2,081 - (174,957) 193,520
Fund balance (deficit) - January 1	198,788	544,614	183,729	62,300	5,237	70,421 114,711 3,074 - 1,182,874
Fund balance (deficit) - December 31	<u>\$ 153,980</u>	<u>\$ 358,082</u>	<u>\$ 192,283</u>	<u>\$ 74,901</u>	<u>\$ 5,335</u>	<u>\$ 81,743</u> <u>\$ 136,438</u> <u>\$ 5,155</u> <u>\$ -</u> <u>\$ 1,007,917</u> <u>\$ 1,182,874</u>

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NONMAJOR DEBT SERVICE FUNDS

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

- Certificates of Indebtedness
- Capital Improvement Bonds
- Abatement Bonds
- Referendum Bonds

Certificates of Indebtedness - (G.O. Equipment Certificates - 2014A, 2016A and 2020A) are repaid primarily from general property taxes.

Capital Improvement Plan Bonds - (G.O. Capital Improvement Plan Bonds of 2018A) are repaid primarily from general property taxes.

Abatement Bonds - (G.O. Abatement Bonds of 2012C and 2019A) are repaid from annual lease payments from the YMCA, Community Center operations and general property tax.

Referendum Bonds - (Open Space Referendum Bonds of 2010A) are used to finance the purchase of land to remain as open space.

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2020
With Comparative Totals For December 31, 2019

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	G.O. Equipment Certificate 2016A	G.O. Equipment Certificate 2020A	G.O. Capital Improvement Plan Bonds 2018A	G.O. Abatement Bonds 2012C	G.O. Abatement Bonds 2019A	Open Space Referendum Bonds 2010A	G.O. Abatement Bonds 2020	Nonmajor Debt Service Funds 2020	Totals 2019
Assets:									
Cash and investments	\$ 172,429	\$ 324,171	\$ 336,638	\$ 350,478			\$ 560,822	\$ 276,509	\$ 1,418,376
Accrued interest	-	823	726	-			70	908	3,157
Property taxes receivable:							24,659	4,120	75,672
Unremitted	3,531	8621	10,681	24,060			9,192	1,365	15,482
Delinquent	-	3,214	3,981	8,969				26,721	18,448
Total assets	\$ 175,960	\$ 336,629	\$ 352,026	\$ 363,507			\$ 595,373	\$ 282,902	\$ 1,454,552
Deferred Inflows of Resources and Fund Balances									
Deferred inflows of resources:									
Unavailable revenues	\$ -	\$ 3,214	3,981	\$ 8,969			\$ 9,192	\$ 1,365	\$ 26,721
Fund balance (deficit):									18,448
Restricted	<u>175,960</u>	<u>333,615</u>	<u>348,045</u>	<u>374,538</u>			<u>586,181</u>	<u>28,1537</u>	<u>2,099,876</u>
Total deferred inflows of resources, and and fund balances (deficit)	\$ 175,960	\$ 336,629	\$ 352,026	\$ 363,507			\$ 595,373	\$ 282,902	\$ 2,126,597

	G.O. Equipment Certificate 2016A	G.O. Equipment Certificate 2020A	G.O. Capital Improvement Plan Bonds 2018A	G.O. Abatement Bonds 2012C	G.O. Abatement Bonds 2019A	Open Space Referendum Bonds 2010A	G.O. Abatement Bonds 2020	Nonmajor Debt Service Funds 2020	Totals 2019
Assets:									
Cash and investments	\$ 172,429	\$ 324,171	\$ 336,638	\$ 350,478			\$ 560,822	\$ 276,509	\$ 1,418,376
Accrued interest	-	823	726	-			70	908	3,157
Property taxes receivable:							24,659	4,120	75,672
Unremitted	3,531	8621	10,681	24,060			9,192	1,365	15,482
Delinquent	-	3,214	3,981	8,969				26,721	18,448
Total assets	\$ 175,960	\$ 336,629	\$ 352,026	\$ 363,507			\$ 595,373	\$ 282,902	\$ 1,454,552

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2020
With Comparative Totals For The Year Ended December 31, 2019

Statement 20

	G.O. Equipment Certificate 2014A	G.O. Equipment Certificate 2016A	G.O. Equipment Certificate 2020A	G.O. Capital Improvement Plan Bonds 2018A	G.O. Abatement Bonds 2012C	G.O. Abatement Bonds 2019A	Open Space Referendum Bonds 2010A	Totals Nonmajor Debt Service Funds 2020	Totals Nonmajor Debt Service Funds 2019
Revenues:									
General property taxes	\$ -	\$ 142,775	\$ 348,540	\$ 431,794	\$ 972,704	\$ 996,913	\$ 184,240	\$ 3,076,966	\$ 2,097,563
Investment income		(296)	4,288	3,698	(4,770)	5,372	3,388	11,680	7,066
Total revenues	-	142,479	352,828	435,492	967,934	1,002,285	187,628	3,088,646	2,104,629
Expenditures:									
Debt service:									
Principal retirement	27,500	131,000	19,213	85,000	910,000	590,150	160,000	1,561,000	1,444,000
Interest	2,750	3,791	-	356,131	305,981	1,100	12,828	1,290,844	568,864
Paying agent fees	-	600	1,100	-	-	-	1,100	5,000	1,000
Total expenditures	277,750	135,391	19,213	442,231	1,217,081	591,250	173,928	2,856,844	2,013,864
(277,750)					(249,147)	41,035	13,700		231,802
Revenues over (under) expenditures									96,765
Other financing sources (uses):									
Other financing sources (uses):									
Transfers in	-	-	-	45,300	300,000	175,146	-	520,446	300,000
Transfers out	(88,476)	-	-	-	-	-	-	(88,476)	-
Total other financing sources (uses)	(88,476)	-	-	45,300	300,000	175,146	-	431,970	300,000
Net increase (decrease) in fund balance	(366,226)	7,088	333,615	38,561	50,853	586,181	13,700	663,772	390,765
Fund balance - January 1	366,226	168,872	-	309,484	323,685	-	267,837	1,436,104	1,044,339
Fund balance - December 31	\$ -	\$ 175,960	\$ 333,615	\$ 348,045	\$ 374,538	\$ 586,181	\$ 281,537	\$ 2,099,876	\$ 1,436,104

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NONMAJOR CAPITAL PROJECTS FUNDS

The City of Andover had the following Capital Projects Funds during the year.

Park Dedication - This fund was established to account for contributions associated with land development to be used for constructing and upgrading the City's park system.

Building Fund - This fund was established to account for miscellaneous building improvements for all facilities.

Trail and Transportation - This fund is used to account for contributions associated with land development to be used for constructing and upgrading the City's trail system.

Capital Equipment Reserve - This fund is used to account for the capital equipment/projects levy and the various capital expenditures it will be used for.

Equipment Certificates 2020A - This fund was established to account for the purchase of capital equipment that was financed through the issuance of capital notes.

Permanent Improvement Revolving - This fund serves as a long-term funding source for large capital improvement expenditures.

CITY OF ANDOVER, MINNESOTA
 SUBCOMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2020
 With Comparative Totals For December 31, 2019

	Park Dedication	Building Fund	Trail & Transportation	Capital Equipment Reserve	
Assets:					
Cash and investments	\$ 645,174	\$ 633,210	\$ 110,134	\$ 1,806,084	
Accrued interest	2,866	1,840	513	7,727	
Due from other governmental units	73,024	-	-	-	
Property taxes receivable:					
Unremitted	366	8,802	-	6,805	
Delinquent	153	3,688	-	2,851	
Special assessments receivable:					
Deferred	-	-	-	-	
Total assets	<u>\$ 721,583</u>	<u>\$ 647,540</u>	<u>\$ 110,647</u>	<u>\$ 1,823,467</u>	
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 130	\$ -	\$ -	\$ 1,144	
Deposits payable	-	-	-	11,777	
Due to other government units	-	-	-	35,165	
Total liabilities	<u>130</u>	<u>-</u>	<u>-</u>	<u>48,086</u>	
Deferred inflows of resources:					
Unavailable revenues	153	3,688	-	2,851	
Fund balance (deficit):					
Restricted	<u>721,300</u>	<u>641,852</u>	<u>110,647</u>	<u>1,772,530</u>	
Assigned	<u>721,300</u>	<u>643,852</u>	<u>110,647</u>	<u>1,772,530</u>	
Total fund balance (deficit)	<u>\$ 721,583</u>	<u>\$ 647,540</u>	<u>\$ 110,647</u>	<u>\$ 1,823,467</u>	
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 721,583</u>	<u>\$ 647,540</u>	<u>\$ 110,647</u>	<u>\$ 1,823,467</u>	

Statement 21

	Equipment Certificates 2020A	Capital Equipment Reserve	Permanent Improvement Revolving	Totals
	2020	2020	2020	2019
Assets:				
Cash and investments	\$ 856,642	\$ 1,193,650	\$ 5,476	\$ 5,250,094
Accrued interest	3,980	-	-	22,402
Due from other governmental units	-	-	-	73,024
Property taxes receivable:				
Unremitted	6,805	-	-	15,973
Delinquent	153	3,688	-	6,692
Special assessments receivable:				
Deferred	-	-	-	5,794
Total assets	<u>\$ 860,622</u>	<u>\$ 1,300,118</u>	<u>\$ 95,792</u>	<u>\$ 98,260</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 31,085	\$ -	\$ -	\$ 32,359
Deposits payable	-	-	-	11,777
Due to other government units	-	-	-	35,165
Total liabilities	<u>31,085</u>	<u>-</u>	<u>-</u>	<u>79,301</u>
Deferred inflows of resources:				
Unavailable revenues	-	-	-	-
Fund balance (deficit):				
Restricted	829,537	-	1,204,326	829,537
Assigned	<u>721,300</u>	<u>641,852</u>	<u>110,647</u>	<u>4,452,655</u>
Total fund balance (deficit)	<u>\$ 721,300</u>	<u>\$ 643,852</u>	<u>\$ 110,647</u>	<u>\$ 4,294,002</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 721,583</u>	<u>\$ 647,540</u>	<u>\$ 110,647</u>	<u>\$ 5,282,192</u>
Total assets, liabilities, and fund balances	<u>\$ 860,622</u>	<u>\$ 1,300,118</u>	<u>\$ 95,792</u>	<u>\$ 4,415,269</u>

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES FUNDS
NONMAJOR CAPITAL PROJECTS FUNDS
For The Year Ended December 31, 2020
With Comparative Totals For The Year Ended December 31, 2019

	Park Dedication	Building Fund	Trail & Transportation	Capital Equipment Reserve				
Revenues:								
General property taxes	\$ 14,722	\$ 354,450	\$ -	\$ 274,047				
Intergovernmental	73,024	-	-	-				
Special assessments	-	-	-	-				
Investment income	12,873	11,501	2,801	37,894				
Miscellaneous:								
Park dedication fees	389,033	-	-	-				
Other	12,739	-	-	-				
Total revenues	<u>50,291</u>	<u>365,951</u>	<u>119,681</u>	<u>355,827</u>				
Expenditures:								
Current:								
General government	-	66,730	-	48,918				
Public safety	-	-	52,275	-				
Parks and recreation	8,055	-	10,695	52,490				
Capital outlay:								
General government	-	-	-	21,759				
Public safety	-	-	-	58,668				
Public works	-	-	-	703				
Parks and recreation	336,346	273,478	-	90,209				
Total expenditures	<u>345,201</u>	<u>340,208</u>	<u>100,904</u>	<u>368,847</u>				
Revenues over (under) expenditures	<u>157,190</u>	<u>25,743</u>	<u>18,777</u>	<u>(13,020)</u>				
Other financing sources (uses):								
Transfers in	88,476	-	-	23,300				
Transfers out	(175,446)	-	-	-				
Bonds issued	-	-	-	-				
Bond premium	-	-	-	-				
Proceeds from sale of capital assets	-	-	-	3,000				
Total other financing sources (uses)	<u>(175,446)</u>	<u>88,476</u>	<u>-</u>	<u>26,300</u>				
Net increase (decrease) in fund balance	<u>(17,056)</u>	<u>114,219</u>	<u>18,777</u>	<u>13,480</u>				
Fund balance (deficit) - January 1	<u>739,256</u>	<u>529,633</u>	<u>91,870</u>	<u>1,759,050</u>				
Fund balance (deficit) - December 31	<u>\$ 721,300</u>	<u>\$ 643,852</u>	<u>\$ 110,647</u>	<u>\$ 1,772,330</u>				

	Equipment Certificates 2020A	Capital Equipment Reserve	Permanent Improvement Revolving	Nonmajor Capital Projects Funds	Totals
	\$ -	\$ -	\$ -	\$ 638,929	
				73,024	2,905
				4,215	136,450
				25,918	111,292
				-	
				389,033	472,753
				173,505	249,832
				-	
				1,402,813	1,612,161

CITY OF ANDOVER, MINNESOTA
 SPECIAL REVENUE FUND - EDA GENERAL
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 23

CITY OF ANDOVER, MINNESOTA
 SPECIAL REVENUE FUND - COMMUNITY CENTER
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 24

	Budgeted Amounts	2020	Variance with Final Budget - Positive (Negative)	2019
	Original	Final	Actual	Actual
Revenues:				
Charges for services	\$ 7,000	\$ 7,000	\$ 19,005	\$ 7,096
Investment income	2,000	-	2,435	6,231
Miscellaneous	-	-	443	177
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>19,883</u>	<u>13,504</u>
Expenditures:				
Current:				
Economic development	102,078	71,927	43,540	28,387
Capital outlay:	-	30,151	-	-
Economic development	-	-	-	62,147
Total expenditures	<u>102,078</u>	<u>102,078</u>	<u>73,691</u>	<u>62,147</u>
Net increase (decrease) in fund balance	<u>\$ (92,078)</u>	<u>\$ (93,078)</u>	<u>(44,808)</u>	<u>48,270</u>
Fund balance (deficit) - January 1			198,788	247,431
Fund balance (deficit) - December 31		<u>\$ 153,980</u>	<u>\$ 198,788</u>	

	Budgeted Amounts	2020	Variance with Final Budget - Positive (Negative)	2019
	Original	Final	Actual	Actual
Revenues:				
Charges for services	\$ 752,300	\$ 752,300	\$ 513,765	\$ (238,535)
Investment income	-	-	6,793	6,793
Miscellaneous:				
Rent	638,000	638,000	635,629	(2,371)
Other	140,000	140,000	110,781	(29,219)
Total revenues	<u>1,530,300</u>	<u>1,530,300</u>	<u>1,266,968</u>	<u>(263,332)</u>
Expenditures:				
Current:				
Parks and recreation	1,315,471	1,315,471	1,053,500	261,971
Capital outlay:				
Parks and recreation	130,000	130,000	100,000	30,000
Total expenditures	<u>1,445,471</u>	<u>1,445,471</u>	<u>1,153,500</u>	<u>291,971</u>
Revenue over (under) expenditures				
Other financing sources (uses)				
Transfers out				
Net increase (decrease) in fund balance	<u>\$ (215,171)</u>	<u>\$ (215,171)</u>	<u>(186,532)</u>	<u>\$ 28,639</u>
Fund balance (deficit) - January 1				
Fund balance (deficit) - December 31		<u>\$ 358,082</u>	<u>\$ 544,614</u>	<u>385,545</u>

CITY OF ANDOVER, MINNESOTA
 SPECIAL REVENUE FUND - DRAINAGE AND MAPPING
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 25

CITY OF ANDOVER, MINNESOTA
 SPECIAL REVENUE FUND - LRRWMO
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 26
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For The Year Ended December 31, 2020

	Variance with Final Budget - Positive (Negative)			Variance with Final Budget - Positive (Negative)		
	Budgeted Amounts	2020 Original	2020 Final	Budgeted Amounts	2020 Original	Budgeted Amounts
		Actual			Actual	
Revenues:				Revenues:		
Charges for services	\$ 8,000	\$ 8,000	\$ 21,853	General property taxes	\$ 40,000	\$ 40,000
Investment income	1,200	1,200	4,148	Investment income	200	200
Total Revenues	9,200	9,200	26,001	Total revenues	40,200	40,200
Expenditures:				Expenditures:		
Current:				Current:		
Public works	24,500	24,500	17,447	Public works	28,840	28,840
Net increase (decrease) in fund balance	\$ (15,300)	\$ (15,300)	8,554	Net increase (decrease) in fund balance	\$ 11,360	\$ 11,360
Fund balance (deficit) - January 1				Fund balance (deficit) - January 1		
Fund balance (deficit) - December 31			\$ 183,729	Fund balance (deficit) - December 31	\$ 62,300	\$ 44,311
			\$ 192,283			\$ 62,200
			\$ 183,729			\$ 74,901

	Variance with Final Budget - Positive (Negative)			Variance with Final Budget - Positive (Negative)		
	Budgeted Amounts	2019 Original	2019 Final	Budgeted Amounts	2019 Original	Budgeted Amounts
		Actual			Actual	
Revenues:				Revenues:		
General property taxes	\$ 40,000	\$ 40,000	\$ 39,963	General property taxes	\$ 39,963	\$ 39,857
Investment income	200	200	1,336	Investment income	1,336	1,897
Total revenues	40,200	40,200	41,299	Total revenues	41,299	41,754
Expenditures:				Expenditures:		
Current:				Current:		
Public works	28,840	28,840	28,698	Public works	28,698	142
Net increase (decrease) in fund balance	\$ 11,360	\$ 11,360	12,601	Net increase (decrease) in fund balance	\$ 12,601	1,241
Fund balance (deficit) - January 1				Fund balance (deficit) - January 1		17,989
Fund balance (deficit) - December 31			\$ 62,300	Fund balance (deficit) - December 31	\$ 62,300	44,311
			\$ 74,901			\$ 62,200

CITY OF ANDOVER, MINNESOTA
SPECIAL REVENUE FUND - FORESTRY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 27

CITY OF ANDOVER, MINNESOTA
SPECIAL REVENUE FUND - RIGHT-OF-WAY MANAGEMENT/UTILITY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 28

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)		Budgeted Amounts		Variance with Final Budget - Positive (Negative)	
	Original	Final	2020 Actual	2019 Actual	Original	Final	2020 Actual	2019 Actual
Revenues:								
Intergovernmental	\$ 12,500	\$ 12,500	\$ -	\$ (12,500)			\$ 20,000	\$ 20,000
Investment income	50	50	98	48			500	500
Total revenues	12,550	12,550	98	(12,452)	105		20,500	20,500
Expenditures:								
Current:								
Public works	\$ 15,000	\$ 15,000	-	\$ 15,000			\$ 26,144	\$ 26,144
Net increase (decrease) in fund balance	\$ (2,450)	\$ (2,450)	98	\$ 2,548	105		(5,644)	(5,644)
Fund balance (deficit) - January 1								
Fund balance (deficit) - December 31								

CITY OF ANDOVER, MINNESOTA
SPECIAL REVENUE FUND - CHARITABLE GAMBLING
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 29

CITY OF ANDOVER, MINNESOTA
 SPECIAL REVENUE FUND - CONSTRUCTION SEAL COATING
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 30
 SPECIAL REVENUE FUND - CONSTRUCTION SEAL COATING
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For The Year Ended December 31, 2020
 With Comparative Actual Amounts For The Year Ended December 31, 2019

	Variance with Final Budget - Positive (Negative)			Variance with Final Budget - Positive (Negative)		
	Budgeted Amounts Original	Budgeted Amounts Final	2020 Actual	Budgeted Amounts Original	Budgeted Amounts Final	2020 Actual
Revenues:						
Investment income	\$ 750	\$ 750	\$ 3,510	\$ 2,760	\$ 2,731	
Miscellaneous	30,000	30,000	75,585	45,565	95,107	
Total revenues	30,750	30,750	79,095	48,345	97,838	
Expenditures:						
Current:						
General government	30,000	30,000	57,368	(27,368)	63,187	
Net increase (decrease) in fund balance	\$ 750	\$ 750	21,727	\$ 20,977	34,651	
Fund balance (deficit) - January 1			114,711		80,060	
Fund balance (deficit) - December 31			\$ 136,438		\$ 114,711	

	Variance with Final Budget - Positive (Negative)			Variance with Final Budget - Positive (Negative)		
	Budgeted Amounts Original	Budgeted Amounts Final	2020 Actual	Budgeted Amounts Original	Budgeted Amounts Final	2020 Actual
Revenues:						
Charges for services						
Investment income	\$ 10,000	\$ 10,000	\$ 7	\$ 10,000	\$ 1,581	\$ 9,445
Total revenues	10,500	10,500	2,081	10,500	2,081	(8,419)
Expenditures:						
Current:						
Public works	10,000	10,000	-	10,000	1,581	19,068
Net increase (decrease) in fund balance	\$ 500	\$ 500	2,081	\$ 500	2,081	(6,717)
Fund balance (deficit) - January 1			3,074		3,074	9,791
Fund balance (deficit) - December 31			\$ 5,155		\$ 5,155	\$ 3,074

CITY OF ANDOVER, MINNESOTA
SPECIAL REVENUE FUND - CARES GRANT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2020
With Comparative Actual Amounts For The Year Ended December 31, 2019

Statement 31

	Budgeted Amounts	Final	2020	Variance with Final Budget - Positive (Negative)	2019
	Original		Actual	Actual	Actual
Revenues:					
Intergovernmental	\$ -	\$ 2,465,736	\$ 2,465,736	\$ -	\$ -
Investment income	-	264	262	(2)	-
Total revenues	-	2,466,000	2,465,998	(2)	-
Expenditures:					
Current:					
Public safety	-	501,572	501,520	52	-
Economic development	-	1,802,484	1,802,484	-	-
Capital outlay:					
Public safety	-	161,944	161,994	(50)	-
Total expenditures	-	2,466,000	2,465,998	2	-
Net increase (decrease) in fund balance	\$ -	\$ -	\$ -	\$ -	-
Fund balance (deficit) - January 1					-
Fund balance (deficit) - December 31			\$ -	\$ -	-

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The City of Andover had the following Internal Service Funds during the year:

Central Equipment Maintenance – This fund accounts for the maintenance of the equipment for the City.
Risk Management – This fund accounts for the expenditures in payment of insurance deductibles, loss reduction, safety training and administrative expense.

CITY OF ANDOVER, MINNESOTA
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 December 31, 2020
 With Comparative Totals for December 31, 2019

Statement 32

CITY OF ANDOVER, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 For The Year Ended December 31, 2020
 With Comparative Totals For The Year Ended December 31, 2019

Statement 33

	Central Equipment Maintenance	Risk Management	2020	Totals	2019
Assets:					
Current assets:					
Cash and cash equivalents	\$ 314,291	\$ 643,122	\$ 957,413	\$ 1,009,554	
1,651	2,637	-	4,288	5,783	
Accrued interest	-	-	-	4,628	
Accounts receivable	91,683	-	91,683	84,555	
Inventories - at cost					1,104,518
Total assets	<u>407,625</u>	<u>645,759</u>	<u>1,053,384</u>		
Liabilities:					
Current liabilities:					
Accounts payable	26,892	250	27,142	34,962	
Salaries payable	9,880	515	10,395	7,417	
Total liabilities	<u>36,772</u>	<u>765</u>	<u>37,531</u>	<u>42,379</u>	
Net position:					
Unrestricted	\$ 370,853	\$ 644,994	\$ 1,015,847	\$ 1,062,139	

	Central Equipment Maintenance	Risk Management	2020	Totals	2019
Operating revenues:					
Use charges	\$ 733,944	\$ 483,335	\$ 1,217,279	\$ 1,174,617	
Other	10,962	61,367	72,329	22,606	
Total operating revenues	<u>744,906</u>	<u>544,702</u>	<u>1,289,608</u>		1,197,223
Operating expenses:					
Personal services	339,196	191,357	530,553	494,324	
Supplies	303,348	32,503	335,851	391,124	
Other service charges	159,156	327,545	486,701	335,860	
Total operating expenses	<u>801,700</u>	<u>551,405</u>	<u>1,353,105</u>		1,271,308
Operating income (loss)	(56,794)	(6,703)	(63,497)	(74,085)	
Nonoperating revenues (expenses):					
Investment income			7,040	10,165	
Change in net position	(49,754)			17,205	
Net position - January 1					29,809
Net position - December 31	\$ 370,853	\$ 644,994	\$ 1,015,847	\$ 1,062,139	1,106,415

CITY OF ANDOVER, MINNESOTA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For The Year Ended December 31, 2020
 With Comparative Totals For The Year Ended December 31, 2019

Statement 34

	Central Equipment Maintenance	Risk Management	Totals	2020	2019
Cash flows from operating activities:					
Receipts from customers and users	\$ 744,906	\$ 549,330	\$ 1,294,236	\$ 1,198,247	
Payment to suppliers	(466,217)	(37,285)	(837,502)	(731,277)	
Payment to employees	(336,256)	(19,219)	(527,775)	(492,955)	
Net cash flows from operating activities	(57,667)	(13,174)	(70,841)	(25,985)	
Cash flows from investing activities:					
Investment income	7,773	10,927	18,700	29,592	
Net increase (decrease) in cash and cash equivalents	(49,894)	(2,247)	(52,141)	3,607	
Cash and cash equivalents - January 1	364,185	645,569	1,009,554	1,005,947	
Cash and cash equivalents - December 31	\$ 314,291	\$ 643,122	\$ 957,413	\$ 1,009,554	
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (56,794)	\$ (6,703)	\$ (63,497)	\$ (74,085)	
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable	7	4,628	4,628	1,024	
Decrease (increase) in inventory	3,417	(11,237)	(7,130)	28,027	
Increase (decrease) in accounts payable	2,840	138	(7,320)	17,080	
Increase (decrease) in salaries payable			2,578	1,369	
Total adjustments	(873)	(6,471)	(7,344)	48,000	
Net cash provided (used) by operating activities	\$ (57,667)	\$ (13,174)	\$ (70,841)	\$ (25,985)	

III. STATISTICAL SECTION

This part of the City of Andover's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

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Revenue Capacity 134
 These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity 140
 These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 148
 These tables offer demographic and economic indicators to help the reader understand the environment within which the City of Andover's financial activities take place.

Operating Information 151
 These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

Table I

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net investment in capital assets	\$ 90,859,970	\$ 89,592,661	\$ 93,393,474	\$ 94,533,473	\$ 95,998,027	\$ 101,602,647	\$ 103,577,524	\$ 106,637,436	\$ 114,441,287	
Restricted	3,107,253	4,461,020	3,792,323	4,776,047	5,755,162	5,787,072	4,935,375	5,081,230	5,294,610	
Unrestricted	23,353,009	25,589,728	22,936,032	23,175,077	24,457,253	26,085,240	27,673,920	28,319,303	30,608,612	
Total governmental activities net position	117,320,232	119,643,409	120,121,829	122,484,597	126,210,442	131,412,150	134,211,942	136,978,057	142,540,658	
Business-Type Activities										
Net investment in capital assets	36,031,319	34,922,691	34,864,659	34,787,382	35,507,385	37,531,815	37,174,817	37,068,699	38,547,614	
Restricted	5,100,628	5,784,313	6,310,830	6,292,830	7,004,463	7,652,339	8,446,942	9,925,981	9,982,550	
Total business-type activities net position	41,131,947	40,707,004	41,175,489	41,080,232	42,511,948	45,184,154	45,621,759	46,894,380	48,530,164	
Primary Government										
Net investment in capital assets	126,891,289	124,515,352	128,258,133	129,320,855	131,505,412	137,071,653	138,777,464	140,646,223	145,185,050	
Restricted	3,107,253	4,461,020	3,792,323	4,776,047	5,755,162	5,787,072	4,935,375	5,081,230	5,294,610	
Unrestricted	28,453,637	31,324,041	29,346,862	29,467,927	31,461,816	33,737,579	36,120,862	38,144,984	40,591,162	
Total primary government net position	\$ 158,452,179	\$ 160,350,413	\$ 161,297,318	\$ 163,564,829	\$ 168,722,390	\$ 176,596,304	\$ 179,833,701	\$ 183,872,437	\$ 191,070,822	

GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows and inflows of resources. Net position for years prior to 2014 were not restated.

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

Table 2

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 2,406,750	\$ 2,453,801	\$ 3,061,867	\$ 2,791,507	\$ 2,823,408	\$ 2,904,102	\$ 2,937,380	\$ 3,209,512	\$ 3,159,045	\$ 3,193,326
Public safety	4,214,316	4,495,847	4,465,142	4,430,295	5,140,347	5,167,930	5,426,071	5,426,472	6,002,090	
Public works	4,079,164	5,623,942	4,465,153	4,329,894	2,967,957	3,905,703	4,253,550	5,939,704	4,904,909	
Parks and recreation	2,945,742	3,102,534	3,029,917	3,29,894	3,340,561	3,321,814	3,385,001	3,321,793	3,507,705	3,997,558
Recycling	109,293	94,319	124,515	111,760	98,016	133,614	169,100	206,335	231,625	234,475
Economic development	777,298	1,396,466	318,646	676,539	192,265	411,958	1,098,300	249,669	202,182	4,240,712
Interest on long-term debt	1,796,782	2,497,344	1,399,172	542,139	454,808	437,513	403,200	377,314	917,913	1,226,839
Total governmental activities expenses	16,279,345	19,493,937	16,894,717	16,28,776	14,651,048	16,255,051	18,589,261	16,854,708	19,384,646	23,859,909
Business-type activities:										
Water	2,655,926	2,782,948	2,275,363	2,308,552	2,316,651	2,454,931	2,263,748	2,206,013	2,280,247	2,449,287
Sewer	1,914,113	1,842,473	1,964,911	1,951,785	2,002,623	2,128,814	2,190,453	2,175,331	2,289,555	2,454,250
Storm sewer	614,958	531,103	561,807	848,745	595,902	546,526	684,708	614,816	737,854	617,883
Total business-type activities expenses	5,184,997	5,156,524	4,802,081	5,1,09,082	4,915,176	5,130,271	5,138,909	5,096,160	5,307,656	5,521,420
Total primary government expenses	\$ 21,464,342	\$ 24,650,461	\$ 21,696,798	\$ 21,637,858	\$ 19,566,224	\$ 21,385,322	\$ 23,728,170	\$ 21,980,868	\$ 24,692,302	\$ 29,381,329
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 532,764	\$ 690,875	\$ 843,304	\$ 801,458	\$ 1,381,113	\$ 2,124,665	\$ 925,639	\$ 647,452	\$ 909,139	\$ 757,188
Public safety	540,089	607,715	704,119	692,665	624,430	832,412	680,729	721,078	1,091,260	1,154,232
Public works	309,066	308,583	321,114	318,583	298,143	661,788	334,273	331,620	357,231	296,533
Parks and recreation	1,498,847	1,495,872	1,463,579	1,545,794	1,514,900	1,521,585	1,465,562	1,504,647	1,677,991	1,301,624
Recycling	48,339	39,530	42,444	41,440	32,976	42,768	46,294	49,453	44,099	48,705
Operating grants and contributions	235,134	170,391	239,570	96,772	50,628	174,754	46,294	87,891	1,186,721	1,407,217
Capital grants and contributions	977,553	1,358,424	1,19,778	946,540	965,986	992,194	1,094,161	1,608,29	1,62,842	3,493,564
Total governmental activities program revenue	5,497,883	7,445,516	6,159,823	8,920,391	5,731,331	9,053,595	8,511,441	6,357,487	10,788,869	19,145,393
Business-type activities:										
Charges for services:										
Water	2,119,954	2,572,560	2,495,561	2,347,763	2,593,303	2,575,920	2,716,239	3,061,920	2,756,944	3,349,237
Sewer	1,990,218	2,063,177	2,063,467	2,17,624	2,129,201	2,144,794	2,30,077	2,325,456	2,359,462	2,35,039
Storm sewer	358,708	379,262	399,417	-	444,335	464,928	499,974	537,422	564,154	594,524
Operating grants and contributions	-	-	-	9,506	-	2,681	-	-	-	-
Capital grants and contributions	-	-	-	990,412	1,524,088	2,670,641	48,1343	504,267	712,976	2,807,445
Total business-type activities program revenues	4,468,880	5,014,999	4,960,445	5,586,361	6,690,927	7,858,064	5,998,633	6,629,065	6,363,536	9,106,245
Total primary government program revenues	9,966,763	12,460,515	11,120,268	14,806,752	12,422,238	16,912,559	14,510,074	12,286,552	17,152,405	28,251,638
Net (Expense)/Revenue										
Governmental activities	(10,781,462)	(12,048,421)	(10,734,894)	(7,608,385)	(8,919,717)	(7,201,456)	(10,077,820)	(10,527,221)	(8,595,777)	(4,714,516)
Business-type activities	(7,611,17)	(141,525)	-	158,164	1,775,751	2,728,693	859,724	1,33,905	1,053,880	3,584,825
Total primary government net expense	\$ (11,497,579)	\$ (12,189,946)	\$ (10,576,530)	\$ (6,531,106)	\$ (7,143,966)	\$ (4,472,763)	\$ (9,218,096)	\$ (9,194,316)	\$ (7,539,897)	\$ (1,129,691)

(Continued)

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

Table 2
 (Continued)

	2011	2012	2013	2014		2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position											
Governmental activities:											
Taxes:											
General property taxes	\$ 10,292,674	\$ 10,594,940	\$ 10,608,678	\$ 10,663,912		\$ 11,120,449	\$ 11,770,304	\$ 11,874,354	\$ 12,423,060	\$ 13,011,406	\$ 14,479,486
Tax increment collections	2,005,036	2,033,932	320,222	355,773		210,625	69,772	74,771	82,874	89,414	100,979
Grants and contributions not restricted to specific programs	86,802	14,360	12,511	87,179		15,327	16,260	13,638	12,917	14,053	4,129
Unrestricted investment earnings	1,399,987	1,201,995	571,307	747,621		348,885	399,021	373,385	560,133	1,346,685	930,876
Gain on sale of capital assets	91,693	16,625	23,550	228,639		548,950	20,360	20,489	36,431	24,550	3,000
Transfers	(417,051)	509,746	(323,554)	606,793		401,326	127,447	520,755	177,921	(327,730)	923,203
Total governmental activities	<u>13,459,161</u>	<u>14,371,598</u>	<u>11,213,314</u>	<u>12,887,917</u>		<u>12,645,562</u>	<u>12,403,164</u>	<u>12,877,612</u>	<u>13,293,336</u>	<u>14,158,378</u>	<u>16,441,675</u>
Business-type activities:											
Unrestricted investment earnings	370,641	226,328	(21,533)	15,425		57,291	68,768	65,801	117,637	236,356	173,446
Gain on sale of capital assets	7,500	-	8,000	-		-	2,192	32,855	-	15,818	-
Transfers	417,051	(509,746)	323,654	(606,793)		(401,326)	(127,447)	(520,775)	(177,921)	327,730	(923,203)
Total business-type activities	<u>795,192</u>	<u>(283,448)</u>	<u>310,121</u>	<u>(491,368)</u>		<u>(344,035)</u>	<u>(56,487)</u>	<u>(422,119)</u>	<u>(60,284)</u>	<u>579,904</u>	<u>(749,757)</u>
Total primary government	<u>\$ 14,254,353</u>	<u>\$ 14,088,180</u>	<u>\$ 11,523,335</u>	<u>\$ 12,96,549</u>		<u>\$ 12,301,527</u>	<u>\$ 12,346,577</u>	<u>\$ 12,455,932</u>	<u>\$ 13,23,052</u>	<u>\$ 14,738,292</u>	<u>\$ 15,691,918</u>
Change in Net Position											
Governmental activities	<u>\$ 2,677,699</u>	<u>\$ 2,323,177</u>	<u>\$ 478,420</u>	<u>\$ 5,279,532</u>		<u>\$ 3,725,845</u>	<u>\$ 5,201,708</u>	<u>\$ 2,797,792</u>	<u>\$ 2,766,115</u>	<u>\$ 5,562,601</u>	<u>\$ 11,727,159</u>
Business-type activities	<u>79,075</u>	<u>(424,943)</u>	<u>468,485</u>	<u>285,911</u>		<u>1,431,716</u>	<u>2,672,206</u>	<u>437,605</u>	<u>1,272,621</u>	<u>1,635,784</u>	<u>2,835,068</u>
Total primary government	<u><u>\$ 2,756,774</u></u>	<u><u>\$ 1,898,234</u></u>	<u><u>\$ 946,905</u></u>	<u><u>\$ 5,565,443</u></u>		<u><u>\$ 5,157,561</u></u>	<u><u>\$ 7,873,914</u></u>	<u><u>\$ 3,237,397</u></u>	<u><u>\$ 4,038,326</u></u>	<u><u>\$ 7,198,385</u></u>	<u><u>\$ 14,562,227</u></u>

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

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

Table 3

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 222,641	\$ 160,177	\$ 106,445	\$ 137,001	\$ 131,813	\$ 146,417	\$ 117,253	\$ 112,971	\$ 122,993	\$ 140,602
Unassigned	5,665,496	6,227,664	6,853,791	7,065,133	7,136,091	7,650,328	7,672,363	8,023,365	9,240,458	9,513,916
Total general fund	5,888,137	6,387,841	6,960,236	7,202,134	7,267,904	7,796,745	7,789,016	8,126,326	9,363,451	9,654,518
All Other Governmental Funds										
Nonspendable	16,074	1,471	1,316	1,562	1,800	2,027	2,041	2,386	1,957	2,123
Restricted	19,741,214	21,307,923	21,274,444	50,229,967	5,674,417	5,852,444	4,550,557	14,225,839	19,696,883	4,651,447
Committed	650,766	681,413	588,516	59,289	531,739	513,916	530,505	518,312	508,062	
Assigned	14,451,306	16,420,228	13,481,786	16,093,595	17,907,929	19,109,145	20,855,184	21,327,036	23,569,932	27,612,210
Unassigned	(517,251)	(314,734)	(276,829)	(114,344)	(63,357)	(64,193)	(65,185)	(66,263)	-	-
Total all other governmental funds	34,312,109	38,096,301	35,069,233	21,596,669	24,052,518	25,413,339	25,873,02	36,007,615	42,787,084	32,773,842
Total governmental funds	\$ 40,230,246	\$ 44,484,142	\$ 42,029,469	\$ 28,799,003	\$ 31,320,422	\$ 33,210,084	\$ 33,662,718	\$ 44,143,951	\$ 52,150,535	\$ 42,428,360

In 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
General property taxes	\$ 10,279,967	\$ 10,638,117	\$ 10,682,975	\$ 10,894,301	\$ 11,148,149	\$ 11,809,352	\$ 11,923,097	\$ 12,433,651	\$ 12,985,096	\$ 14,451,737
Tax increment collections	1,976,800	2,035,663	3,75,040	377,733	213,020	91,808	82,448	86,794	90,189	100,979
Licenses and permits	387,206	449,826	536,706	364,430	452,422	625,907	562,525	855,831	892,279	892,279
Intergovernmental	1,876,685	3,493,528	1,115,947	3,464,985	939,790	1,564,848	3,160,578	2,786,445	6,211,801	6,211,801
Special assessments	891,942	792,460	1,045,000	733,425	690,161	818,065	832,528	554,471	721,950	631,999
Charges for services	1,732,791	1,874,321	1,806,919	1,720,972	1,489,909	1,613,941	1,574,242	1,656,254	1,941,637	1,672,023
Fines	99,777	97,571	96,130	94,375	99,304	88,600	75,287	62,349	62,349	47,650
Investment income	1,386,698	1,191,438	573,256	735,325	341,392	389,114	362,974	543,672	1,316,876	913,671
Miscellaneous:										
Park dedication fees	51,706	47,700	205,980	156,344	170,144	431,784	95,198	75,798	472,753	389,033
Connection charges	27,165	170,202	436,628	676,826	405,957	445,698	412,691	449,989	1,152,759	1,136,882
Rent	641,859	639,983	639,423	639,000	638,220	656,604	641,691	637,150	636,803	635,299
Other	332,992	645,897	1,698,964	564,057	542,473	1,189,179	428,186	525,667	1,462,431	862,805
Total revenues	19,685,588	22,076,706	19,211,168	20,421,813	17,160,951	19,724,900	20,125,298	19,236,496	24,485,119	27,946,468
Expenditures										
General government	2,298,571	2,280,373	2,647,278	2,588,950	2,639,821	2,686,308	2,754,189	3,115,956	3,011,191	3,079,344
Public safety	3,965,541	4,092,073	4,301,698	4,537,264	4,521,129	4,709,083	4,822,435	5,096,350	5,096,029	5,754,243
Public works	3,788,636	5,415,924	4,251,454	4,145,404	2,747,550	3,694,911	5,208,862	4,298,845	5,691,654	4,588,958
Parks and recreation	1,926,220	2,001,624	1,900,457	2,139,532	2,277,576	2,226,454	2,253,370	2,214,415	2,371,437	2,495,594
Recycling	909,911	94,328	123,595	106,587	91,940	123,860	169,956	199,182	224,574	228,124
Economic development	966,687	1,537,611	408,210	665,325	181,551	401,244	1,087,586	538,955	191,468	4,154,244
Unallocated	30,631	63,371	75,517	81,183	56,720	33,077	14,875	11,940	15,001	12,778
Capital outlay	985,399	723,017	2,763,351	2,816,375	941,213	2,220,253	1,484,422	2,102,030	14,825,106	16,830,198
Debt service:										
Principal retirement	4,100,000	1,842,000	1,689,000	2,336,719	1,961,719	1,966,719	1,96,719	1,612,717	1,444,000	1,561,000
Interest	1,855,538	1,768,748	1,262,302	900,504	470,687	444,144	418,419	385,555	568,864	1,290,844
Other	10,430	22,500	5,509	7,895	5,099	1,325	3,095	3,095	1,000	5,000
Construction/acquisition costs	1,044,581	110,650	946,942	-	167,955	414,987	52,527	164,399	1,564,585	7,145
Total expenditures	21,082,145	20,155,097	20,465,313	20,325,758	16,062,870	18,923,365	20,266,455	19,603,439	35,004,909	40,007,472
Revenues over (under) expenditures										
Other Financing Sources (Uses)										
Transfers in	627,530	627,530	627,530	627,530	627,530	627,530	627,530	643,729	1,323,739	990,088
Transfers out	-	(7,134)	(4,242)	(20,577)	(38,249)	(85,096)	(54,228)	(14,850)	(58,110)	(59,740)
Bonds issued	245,000	585,000	-	1,535,000	-	520,000	-	10,000	15,770,000	1,310,000
Refunding bonds issued	-	18,885,000	-	-	-	-	-	-	-	-
Redemption of refunded bonds	-	(17,907,898)	(1,900,000)	(16,455,000)	-	-	-	-	-	-
Bond premium	-	133,164	-	44,278	-	-	-	254,260	1,458,695	95,481
Proceeds from the sale of capital assets	514,819	1,6,625	76,184	922,408	854,057	25,693	20,489	65,037	32,050	3,000
Total other financing sources (uses)	1,407,349	2,332,287	(1,200,528)	(13,326,521)	1,423,338	1,088,127	593,791	10,848,176	18,526,374	23,38,829
Net increase (decrease) in fund balance	\$ 10,792	\$ 4,253,896	\$ (2,454,673)	\$ (13,230,466)	\$ 2,521,419	\$ 1,889,662	\$ 452,634	\$ 10,481,233	\$ 8,006,584	\$ (9,722,175)
Debt service as a percentage of noncapital expenditures	31.26%	18.69%	17.61%	18.49%	16.27%	14.80%	12.89%	11.53%	10.81%	12.31%

CITY OF ANDOVER, MINNESOTA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Table 5

CITY OF ANDOVER, MINNESOTA
PROPERTY TAX RATES - PER \$1,000 OF ASSESSED TAX CAPACITY VALUE
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Year	Real Property		Personal Property		Taxable Market Value	Net Tax Capacity	Total Market Value	Net Tax Capacity	Total Tax Rate	Net Tax Capacity as a Percentage of Market Value
	Taxable Market Value	Net Tax Capacity	Taxable Market Value	Net Tax Capacity						
2011	\$ 2,444,519,600	\$ 25,667,544	\$ 25,425,400	\$ 506,806	\$ 2,469,945,000	\$ 26,174,350	38,731%	1.06%	1.06%	108,668%
2012	2,768,36,156	22,943,277	25,299,200	504,304	2,202,135,356	23,449,581	42,539%	1.06%	1.06%	116,105%
2013	2,097,459,658	22,048,362	26,136,700	520,556	2,123,596,358	22,560,018	41,170%	1.06%	1.06%	119,515%
2014	2,045,873,681	2,146,221	25,958,600	516,101	2,071,812,81	21,973,822	43,657%	1.06%	1.06%	102,169%
2015	2,411,099,312	25,213,801	24,711,300	491,549	2,435,70,612	25,703,530	37,460%	1.06%	1.114%	74,991%
2016	2,513,051,767	26,316,855	26,635,100	530,418	2,539,866,867	26,841,273	38,667%	1.06%	0.449%	44,328%
2017	2,605,298,959	27,558,838	28,181,200	561,340	2,633,380,159	27,920,178	37,738%	1.06%	0.460%	43,657%
2018	2,929,062,970	30,682,357	30,348,500	604,686	2,959,11,470	31,287,043	34,929%	1.06%	0.391%	43,239%
2019	3,089,514,579	32,331,885	32,283,200	643,380	3,121,97,779	32,972,65	35,621%	1.06%	0.388%	22,482%
2020	3,392,964,562	35,949,632	35,949,600	594,907	3,422,826,162	36,099,339	35,942%	1.05%	0.364%	38,667%
Source: Anoka County Property Tax Division										

Source: Anoka County Property Tax Division

Table 6
PROPERTY TAX RATES - PER \$1,000 OF ASSESSED TAX CAPACITY VALUE
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Year	Real Property		Personal Property		Taxable Market Value	Net Tax Capacity	Total Market Value	Net Tax Capacity	Total Tax Rate	Net Tax Capacity as a Percentage of Market Value
	Taxable Market Value	Net Tax Capacity	Taxable Market Value	Net Tax Capacity						
2011	\$ 2,444,519,600	\$ 25,667,544	\$ 25,425,400	\$ 506,806	\$ 2,469,945,000	\$ 26,174,350	38,731%	1.06%	1.06%	108,668%
2012	2,768,36,156	22,943,277	25,299,200	504,304	2,202,135,356	23,449,581	42,539%	1.06%	1.06%	116,105%
2013	2,097,459,658	22,048,362	26,136,700	520,556	2,123,596,358	22,560,018	41,170%	1.06%	1.06%	119,515%
2014	2,045,873,681	2,146,221	25,958,600	516,101	2,071,812,81	21,973,822	43,657%	1.06%	1.06%	102,169%
2015	2,411,099,312	25,213,801	24,711,300	491,549	2,435,70,612	25,703,530	37,460%	1.06%	1.114%	74,991%
2016	2,513,051,767	26,316,855	26,635,100	530,418	2,539,866,867	26,841,273	38,667%	1.06%	0.449%	44,328%
2017	2,605,298,959	27,558,838	28,181,200	561,340	2,633,380,159	27,920,178	37,738%	1.06%	0.460%	43,239%
2018	2,929,062,970	30,682,357	30,348,500	604,686	2,959,11,470	31,287,043	34,929%	1.06%	0.391%	43,239%
2019	3,089,514,579	32,331,885	32,283,200	643,380	3,121,97,779	32,972,65	35,621%	1.06%	0.388%	43,239%
2020	3,392,964,562	35,949,632	35,949,600	594,907	3,422,826,162	36,099,339	35,942%	1.05%	0.364%	43,239%
Source: Anoka County Property Tax Division										

Source: Anoka County Property Tax Division

CITY OF ANDOVER, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

CITY OF ANDOVER, MINNESOTA
PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Table 7

Year	Collected Within the Fiscal Year of Levy			Total Collections to Date			
	Total Tax Levy	Tax Levy	Market Value Homestead Credit	Total Collected	Percentage of Levy	Amount	Percentage of Levy
2011	\$ 10,856,299	\$ 10,119,681	\$ 853 *	\$ 10,120,534	93.22%	\$ 145,144	94.56%
2012	\$ 10,631,299	\$ 10,460,838	2,354	10,461,192	98.42%	128,881	10,592,073
2013	\$ 10,631,299	\$ 10,535,521	1,246	10,536,767	99.11%	94,532	10,631,299
2014	\$ 10,776,635	\$ 10,843,925	-	10,776,635	99.38%	67,290	10,843,925
2015	\$ 11,143,925	\$ 11,054,157	-	11,054,157	99.19%	56,677	11,110,833
2016	\$ 11,593,925	\$ 11,525,770	2,461	11,529,231	99.44%	22,711	11,551,942
2017	\$ 11,938,555	\$ 11,858,576	2,545	11,861,921	99.36%	11,773	11,857,694
2018	\$ 12,416,357	\$ 12,342,648	2,824	12,345,471	99.43%	28,923	12,274,394
2019	\$ 13,103,487	\$ 12,974,413	2,960	12,978,373	99.05%	52,338	13,030,711
2020	\$ 14,479,586	\$ 14,391,252	4,128	14,392,381	99.42%	Not Available	99.44%

* Included in the total tax levy is approximately \$40,000 of market value homestead credit (MVHC) that the City will not be receiving. Due to State legislative actions to deal with the State budget deficit, the MVHC program was significantly reduced for the city.

Table 8

	2011			2020			2020		
	Taxpayers			Net Tax Capacity			Percentage of Total City Tax Capacity		
	Minnegasco, Inc.	Conexus Energy	Presbyterian Homes of Andover	\$ 317,604	\$ 222,898	\$ 209,904	1	0.88%	0.77%
	Wal-Mart	Target Corporation	Great River Energy	217,170	151,809	6	2	0.62%	0.83%
	Target Corporation	Andover Limited Partnership	Andover Station 2016 LLC	173,938	161,826	161,028	3	0.58%	0.58%
	Great River Energy	DST Properties LLC	DST Properties LLC	191,460	143,250	123,650	4	0.48%	0.48%
	Andover Limited Partnership	Estates of Arbor Oaks LLC	Estates of Arbor Oaks LLC	133,136	139,028	104,250	5	0.45%	0.45%
	Andover Station 2016 LLC	Columbia Park Properties	Columbia Park Properties	143,250	123,650	108,864	6	0.41%	0.41%
	DST Properties LLC	Maxwell Kearns, Inc.	Maxwell Kearns, Inc.	100,023	Not Available	90,023	7	0.30%	0.40%
	Estates of Arbor Oaks LLC	Farbanks Properties LLC	Farbanks Properties LLC	Not Available	Not Available	Not Available	8	0.30%	0.30%
	Columbia Park Properties	Maxwell Kearns, Inc.	Maxwell Kearns, Inc.	Not Available	Not Available	Not Available	9	0.28%	0.28%
	Total		Total	\$ 1,713,165	\$ 36,099,539	\$ 26,174,350	10	0.26%	0.26%
				\$ 1,400,117	\$ 26,174,350	\$ 26,174,350		5.35%	5.35%

Source: Anoka County Property Tax Division

CITY OF ANDOVER, MINNESOTA
ESTIMATED MARKET VALUES AND NEW CONSTRUCTION
Last Ten Fiscal Years

Table 9

CITY OF ANDOVER, MINNESOTA
SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Year	Estimated Market Values		New Construction		
	Commercial / Industrial (1)	Residential	Permits	Commercial / Industrial Value	Residential Value
2011	\$ 199,728,200	\$ 2,305,897,900	\$ 2,505,626,100	24	\$ 11,461,453
2012	192,112,500	2,206,195,400	2,398,307,900	25	5,042,964
2013	174,971,400	2,141,898,900	2,316,370,300	15	9,249,466
2014	166,531,500	2,103,536,600	2,270,068,100	14	4,285,281
2015	173,717,700	2,437,681,500	2,611,392,200	16	2,513,609
2016	184,083,400	2,530,046,700	2,714,131,000	7	14,009,200
2017	196,837,900	2,610,055,500	2,806,934,000	-	94
2018	207,569,200	2,908,606,500	3,116,753,300	2	2,860,000
2019	214,417,500	3,057,490,800	3,271,908,300	2	3,901,376
2020	228,402,926	3,332,915,773	3,561,318,699	-	139
					45,464,139

Note: (1) Also includes agricultural, public utility, railroad operating property, and personal property.

Table 10

CITY OF ANDOVER, MINNESOTA
SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Year	Current Assessments Due (1)		Total Collections as a Percent of Current Assessments Due		Outstanding Delinquent Assessments Due
	Assessments Collected	Assessments Due	Total Assessment Collections	Total Collections as a Percent of Current Assessments Due	
2011	\$ 308,794	\$ 304,164	\$ 309,276	100.16%	\$ 267,016
2012	\$ 348,129	\$ 376,601	\$ 250,087	108.18%	237,175
2013	\$ 338,411	\$ 387,384	\$ 168,941	114.33%	164,45%
2014	\$ 326,597	\$ 387,651	\$ 378,88	118.69%	119,85%
2015	\$ 334,054	\$ 514,368	\$ 400,03	154.13%	269,754
2016	\$ 510,275	\$ 190,619	\$ 215,3	215.42%	268,716
2017	\$ 267,704	\$ 265,163	\$ 212	193.60%	272,101
2018	\$ 305,249	\$ 555,684	\$ 412	182.18%	283,528
2019	\$ 272,670	\$ 532,268	\$ 157,9	195.79%	295,781
2020	\$ 272,526	\$ 524,787	\$ 5,684	194.65%	272,865

Note: (1) Only includes assessments certified to Anoka County.

CITY OF ANDOVER, MINNESOTA
RATIO OF NET BONDED DEBT AND NET BONDED DEBT PER CAPITA
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
 Last Ten Fiscal Years

Table 11

Fiscal Year	Population (1)	Estimated Market Value	General Bonded Debt Outstanding (2)			Percentage of Estimated Market Value	Net Bonded Debt Per Capita
			Gross Bonded Debt	Amount Restricted For Debt Service	Net Bonded Debt		
2011	30,847	\$ 2,505,626,100	\$ 39,096,000	\$ (17,779,964)	\$ 21,316,036	0.85%	\$ 691.02
2012	31,125	2,398,307,900	40,444,000	(18,497,679)	21,946,321	0.92%	705.10
2013	31,392	2,316,870,300	37,460,000	(17,415,812)	20,044,188	0.87%	638.51
2014	31,574	2,270,068,100	21,035,000	(942,607)	20,092,393	0.89%	636.36
2015	31,704	2,611,398,200	19,330,000	(1,064,634)	18,265,366	0.70%	576.12
2016	32,335	2,714,130,100	18,080,000	(1,163,486)	16,916,514	0.62%	523.16
2017	32,470	2,806,893,400	16,280,000	(800,214)	15,479,786	0.55%	476.74
2018	32,728	3,116,175,300	24,864,000	(899,986)	23,964,014	0.77%	732.22
2019	32,882	3,271,908,300	40,619,047	(917,364)	39,701,683	1.21%	1,207.40
2020	33,182	3,561,318,700	40,296,891	(1,582,258)	38,714,633	1.09%	1,166.74
Total overlapping debt							
Total overlapping and direct debt							
\$ 76,735,794							

Notes:

(1) Source: Metropolitan Council

(2) Only includes debt supported by tax levy.

Notes: (1) Information obtained from Anoka County.

(2) Overlapping governments are those that coincide with the geographical boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the city. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF ANDOVER, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 December 31, 2020

Table 12

Year	Gross General Obligation Bonded Debt Outstanding			Percentage Applicable to City (2)	Net Amount Applicable to City
	Direct:	Obligation Bonded Debt Outstanding	Per Capita		
	\$ 40,296,891			100.0000%	\$ 40,296,891
City of Andover					
Overlapping:					
Anoka County					
ISD No. 11 Anoka-Hennepin					
ISD No. 15 St. Francis					
Anoka County Regional Railroad Authority					
Metropolitan Council					
Total overlapping debt					
Total overlapping and direct debt					
\$ 76,735,794					

CITY OF ANDOVER, MINNESOTA
COMPUTATION OF LEGAL DEBT MARGIN
Last Ten Fiscal Years

Table 13

	2011	2012	2013	2014	
Estimated Taxable Market Value	\$ 2,469,945,000	\$ 2,202,135,356	\$ 2,123,596,358	\$ 2,071,812,281	
Debt limitation:					
Debt limit percent	3%	3%	3%	3%	
Debt limit in dollars	74,098,350	66,064,061	63,707,891	62,154,368	
Debt applicable to limit:					
Total bonded debt	55,361,000	49,144,000	45,010,000	27,405,000	
Less: Nonapplicable debt					
G.O. water revenue bonds	(14,400,000)	(7,420,000)	(6,875,000)	(6,310,000)	
Permanent improvement revolving bonds	(1,125,000)	(760,000)	(385,000)	-	
State aid bonds	(740,000)	(520,000)	(290,000)	(60,000)	
Less: Cash and investments in related debt service funds	(17,779,964)	(18,497,679)	(17,415,812)	(942,607)	
Total debt applicable to limitation	21,316,036	21,946,321	20,044,188	20,092,393	
Legal debt margin	\$ 52,792,314	\$ 44,117,740	\$ 43,663,703	\$ 42,061,975	
Total debt applicable to the limit as a percentage of debt limit	28.77%	33.22%	31.46%	32.33%	
					24.82%
					22.02%
					19.41%
					26.84%
					40.33%
					35.95%

	2015	2016	2017	2018	2019	2020
Estimated Taxable Market Value	\$ 2,435,770,612	\$ 2,519,686,867	\$ 2,633,480,150	\$ 2,959,411,470	\$ 3,121,797,779	\$ 3,422,836,162
Debt limit percent	3%	3%	3%	3%	3%	3%
Debt limit in dollars	73,073,118	76,190,606	79,004,405	88,782,344	93,653,933	102,684,785
Total bonded debt	25,050,000	27,110,000	20,740,000	28,639,000	42,260,000	41,234,000
Less: Nonapplicable debt	(5,720,000)	(9,030,000)	(4,460,000)	(3,775,000)	(3,070,000)	(2,345,000)
G.O. water revenue bonds	(6,875,000)	(6,310,000)				
Permanent improvement revolving bonds	(760,000)	(385,000)				
State aid bonds	(520,000)	(290,000)	(60,000)			
Less: Cash and investments in related debt service funds	(1,191,519)	(1,299,334)	(942,607)	(943,662)	(1,032,604)	(1,418,376)
Total debt applicable to limitation	18,138,481	16,780,666	15,336,138	23,831,396	37,771,624	36,917,953
Legal debt margin	\$ 54,994,637	\$ 59,409,940	\$ 63,668,267	\$ 64,956,948	\$ 55,892,399	\$ 65,766,832

CITY OF ANDOVER, MINNESOTA
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years

Table 14

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Water Revenue Bonds

Fiscal Year	Water Enterprise Fund			Debt Service Interest	Coverage
	Operating Revenues	Less: Operating Expenses (1)	Transfers In (2)		
2011	\$ 2,119,954	\$ 1,118,848	\$ 7,134	\$ 801,106	\$ 366,665
2012	2,572,560	1,592,417	4,242	987,277	490,000
2013	2,495,561	1,285,188	4,242	1,214,615	214,933
2014	2,347,763	1,320,552	20,737	1,047,948	565,000
2015	2,293,303	1,373,362	58,249	1,278,190	590,000
2016	2,275,920	1,535,224	85,096	1,125,792	615,000
2017	2,271,239	1,441,224	54,228	1,329,243	645,000
2018	3,061,920	1,448,248	114,850	1,728,522	685,000
2019	2,756,944	1,912,710	58,110	902,344	705,000
2020	3,549,237	1,983,821	59,740	1,425,156	725,000

2004 EDA Public Facility Lease Revenue Bond (3) & 2012 Abatement Bonds

Fiscal Year	Community Center Special Revenue Fund			Debt Service General Property Interest	Coverage
	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Principal	
2011	\$ 1,414,617	\$ 991,098	\$ 423,519	\$ 908,894	\$ 914,891
2012	1,430,874	1,011,186	419,688	1,091,430	435,000
2013	1,381,573	971,108	410,465	1,029,949	425,000
2014	1,462,169	1,058,467	403,702	924,057	790,000
2015	1,449,851	1,045,347	404,504	974,822	835,000
2016	1,428,771	1,048,452	380,319	979,038	845,000
2017	1,445,784	1,041,714	404,070	973,161	855,000
2018	1,490,157	1,045,141	445,016	970,085	870,000
2019	1,506,473	1,047,404	459,069	969,618	885,000
2020	1,266,968	1,153,500	113,468	972,704	910,000

Special Assessment and Permanent Improvement Revolving Bonds

Fiscal Year	Debt Service			Coverage
	Special Assessment Revenue	Principal	Interest	
2011	\$ 552,336	\$ 955,000	\$ 36,250	0.56
2012	268,116	365,000	18,850	0.70
2013	598,889	375,000	11,450	1.5
2014	102,380	385,000	3,850	0.26
2015	126,628	No outstanding debt		
2016	78,189	No outstanding debt		
2017	228	No outstanding debt		
2018	28,848	No outstanding debt		
2019	136,450	No outstanding debt		
2020	4,215	No outstanding debt		

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Operating expenses include transfers out because the administrative allocation and replacement reserve transfer is built into the user fees. Operating expense does not include interest and depreciation.

(2) The transfer in is included because a portion of the trunk connection change associated with adding additional users to the water system is designated to compensate prior years capital investment in water utility infrastructure and the treatment plant.

(3) Half of the facility financed by these bonds is leased to the Greater Minneapolis YMCA, their lease payments started in 2008. Future YMCA lease payments will significantly reduce the City's obligation on debt service payments.

CITY OF ANDOVER, MINNESOTA
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Table 15

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
City of Andover's Outstanding Debt										
Governmental activities										
Revenue bonds	\$ 34,675,000	\$ 17,375,000	\$ 16,925,000	\$ 16,675,000	\$ 15,840,000	\$ 14,995,000	\$ 14,140,000	\$ 13,270,000	\$ 28,155,000	\$ 27,245,000
Abatement bonds	-\$ 56,1000	-\$ 17,315,000	-\$ 16,995,000	-\$ 2,140,000	-\$ 1,915,000	-\$ 2,125,000	-\$ 1,330,000	-\$ 939,000	-\$ 540,000	-\$ 144,000
Certificates of indebtedness	2,200,000	774,000	680,000	1,470,000	970,000	470,000	-	10,000,000	10,000,000	9,95,000
Capital improvement bonds										
Permanent improvement revolving bonds	1,125,000	760,000	385,000	-\$	-\$	-\$	-\$	-\$	-\$	-\$
State aid bonds	740,000	520,000	290,000	60,000	1,105,000	986,000	810,000	655,000	495,000	355,000
Referendum bonds	1,560,000	1,525,000	1,390,000	1,250,000	590,155	393,436	196,717	-	-\$ 1,429,047	-\$ 1,357,891
Promissory note payable	-	-	983,593	786,874	-	-	-	-	-	-
Issuance premiums										
Total governmental activities	<u>\$ 40,961,000</u>	<u>\$ 41,724,000</u>	<u>\$ 39,118,593</u>	<u>\$ 21,881,874</u>	<u>\$ 19,920,155</u>	<u>\$ 18,473,436</u>	<u>\$ 16,476,717</u>	<u>\$ 24,864,000</u>	<u>\$ 40,619,047</u>	<u>\$ 38,996,891</u>
Business-type activities										
G.O. revenue bonds	14,400,000	7,420,000	6,875,000	6,310,000	5,720,000	9,030,000	4,460,000	3,775,000	3,070,000	2,345,000
Issuance premiums	-	-	-	-	-	81,006	67,990	54,374	41,058	27,742
Total business-type activities	<u>\$ 14,400,000</u>	<u>\$ 7,420,000</u>	<u>\$ 6,875,000</u>	<u>\$ 6,310,000</u>	<u>\$ 5,720,000</u>	<u>\$ 9,111,006</u>	<u>\$ 4,527,690</u>	<u>\$ 3,829,374</u>	<u>\$ 3,111,058</u>	<u>\$ 2,372,742</u>
Total outstanding debt	<u><u>\$ 55,361,000</u></u>	<u><u>\$ 49,144,000</u></u>	<u><u>\$ 45,993,593</u></u>	<u><u>\$ 28,191,874</u></u>	<u><u>\$ 25,640,155</u></u>	<u><u>\$ 27,584,442</u></u>	<u><u>\$ 21,004,407</u></u>	<u><u>\$ 28,693,374</u></u>	<u><u>\$ 43,730,105</u></u>	<u><u>\$ 41,369,633</u></u>
Total outstanding debt as a percentage of personal income	6.17%	5.28%	4.84%	2.91%	2.57%	2.68%	1.96%	2.55%	3.71%	3.37%
Total outstanding debt per capita	\$ 1,795	\$ 1,579	\$ 1,465	\$ 883	\$ 809	\$ 853	\$ 647	\$ 877	\$ 1,330	\$ 1,247

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

Table 16

CITY OF ANDOVER, MINNESOTA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Year	City of Andover			Anoka County			Total
	Personal		Population (3)	Personal Income (2)	Per Capita Income (3)	Unemployment Percentage	
	Population (1)	Income (1)	Income (2)	Income (3)	Income (3)	Percentage	
2011	30,847	\$ 896,999,913	330,844	\$ 9,620,612,676	\$ 29,079	5.8%	
2012	31,125	930,450,750	336,414	10,036,760,116	29,894	5.9%	
2013	31,692	960,235,908	339,534	10,287,540,666	30,299	5.6%	
2014	31,874	976,842,478	341,864	10,471,106,008	30,647	4.2%	
2015	31,704	997,851,696	342,500	10,779,845,000	31,474	3.6%	
2016	32,335	1,027,444,625	345,937	10,992,783,675	31,775	3.8%	
2017	32,470	1,073,165,970	348,357	11,513,547,207	33,051	3.5%	
2018	32,728	1,089,842,400	350,337	11,666,888,100	33,300	2.8%	
2019	32,882	1,177,372,892	356,921	12,779,913,326	35,806	3.1%	
2020	33,182	1,227,003,996	358,921	13,272,180,738	36,978	6.0%	

Notes: (1) Estimates from Metropolitan Council

(2) The personal income is calculated by taking the per capita income of Anoka County and multiplying it by the population for both the City and County.

(3) Information from U.S. Census Bureau

CITY OF ANDOVER, MINNESOTA			2011			2020		
PRINCIPAL EMPLOYERS			Employees			Employees		
Current Year and Nine Years Ago			662 (1)	1	25.6%	906	1	37.0%
Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Anoka Hempen I.S.D. No. 11	335	15.0%	335	2	11.6%	300	2	12.2%
Walmart	300	-	225	4	8.7%	-	-	-
Fairview Andover Clinic	225	-	220	5	8.5%	-	-	-
Koikes' Bus Service, Inc.	201	-	200	6	7.8%	-	-	-
YMCA	170	-	170	7	7.7%	-	-	-
TE Connectivity	171	-	170	6	6.9%	-	-	-
Target	171	-	250	3	10.2%	-	-	-
Anoka County Sheriff's Office	150	-	150	9	5.8%	-	-	-
GAF Materials Corp	120	-	120	10	4.6%	-	-	-
Anoka County Highway Department	-	-	-	-	-	103	8	4.2%
Bunker Hills Regional Park/Activity Center	-	-	-	-	-	180	5	7.3%
Meadow Creek Christian School	-	-	-	-	-	127	7	5.2%
Andover County Market	-	-	-	-	-	100	9	4.1%
Presbyterian Homes	-	-	-	-	-	90	10	3.7%
Total	2,584	100.0%	2,451	100.0%	100.0%			

Source: Minnesota Department of Employment and Economic Development

(1) Number of district employees that work in school buildings located within the City.

Taxpayer	Employees	Rank	Percentage of Total City Employment
Anoka Hempen I.S.D. No. 11	662 (1)	1	25.6%
Walmart	335	2	15.0%
Fairview Andover Clinic	300	3	11.6%
Koikes' Bus Service, Inc.	225	4	8.7%
YMCA	220	5	8.5%
TE Connectivity	201	6	7.8%
Target	200	7	7.7%
Anoka County Sheriff's Office	171	8	6.7%
GAF Materials Corp	150	9	5.8%
Anoka County Highway Department	120	10	4.6%
Bunker Hills Regional Park/Activity Center	-	-	103
Meadow Creek Christian School	-	-	180
Andover County Market	-	-	127
Presbyterian Homes	-	-	100
Total	2,584	100.0%	2,451

CITY OF ANDOVER, MINNESOTA
FULL TIME EQUIVALENT EMPLOYEES
CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

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Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Government:										
Administration	0.91	1.15	1.15	1.05	1.05	1.18	1.13	1.13	1.15	1.10
Human resources	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.03	0.03	0.08
City clerk	1.34	1.34	1.34	1.84	1.84	1.89	1.89	1.89	1.89	1.89
Electronics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.15	0.15	0.15
Financial administration	1.84	1.85	1.85	1.91	1.91	1.97	1.94	1.94	1.94	2.01
Information systems	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91
Planning and zoning	3.76	3.70	3.70	3.90	3.90	4.00	4.05	4.03	4.05	4.05
Engineering	4.16	4.33	4.33	4.20	4.20	4.48	4.48	4.48	4.48	4.46
Facility Management	0.21	0.07	0.22	0.22	0.22	0.16	1.05	1.05	0.96	0.87
EDA general	0.78	0.85	0.85	0.35	0.35	0.10	0.05	0.05	-	-
LRRWMO	0.24	0.20	0.20	0.15	0.15	0.07	0.07	0.07	0.09	0.09
Risk management	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Public Safety:										
Fire	3.10	3.10	3.10	3.10	3.10	3.21	3.21	3.21	3.21	4.10
Protective inspection	3.66	3.93	3.93	3.93	3.93	4.05	4.03	4.03	4.03	4.40
Emergency management	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Public Works:										
Streets and highways	5.59	5.46	4.97	4.98	5.14	5.68	5.37	5.19	5.22	5.15
Snow and ice	2.57	2.03	3.44	3.46	3.96	1.98	2.23	1.88	2.83	3.25
Street signs	1.46	1.43	1.34	1.30	1.70	1.42	1.57	1.52	1.46	1.51
Natural Resource Preservation	-	-	-	-	-	0.03	0.01	0.01	0.02	-
ROW management/utility	0.16	0.20	0.20	0.20	0.20	0.08	0.08	0.08	0.08	0.08
Water	4.70	4.74	4.56	4.52	4.39	4.87	4.55	4.52	4.86	4.57
Sewer	3.23	3.17	3.49	3.06	3.36	2.91	2.82	3.08	2.80	3.33
Storm sewer	2.87	2.54	2.23	2.25	2.50	2.39	2.94	2.38	2.08	2.40
Central equipment	2.91	2.91	2.81	3.10	3.07	3.31	3.25	3.19	3.34	-
Park & Recreation:										
Park and recreation	6.69	6.77	7.14	7.33	8.77	8.58	8.65	8.30	7.80	8.41
Community center	3.04	3.25	3.10	3.10	3.10	3.16	3.22	3.22	3.32	3.32
Recycling	0.96	1.30	0.77	0.76	0.72	0.79	1.03	1.00	0.88	0.81
	55.36	55.50	56.00	56.00	57.00	57.45	58.50	58.50	59.75	59.75

Source: City Finance Department

Note: Employees are allocated to various departments based on the functions that they perform.

CITY OF ANDOVER, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Years

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government:										
Registered voters	n/a	18,366	n/a	19,772	n/a	22,051	n/a	20,433	n/a	23,545
Number of precincts	n/a	10	n/a	10	n/a	10	n/a	10	n/a	10
Public safety:										
Police:	11,650	10,963	10,659	10,319	10,400	14,736	15,636	14,724	18,164	15,351
Number of calls for services	2,000	2,202	2,480	2,536	2,066	1,614	1,491	1,585	1,246	936
Number of traffic citations	29,200	29,200	29,200	29,200	29,200	29,200	29,200	29,200	29,200	29,200
Number of patrol hours										
Fire:	265	320	308	257	262	378	350	365	472	375
Fire responses	764	816	863	838	336	594	500	740	790	667
Emergency medical responses										
Protective inspections:										
Inspections	3,074	3,872	3,766	2,840	3,100	3,562	2,785	2,844	3,574	4,791
Residential permits	58	81	98	52	74	111	95	58	116	139
Other permits	1,755	1,714	1,716	1,898	2,744	2,536	2,653	2,396	2,758	2,983
Public works:										
Streets and highways:										
Asphalt streets maintained (miles)	191	191	192	195	200	204	190	194	195	202
Gravel roads maintained (miles)	7	7	7	7	6	6	6	7	7	7
Cul-de-sacs and dead ends maintained	338	338	328	332	345	348	350	353	357	358
Parks and recreation:										
Number of City parks	50	49	50	51	52	53	53	53	53	53
Total acreage mowed	302	302	318	332	332	332	332	336	336	338
Ballfields maintained	28	28	28	28	29	27	27	27	27	27
Number of playgrounds	38	38	39	38	38	41	41	42	42	42
Soccer fields maintained	21	17	20	16	16	18	18	20	20	20
Trail maintained (miles)	35	33	35	33	33	34	34	37	39	40
Community center bookings (hrs):										
Fieldhouse	11,461	11,831	12,182	11,919	12,701	12,900	13,796	13,891	13,891	13,891
Ice arena	2,575	2,805	2,543	2,593	2,643	2,606	2,702	3,288	3,156	2,585
Water:										
New connections	78	38	108	43	57	97	91	62	90	75
Total customers	6,229	6,267	6,375	6,418	6,475	6,572	6,663	6,725	6,815	6,890
Annual consumption (thousands of gallons)	854,672	1,050,378	947,201	827,574	885,886	850,307	873,457	975,387	829,721	1,024,844
Sanitary Sewer:										
New connections	77	38	108	43	57	101	92	58	36	87
Total customers	7,135	7,173	7,281	7,324	7,381	7,482	7,574	7,632	7,668	7,755
Storm Sewer:										
Total customers	10,126	10,164	10,583	10,626	10,700	10,812	10,948	10,971	11,118	11,153
Storm sewer lines maintained (miles)	69	69	73	75	76	77	78	80	81	81

Source: Various City Departments

Table 19

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

Table 20

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety:										
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Fire vehicles	21	21	20	19	20	18	19	17	16	
Protective inspections:										
Vehicles	4	4	4	4	4	4	4	4	5	5
Public Works:										
Streets and Highways:										
Street (miles)	191	191	192	195	200	204	190	194	195	202
Street lights	1,225	1,231	1,240	1,248	1,248	1,260	1,268	1,282	1,301	1,326
Traffic signals	24	24	24	24	25	25	26	26	27	27
Parks and Recreation:										
Parks	50	49	50	51	52	53	53	53	53	53
Ball fields	28	28	28	28	29	27	27	27	27	27
Soccer fields	21	17	20	16	16	18	18	20	20	20
Playgrounds	38	38	39	38	38	41	41	42	42	42
Trails (miles)	35	33	35	33	33	34	34	37	39	40
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water treatment plants	1	1	1	1	1	1	1	1	1	1
Storage facilities	2	2	2	2	2	2	2	2	2	2
Water main (miles)	109	111	112	115	116	118	119	120	121	122
Connections	6,229	6,267	6,375	6,418	6,475	6,635	6,663	6,725	6,815	6,890
Sanitary sewer:										
Sewer main (miles)	93	93	94	95	96	96	98	99	100	101
Connections	7,135	7,173	7,281	7,324	7,381	7,482	7,574	7,632	7,668	7,755
Number of lift stations	9	9	9	9	9	9	9	9	10	10
Storm sewer:										
Storm sewer lines (miles)	69	69	73	75	76	77	78	78	80	81

CITY OF ANDOVER, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2020

Exhibit 1

	Issue Date	Maturity Date	Interest Rate	Authorized and Issue
GOVERNMENTAL ACTIVITIES:				
Abatement Bonds:				
2012C G.O. Abatement Bonds	12/27/2012	2/1/2031	1.00-3.00%	\$ 17315,000
2019A G.O. Abatement Bonds	8/1/2019	2/1/2040	3.00-5.00%	15770,000 33,085,000
Certificates of indebtedness:				
2014A G.O. Equipment Certificates	5/29/2014	2/1/2020	1.50-2.00%	1,555,000
2016A G.O. Equipment Certificates	2/19/2016	2/1/2021	1.90%	520,000
2020A G.O. Equipment Certificates	3/19/2020	2/1/2024	4.00%	1,310,000 3,385,000
Total certificates of indebtedness				
Capital Improvement Bonds:				
2018A G.O. Capital Improvement Plan Bonds	12/27/2018	2/1/2044	3.00-5.00%	10,000,000
Referendum Bonds:				
2010A G.O. Open Space Referendum Bonds	2/18/2010	2/1/2022	2.00 - 3.12%	1,660,000
Total bonded indebtedness				48,130,000
Issuance premiums				-
Compensated absences payable				-
Total governmental activities indebtedness				48,130,000
BUSINESS-TYPE ACTIVITIES:				
General Obligation Revenue Bonds:				
2009A G.O. Water Revenue Refunding Bonds	3/26/2009	2/1/2024	2.00-4.25%	1,025,000
2016B G.O. Water Revenue Refunding Bonds	12/7/2016	2/1/2023	2.00%	3,925,000 4,950,000
Total general obligation revenue bonds				
Issuance premiums				-
Compensated absences payable				-
Total business-type activities indebtedness				4,950,000
Total City indebtedness				\$ 53,080,000

	Principal Payments Prior Years	Current Year	Outstanding 12/31/20	Principal Interest	2021 Payment Interest	Total
GOVERNMENTAL ACTIVITIES:						
Abatement Bonds:						
2012C G.O. Abatement Bonds	\$ 4,930,000	\$ 910,000	\$ 11475,000	\$ 925,000	\$ 287,631	\$ 1,212,631
2019A G.O. Abatement Bonds	15770,000 33,085,000	910,000	15,770,000 27,245,000	235,000 1,160,000	584,275 871,906	2,031,906
Certificates of indebtedness:						
2014A G.O. Equipment Certificates	1,280,000	275,000	131,000	134,000	-	-
2016A G.O. Equipment Certificates	255,000	-	-	315,000	1,273	135,273
2020A G.O. Equipment Certificates	520,000	-	-	449,000	46,100	36,100
Total certificates of indebtedness	1,310,000 1,555,000	406,000	1,444,000	1,444,000	47,373	496,373
Capital Improvement Bonds:						
2018A G.O. Capital Improvement Plan Bonds	-	85,000	9,915,000	125,000	350,881	475,881
Referendum Bonds:						
2010A G.O. Open Space Referendum Bonds	1,165,000	160,000	335,000	165,000	7,870	172,870
Total bonded indebtedness	7,650,000	1,561,000	38,939,000	1,899,000	1,278,030	3,177,030
Issuance premiums	-	-	1,357,891	-	-	-
Compensated absences payable	-	-	840,769	-	-	-
Total governmental activities indebtedness	7,630,000	1,561,000	41,137,660	1,899,000	1,278,030	3,177,030
BUSINESS-TYPE ACTIVITIES:						
General Obligation Revenue Bonds:						
2009A G.O. Water Revenue Refunding Bonds	630,000	75,000	320,000	75,000	11,592	86,592
2016B G.O. Water Revenue Refunding Bonds	1,250,000 1,880,000	650,000 725,000	2,025,000 2,345,000	660,000 735,000	33,900 45,492	693,900 780,492
Total general obligation revenue bonds	-	-	27,742	-	-	-
Issuance premiums	-	-	-	235,202	-	-
Compensated absences payable	-	-	-	-	-	-
Total business-type activities indebtedness	4,950,000	1,880,000	725,000	2,607,944	735,000	45,492
Total City indebtedness	\$ 53,080,000	\$ 9,510,000	\$ 2,266,000	\$ 43,745,604	\$ 2,634,000	\$ 1,323,522
						\$ 3,057,222

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

Exhibit 2

CITY OF ANDOVER, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
GENERAL OBLIGATION BONDS
December 31, 2020

	Taxes Payable	
	2021	2020
Tax capacity values		
Captured tax increment value	\$ 37,489,817	\$ 36,099,539
Fiscal disparities - contribution	(119,365) (1,348,420)	(114,064) (1,310,143)
Local taxable value	36,022,032	34,675,332
Fiscal disparities - distribution	5,475,223	5,355,244
Adjusted tax capacity	<u>\$ 41,497,255</u>	<u>\$ 40,030,576</u>
	Taxes Payable	
	Taxes Payable	
	Abatement Bonds 2012C	Abatement Bonds 2019A
Certified Tax Capacity Rate		
Certified Levy Rate	Certified Levy	2020 Tax Capacity Rate
General Revenue Levy:		
General Fund	\$ 9,516,493	\$ 9,314,032
Community Center Operations Levy	155,000	-
Capital Equipment/Projects	250,000	275,000
Facility Maintenance Reserve	355,000	355,000
Parks Projects	15,000	15,000
Road and Bridge	1,342,456	1,287,469
Pedestrian Trail Maintenance	106,121	104,040
Total General Revenue Levy	<u>11,740,070</u>	<u>11,350,541</u>
Debt Service Levy:		
2012 G.O. Abatement Bonds	973,263	976,780
2016A G.O. Equipment Certificate	-	143,373
2018A G.O. Capital Improvement Plan Bonds	456,344	433,603
2019A G.O. Abatement Bonds	976,966	1,001,090
2020A G.O. Equipment Certificate	406,224	350,000
2021A G.O. Equipment Certificate	170,000	-
Total Debt Service Levy	<u>2,992,797</u>	<u>7,207%</u>
Lower Rum River Watershed	<u>40,000</u>	<u>0.271%</u>
Total	<u>14,762,867</u>	<u>35.845%</u>
Voter-Approved Open Space Referendum - MV	<u>151,078</u>	<u>0.00418%</u>
	<u>\$ 14,913,945</u>	<u>\$ 14,479,586</u>

CITY OF ANDOVER, MINNESOTA
SCHEDULE OF FUND TRANSFERS
December 31, 2020

Exhibit 4

	Transfer In	Transfer Out
General Fund		
Water EF	\$ 93,975	\$ -
Sewer EF	711,25	-
Storm Sewer EF	13,390	1,000,000
Road and Bridge CPF	-	100,000
Total General Fund	191,688	1,000,000
Special Revenue Funds (SRF)		
Community Center SRF	-	300,000
2012 GO Abatement Bonds DSF	-	300,000
Right of Way Management / Utility SRF	-	5,700
Road and Bridge CPF	-	305,700
Total Special Revenue Funds	-	305,700
Debt Service Funds (DSF)		
Community Center SRF	300,000	-
2014 GO Equipment Certificate DSF	-	88,476
Building Fund CPF	-	Close Debt Service Fund
2019 GO Abatement Bonds DSF	175,146	-
Park Dedication CPF	-	Debt Service Allocation
Total Debt Service Funds	475,146	88,476
Capital Projects Funds (CPF)		
Water Trunk CPF	300,000	59,740
Water EF	-	Replacement Reserve
Sewer Trunk CPF	300,000	59,740
Sewer EF	-	Debt Service Allocation
Sewer Trunk CPF	400,000	-
Road and Bridge CPF	1,000,000	5,700
General Fund	-	Road improvements
Right of Way Management / Utility SRF	-	Roadway Degradation
Park Dedication CPF	-	Replacement Reserve
2019 GO Abatement Bonds DSF	-	175,146
Building Fund CPF	-	Debt Service Allocation
2014 GO Equipment Certificate DSF	88,476	-
Capital Equipment Reserve CPF	1,005,700	-
Storm Sewer EF	-	Close Debt Service Fund
2018 GO Capital Improvement Plan Bonds CPF	23,500	-
Water EF	22,650	Allocation to Public Works Expansion
Sewer EF	23,650	Allocation to Public Works Expansion
Total Capital Projects Funds	1,862,976	234,886
Enterprise Funds (EF)		
Water EF	59,740	93,975
Water Trunk CPF	-	General Fund Admin Allocation
General Fund	-	Replacement Reserve
Water Trunk CPF	-	Allocation to Public Works Expansion
2018 GO Capital Improvement Plan Bonds CPF	59,740	416,625
Storm Sewer EF	-	72,123
General Fund	-	400,000
Capital Equipment Reserve CPF	-	22,650
Capital Equipment Reserve CPF	-	489,773
General Fund Admin Allocation	-	19,590
Capital Equipment Reserve CPF	-	23,500
General Fund Admin Allocation	-	43,090
Total Enterprise Funds	59,740	959,488
Total All Funds	\$ 2,585,50	\$ 2,585,50

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

\$ _____
GENERAL OBLIGATION STREET RECONSTRUCTION AND
EQUIPMENT BONDS, SERIES 2021A
CITY OF ANDOVER
ANOKA COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Andover, Anoka County, Minnesota (the "Issuer"), of its \$ _____ General Obligation Street Reconstruction and Equipment Bonds, Series 2021A, bearing a date of original issue of December 28, 2021 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See following pages)

[Appendix ____ to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Andover, Minnesota (the "Issuer"), in connection with the issuance of its \$ _____ General Obligation Street Reconstruction and Equipment Bonds, Series 2021A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on December 7, 2021 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2021, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2021, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2022, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are

modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and,
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: _____, 2021.

CITY OF ANDOVER, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

APPENDIX E

TERMS OF PROPOSAL

\$7,960,000* GENERAL OBLIGATION STREET RECONSTRUCTION AND EQUIPMENT BONDS, SERIES 2021A CITY OF ANDOVER, MINNESOTA

Proposals for the purchase of \$7,960,000* General Obligation Street Reconstruction and Equipment Bonds, Series 2021A (the "Bonds") of the City of Andover, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on December 7, 2021, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Sections 410.32, 412.301 and 475.58, subdivision 3b, and Chapter 475, by the City to finance certain street reconstruction projects described in the City's Street Reconstruction Plan dated November 3, 2021 and the acquisition of capital equipment. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated December 28, 2021, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$1,050,000	2026	\$1,070,000	2029	\$930,000
2024	1,060,000	2027	915,000	2030	940,000
2025	1,070,000	2028	925,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2022, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected U.S. Bank National Association, St. Paul, Minnesota, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about December 28, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$7,880,400 plus accrued interest on the principal sum of \$7,960,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$159,200 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Andover, Minnesota

PROPOSAL FORM

The City Council
City of Andover, Minnesota (the "City")

December 7, 2021

RE: \$7,960,000* General Obligation Street Reconstruction and Equipment Bonds, Series 2021A (the "Bonds")
DATED: December 28, 2021

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$7,880,400) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2023	_____	% due	2026	_____	% due	2029
_____	% due	2024	_____	% due	2027	_____	% due	2030
_____	% due	2025	_____	% due	2028	_____	% due	

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$159,200 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about December 28, 2021.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use either the: ____ 10% test, or the ____ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from December 28, 2021 of the above proposal is \$ _____ and the true interest cost (TIC) is _____ %.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Andover, Minnesota, on December 7, 2021.

By: _____ By: _____
Title: _____ Title: _____